NEW ISSUE – BOOK ENTRY ONLY

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

In the opinion of Bond Counsel, under existing law and subject to the conditions described in "TAX MATTERS" herein, (a) interest on the 2022A Bonds (i) is not included in gross income for federal income tax purposes, and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax; and (b) interest on the 2022B Bonds is includable in gross income for federal tax purposes. Further, in the opinion of Bond Counsel, the 2022 Bonds, their transfer and the income therefrom (including any profit made on the sale thereof) are exempt from taxation within the Commonwealth of Virginia. See "TAX MATTERS" herein.

$453,005,000
VIRGINIA PUBLIC BUILDING AUTHORITY

$432,950,000
Public Facilities Revenue Bonds, Series 2022A

$20,055,000
Public Facilities Revenue Bonds, Series 2022B (Federally Taxable)

Dated: Date of Delivery

Due: August 1, as shown on the inside cover pages

This Official Statement has been prepared by the Virginia Public Building Authority (the "Authority") to provide information on its Public Facilities Revenue Bonds, Series 2022A (the "2022A Bonds"), and Public Facilities Revenue Bonds, Series 2022B (Federally Taxable) (the "2022B Bonds," and together with the 2022A Bonds, the "2022 Bonds"). Selected information is presented on this cover page for the user's convenience. To make an informed investment decision regarding the 2022 Bonds, a prospective investor should read this Official Statement in its entirety.

Security	The 2022 Bonds are limited obligations of the Authority, anticipated to be payable solely 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 2022 Bonds are not a debt or a pledge of the faith and credit of the Commonwealth of Virginia. Neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the 2022 Bonds. *See* "*SOURCES OF PAYMENT AND SECURITY FOR THE BONDS*."
Redemption	See inside cover and "*THE 2022 BONDS* - Redemption Provisions."
Issued Pursuant to	The 2022 Bonds are issued pursuant to a Master Indenture of Trust, dated as of April 15, 1997, as previously supplemented and amended, and as further supplemented by the Fortieth Supplemental Indenture of Trust, dated as of April 1, 2022.
Purpose	The Authority will use the proceeds of the 2022 Bonds to (i) finance the acquisition, construction, improvement, rehabilitation, furnishing and equipping of various public facilities for use by or on behalf of the Commonwealth and its agencies, (ii) finance the Commonwealth's payment of the costs of certain grants and of regional and local jail and juvenile detention facility projects, and (iii) pay costs of issuing the 2022 Bonds. *See* "*THE PROJECTS*."
Interest Rates/Yields	See inside cover.
Interest Payment Dates	February 1 and August 1, commencing August 1, 2022.
Regular Record Dates	January 15 and July 15.
Denomination	$5,000 or integral multiples thereof.
Closing/Delivery Date	On or about April 26, 2022.
Registration	Book-entry-only; The Depository Trust Company. *See* "*THE 2022 BONDS* - Book-Entry-Only System."
Trustee/Paying Agent	The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania.
Financial Advisor	Frasca & Associates, LLC, New York, New York.
Bond Counsel	Kaufman & Canoles, a Professional Corporation, Richmond, Virginia.
Issuer Contact	Director of Debt Management, Virginia Department of the Treasury, (804) 225-2142.

Dated: April 5, 2022

$453,005,000
VIRGINIA PUBLIC BUILDING AUTHORITY

(Base CUSIP Number 928173)**

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

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

$432,950,000
Public Facilities Revenue Bonds,
Series 2022A

Year of Maturity	Principal Amount	Interest Rate	Yield	CUSIP Suffix**
2023	$12,995,000	5.000%	1.700%	AA1
2024	13,660,000	5.000	1.880	AB9
2025	14,360,000	5.000	1.950	AC7
2026	15,100,000	5.000	2.040	AD5
2027	15,875,000	5.000	2.070	AE3
2028	16,685,000	5.000	2.120	AF0
2029	17,545,000	5.000	2.230	AG8
2030	18,440,000	5.000	2.270	AH6
2031	19,390,000	5.000	2.320	AJ2
2032	20,380,000	5.000	2.370	AK9
2033	21,430,000	5.000	2.440*	AL7
2034	22,525,000	5.000	2.490*	AM5
2035	23,680,000	5.000	2.520*	AN3
2036	24,890,000	5.000	2.580*	AP8
2037	26,165,000	5.000	2.600*	AQ6
2038	27,510,000	5.000	2.620*	AR4
2039	28,770,000	4.000	2.940*	AS2
2040	29,945,000	4.000	2.970*	AT0
2041	31,165,000	4.000	3.000*	AU7
2042	32,440,000	4.000	3.030*	AV5

* Yield to par call date of August 1, 2032.

** CUSIP numbers have been assigned by an organization not affiliated with the Authority or the Commonwealth and are included solely for the convenience of the holders of the 2022 Bonds. Neither the Authority nor the Commonwealth is responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the 2022 Bonds or as indicated above.

$20,055,000
Public Facilities Revenue Bonds,
Series 2022B (Federally Taxable)

Year of Maturity	Principal Amount	Interest Rate	Yield	CUSIP Suffix**
2023	$5,000,000	2.150%	2.150%	AW3
2024	5,000,000	2.700	2.700	AX1
2025	5,000,000	2.750	2.750	AY9
2026	5,055,000	2.800	2.800	AZ6

** CUSIP numbers have been assigned by an organization not affiliated with the Authority or the Commonwealth and are included solely for the convenience of the holders of the 2022 Bonds. Neither the Authority nor the Commonwealth is responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the 2022 Bonds or as indicated above.

OPTIONAL REDEMPTION

The 2022A Bonds maturing on or before August 1, 2032 are not subject to redemption prior to maturity. The 2022A Bonds maturing on or after August 1, 2033, may be redeemed prior to their respective maturities at the sole option of the Authority on or after August 1, 2032, from any money available for such purpose, in whole or in part (in any integral multiples of $5,000) at any time, upon payment of a redemption price equal to 100% of the principal amount of the 2022A Bonds to be redeemed, plus accrued interest to the redemption date, as described more fully in "*THE 2022 BONDS* - Redemption Provisions."

MAKE-WHOLE OPTIONAL REDEMPTION

The 2022B Bonds are subject to make-whole optional redemption as described in "*THE 2022 BONDS* – Redemption Provisions."

COMMONWEALTH OF VIRGINIA OFFICIALS

GOVERNOR
GLENN YOUNGKIN

LIEUTENANT GOVERNOR
WINSOME EARLE-SEARS

ATTORNEY GENERAL
JASON S. MIYARES

SECRETARY OF FINANCE
STEPHEN E. CUMMINGS

STATE TREASURER
MANJU S. GANERIWALA

STATE COMPTROLLER
DAVID A. VON MOLL

VIRGINIA PUBLIC BUILDING AUTHORITY

MEMBERS

CHAIRMAN
SUZANNE S. LONG

SECRETARY/TREASURER
MANJU S. GANERIWALA

VICE CHAIRMAN
CAROLYN L. BISHOP

DAVID A. VON MOLL

JOHN A. MAHONE

ANN H. SHAWVER

SARAH B. WILLIAMS

STAFF

VPBA ASSISTANT SECRETARY/TREASURER #1
Director of Debt Management
BRADLEY L. JONES

VPBA ASSISTANT
SECRETARY/TREASURER #2
Public Finance Manager
JOHN J. CONRAD

Senior Public Finance Analyst
SHERWANDA R. CAWTHORN

FINANCIAL ADVISOR
FRASCA & ASSOCIATES, LLC
New York, New York

BOND COUNSEL
KAUFMAN & CANOLES, A PROFESSIONAL CORPORATION
Richmond, Virginia

TRUSTEE AND PAYING AGENT
THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
Pittsburgh, Pennsylvania

COUNSEL TO VPBA AND TREASURY BOARD
ATTORNEY GENERAL'S OFFICE
Richmond, Virginia

The 2022 Bonds are exempt from registration under the Securities Act of 1933, as amended. As obligations of the Commonwealth of Virginia, the 2022 Bonds are exempt from registration under the securities laws of the Commonwealth.

No dealer, broker, salesman or other person has been authorized by the Authority or the Commonwealth to give any information or to make any representation with respect to the 2022 Bonds other than those contained in this Official Statement. If given or made, such other information and/or representations must not be relied upon as having been authorized by the Authority or the Commonwealth. 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 2022 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 or the Commonwealth and the purchasers or owners of any of the 2022 Bonds.

The electronic distribution of this Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the 2022 Bonds described herein to the residents of any particular state and is not specifically directed to the residents of any particular jurisdiction. The 2022 Bonds shall not be offered or sold in any jurisdiction unless and until they are either registered pursuant to the laws of such state or qualified pursuant to an appropriate exemption from registration in such jurisdiction.

The outbreak of the novel coronavirus ("COVID-19") is a significant event that has had and will have ongoing, material effects on the Commonwealth of Virginia's finances and operations. Certain historic information in this Official Statement about the Commonwealth of Virginia's finances and operations predate the COVID-19 outbreak and should be considered in light of the possible or probable negative effects that the COVID-19 pandemic may have on the current and future finances and operations of the Commonwealth of Virginia. See "*RECENT DEVELOPMENTS AFFECTING THE COMMONWEALTH* – COVID-19 Pandemic," for a discussion of the effects of COVID-19 on the Commonwealth.

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 final official statement for purposes of, as that term is defined in, Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

The information set forth herein has been obtained from the Authority, the Commonwealth and other sources deemed to be reliable. The information and any expression of opinion herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder, under any circumstances, shall create any implication that there has been no change in the affairs of the Authority or the Commonwealth since the date hereof. Any statements 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 estimate will be realized.

TABLE OF CONTENTS

This Official Statement in its entirety, including all appendices, is available by arrangement between the Authority and Financial Press, LLC by contacting the Authority at (804) 225-2142 or Financial Press, LLC at (804) 928-6366, and via the Internet at www.finpressllc.com. This Official Statement in its entirety, including all appendices, is also available on the Authority's investor relations website at https://www.VPBABonds.com.

This page intentionally left blank.

OFFICIAL STATEMENT

$453,005,000
VIRGINIA PUBLIC BUILDING AUTHORITY

$432,950,000	$20,055,000
Public Facilities Revenue Bonds, Series 2022A	**Public Facilities Revenue Bonds, Series 2022B (Federally Taxable)**

INTRODUCTION

Purpose

The purpose of this Official Statement, including its cover and appendices, is to provide certain information relating to the Virginia Public Building Authority (the "Authority") and the issuance of its $432,950,000 Public Facilities Revenue Bonds, Series 2022A (the "2022A Bonds"), and $20,055,000 Public Facilities Revenue Bonds, Series 2022B (Federally Taxable) (the "2022B Bonds," and together with the 2022A Bonds, the "2022 Bonds"). The Authority is issuing the 2022 Bonds to (i) finance the acquisition, construction, improvement, rehabilitation, furnishing and equipping of various public facilities for use by or on behalf of the Commonwealth of Virginia (the "Commonwealth") and its agencies, (ii) finance the Commonwealth's payment of the costs of certain grants and of regional and local jail and juvenile detention facility projects, and (iii) pay costs of issuing the 2022 Bonds. See "*THE PROJECTS*." The 2022 Bonds were offered for sale at competitive bidding on Tuesday, April 5, 2022. See "*SALE AT COMPETITIVE BIDDING*."

This introduction contains certain summary information regarding the 2022 Bonds and is not a complete summary of the 2022 Bonds or the security therefor. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto. Investors should read this entire Official Statement to obtain information necessary to the making of an informed investment decision.

The Authority

The Authority is a political subdivision of the Commonwealth. The Authority is authorized to issue bonds or notes to (i) construct, improve, furnish, maintain, acquire, finance and refinance certain public facilities for the use of the Commonwealth, its agencies and instrumentalities, (ii) finance or refinance capital projects that benefit the Commonwealth and any of its authorities, agencies, instrumentalities or regional or local authorities, and (iii) finance or refinance reimbursements to localities or governmental entities of the Commonwealth's share of the capital costs for certain authorized projects. The Authority has no taxing power. The Authority is created under the Virginia Public Building Authority Act of 1981, Article 6, Chapter 22, Title 2.2, Code of Virginia of 1950, as amended (the "Act"). The Authority's offices are 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*."

Authorization

The 2022 Bonds will be issued pursuant to the Act, a resolution adopted by the Authority on March 2, 2022, and a resolution adopted by the Treasury Board of the Commonwealth (the "Treasury Board") on March 16, 2022.

The issuance of the 2022 Bonds is subject to the consent of the Governor of the Commonwealth, as required by the Act.

The 2022 Bonds will also be issued pursuant to a Master Indenture of Trust (the "Master Indenture") dated as of April 15, 1997, as previously supplemented and amended, and as further supplemented by a Fortieth Supplemental Indenture of Trust (the "Fortieth Supplemental Indenture"), dated as of April 1, 2022, between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee") and paying agent (the "Paying Agent"). Together, the Master Indenture, the Fortieth Supplemental Indenture and any previous or further supplements are referred to in this Official Statement as the "Indenture." The bonds currently outstanding under the Indenture are collectively referred to as the "Prior Bonds." The 2022A Bonds and the 2022B Bonds will be the fifty-seventh and fifty-eighth series of parity bonds issued under the Indenture. The 2022 Bonds, the Prior Bonds, and all other parity or additional bonds hereafter issued from time to time under and secured equally and ratably by the Indenture (the "Additional Bonds") are collectively called the "Bonds."

The 2022 Bonds

The 2022 Bonds will be issued in the aggregate principal amount of $453,005,000. The 2022 Bonds will be dated the date of their original issuance and delivery, and will mature on August 1 in the years and amounts set forth on the inside front cover pages of this Official Statement. The 2022 Bonds will be issued in authorized denominations of $5,000 and integral multiples thereof and will be held through the facilities of The Depository Trust Company, New York, New York ("DTC") or by its nominee as securities depository with respect to the 2022 Bonds. See "*THE 2022 BONDS* - Book-Entry-Only System."

Interest on the 2022 Bonds will be payable on February 1 and August 1, commencing August 1, 2022, until the earlier of maturity or redemption. As long as the 2022 Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC in same-day funds on each interest payment date.

Authority Financing Program

The Authority was initially created under the Act for the purpose of financing, refinancing, constructing, improving, furnishing, maintaining, acquiring and operating public buildings for the use of the Commonwealth and its agencies, instrumentalities and political subdivisions. 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 its inception in 1981, the Authority has issued 66 series of bonds, 10 of which were issued under the Authority's prior master indenture with Signet Trust Company (predecessor to The Bank of New York Mellon Trust Company, N.A.), as Trustee and Paying Agent, dated as of October 1, 1988, as supplemented and amended, under which the Authority took legal title to projects and leased them to the Commonwealth. The Commonwealth's lease payments under the leases, in turn, provided for debt service payments on the related bonds. As described below, the Authority no longer utilizes this financing structure, and no bonds are outstanding hereunder.

In 1996, the General Assembly authorized the Authority to finance or refinance all or any portion of the Commonwealth's share of the costs, including certain interest accrued during construction, of local or regional jail facilities that have been approved by the General Assembly, in addition to traditional Authority facilities approved by the General Assembly for the Commonwealth and its agencies. In 1998, the General Assembly authorized the Authority to refinance obligations issued by other state and local authorities or political subdivisions of the Commonwealth where such obligations are secured by a lease or other payment agreement with the Commonwealth and to refinance the Commonwealth's obligations under such leases or payment agreements. In 2002, the General Assembly further authorized the Authority to finance or refinance capital projects that benefit the Commonwealth, or its agencies, authorities or instrumentalities, and regional or local authorities, and also extended the Authority's finance powers to include the refinancing of reimbursements to governmental entities of the Commonwealth's share of the costs of capital projects authorized by applicable Virginia law. The authorized projects for Authority financing from time to time are referred to in this Official Statement as "Projects."

As provided in the Master Indenture the Authority now utilizes a single payment agreement structure with the Treasury Board to provide for debt service payments on the Bonds, rather than a lease structure under which the Authority took title. Payments under such payment agreement are subject to General Assembly appropriations therefor. See "*THE PAYMENT AGREEMENT*" and "*THE MASTER INDENTURE*."

Under this financing structure, the Authority generally finances the cost of authorized Projects as funding is needed on a "cash flow" basis. Anticipated costs to be incurred on Projects over a short-term period, usually less than one year, are included when determining the size of a bond issue. Bond proceeds are available to pay the costs of approved Projects as such Projects progress. Accordingly, the Authority anticipates the issuance of additional Bonds from time to time, although neither the size nor the timing of any additional series of Bonds is known at this time. Proceeds from such Additional Bonds will be used to pay the costs of Projects that require additional funding, as well as for additional Projects. See "*AUTHORITY DEBT SERVICE REQUIREMENTS*" for amounts outstanding under the Authority's Master Indenture.

See "*SOURCES OF PAYMENT AND SECURITY FOR THE BONDS* - Additional Bonds."

Security for the 2022 Bonds

The 2022 Bonds will be payable from and secured by funds, if any, appropriated from time to time for such purpose by the Virginia General Assembly (the "General Assembly"). See "*SOURCES OF PAYMENT AND SECURITY FOR THE BONDS.*"

THE 2022 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM FUNDS 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 2022 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 2022 BONDS. THE AUTHORITY HAS NO TAXING POWER.

Appendix A contains the financial statements of the Commonwealth for its fiscal year ending June 30, 2021. ***Appendices B*** and ***C*** 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* - COVID-19 Pandemic."

THE AUTHORITY

The Authority is governed by a seven-member board (the "Board"). Five members of the Board are appointed for five-year terms by the Governor of Virginia (the "Governor"), subject to General Assembly confirmation. The Governor designates one member of the Board as chairman. The State Treasurer and the State Comptroller serve as ex officio members of the Board.

The following sets forth the Board's current membership, the expiration dates of the members' terms and the business or government affiliations of such members:

Name	*Expiration of Term*	*Business Affiliation*
Suzanne S. Long Chairman	June 30, 2025	Meyer, Baldwin, Long & Moore, LLP Richmond, Virginia
Carolyn L. Bishop Vice Chairman	June 30, 2024	Virginia529, Richmond, Virginia
Manju S. Ganeriwala Secretary/Treasurer	Ex officio	State Treasurer, Richmond, Virginia
John A. Mahone	June 30, 2026	Commonwealth of Virginia, Retired
Ann H. Shawver	June 30, 2023	Ann Harrity Shawver, Certified Public Accountant, PLLC Roanoke, Virginia

David A. Von Moll	Ex officio	State Comptroller, Richmond, Virginia
Sarah B. Williams	June 30, 2022	The Robert G. Cabell III and Maude Morgan Cabell Foundation, Richmond, Virginia

Upon the issuance of the 2022 Bonds, there will be approximately $1,366,773,029 in authorized but unissued Bonds for Projects authorized to be financed by the Authority. Upon the issuance of the 2022 Bonds, the Authority will have outstanding approximately $3,339,940,000 in principal amount of Bonds. Debt service on the Authority's Bonds is payable from Commonwealth appropriations. See "*AUTHORITY DEBT SERVICE REQUIREMENTS*" and "*SOURCES OF PAYMENT AND SECURITY FOR THE BONDS*."

The Bonds are limited obligations of the Authority, payable solely from the Trust Estate, as described in "*SOURCES OF PAYMENTS AND SECURITY FOR THE BONDS.*"

THE PROJECTS

General

The Authority currently intends to use the net proceeds of the 2022 Bonds to finance portions of some or all of the various Projects described below. Portions of such Projects may have been financed in part with proceeds of previous Authority bond issues and, to the extent necessary, the Authority currently intends to finance additional portions of such Projects, as well as additional projects authorized for Authority financing, from time to time, with Additional Bonds.

Prior General Assembly Authorizations

In previous years, the Virginia General Assembly has authorized the Authority to issue bonds for financing, refinancing, constructing, improving, furnishing, maintaining, acquiring and renovating certain specified projects for the use of the Commonwealth and its agencies, instrumentalities and political subdivisions. The following chapters of the Virginia Acts of Assembly in the specified years authorized the Authority, under conditions set forth therein, to issue bonds in the respective aggregate amounts, subject to certain administrative adjustments, to finance all or any portion of the costs of the designated projects:

Chapter Number	Acts of Assembly Year	Total Amount Authorized for Authority Financing
814	2002	$56,197,306
855 & 887	2002	$195,674,000
955	2003	$118,570,000
1042	2003	$156,262,144
4	2004 Special Session I	$261,714,000
522	2004	$159,300,000
943	2004	$6,617,000
897	2004	$12,408,000
951	2005	$53,503,000
245	2006	$201,900,000
847	2007	$99,000,000
847 & 879	2008	$354,032,000
1 & 2	2008 Special Session I	$437,671,000
781	2009	$340,131,938
874	2010	$83,057,707
890	2011	$10,504,557
3	2012	$80,254,375
806	2013	$382,288,442
1	2014 Special Session I	$300,000,000
2	2014 Special Session I	$203,758,800
665	2015	$77,860,000
366	2016	$29,300,000
759	2016	$866,623,771
780	2016	$76,243,358
836	2017	$63,541,899
1	2018 Special Session I	$3,140,000
2	2018 Special Session I	$671,829,438
854	2019	$466,986,222
1289	2020	$868,884,476
56	2020 Special Session I	$1,500,000
552	2021 Special Session I	$65,335,469

The foregoing summary description does not include those particular local or regional jail facilities for which the General Assembly has authorized the Authority to finance the Commonwealth's obligated share of the costs thereof. The Authority currently anticipates that the General Assembly may authorize additional projects for financing by the Authority during the 2022 General Assembly Session, likely in the 2022-2024 biennial appropriation act. See "*SOURCES OF PAYMENT AND SECURITY FOR THE BONDS* - Appropriations Matters" below, and for general discussion of the budget see "2022 Session Appropriation Act" in ***Appendix B*** attached hereto.

Subject to the foregoing, the Authority anticipates that the proceeds of the sale of the 2022 Bonds will be used for some or all of the following categories of projects, with the amounts listed below being the amounts expected for such categories:

Type of Project	Amount
General governmental facilities	$138,640,570
Conservation projects	79,818,116
Public safety facilities	98,866,953
Education and cultural facilities	4,356,903
Public/mental health projects	140,817,458
Transportation/infrastructure projects	57,500,000

SOURCES AND USES OF PROCEEDS

The following table sets forth estimates of the sources and uses of proceeds of the 2022 Bonds.

SOURCES	
Par Amount of 2022A Bonds	$432,950,000.00
Par Amount of 2022B Bonds	20,055,000.00
Original Issue Premium for 2022A Bonds	69,053,726.45
Total Sources of Funds	$522,058,726.45
USES	
Deposit to Construction Fund for 2022A Bonds	$500,000,000.00
Deposit to Construction Fund for 2022B Bonds	20,000,000.00
Costs of Issuance*	2,058,726.45
Total Uses of Funds	$522,058,726.45

* Includes Underwriters' discount of $1,710,275.29.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

THE 2022 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM FUNDS 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 2022 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 2022 BONDS. THE AUTHORITY HAS NO TAXING POWER.

The revenues, receipts and funds pledged to the payment of the Bonds, including the 2022 Bonds, are as follows: (i) amounts on deposit from time to time in the Bond Fund created under the Master Indenture; (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 Payment Agreement (as defined herein), for the payment of debt service on the Bonds; and (iii) other property of any kind 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 2022A Bonds and the 2022B Bonds are the fifty-seventh and fifty-eighth 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 2022 Bonds will be secured equally and ratably with the Prior Bonds and any Additional Bonds. See "*THE MASTER INDENTURE*."

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 2022 Bonds, nor is there a debt service reserve fund for the 2022 Bonds.**

Payment Agreement

The Authority has entered into a Payment Agreement, dated as of April 15, 1997 (the "Payment Agreement"), with the Treasury Board. The Payment Agreement 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 and rebate expenses), requesting General Assembly appropriations of funds sufficient to pay such amounts, and for the payment of such amounts, if any. The General Assembly is not required, and is under no legal obligation, to make an appropriation for any amount or payment under the Payment Agreement or otherwise in respect of any Bonds. The Payment Agreement requires the Authority and the Treasury Board to use their best efforts to have (i) the Governor include, among other things, the amount so specified in each biennial or any supplemental budget of the Commonwealth, and (ii) 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 Payment Agreement requires the Authority and the Treasury Board 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 Indenture, including certain administrative amounts and rebate expenses. See "*THE PAYMENT AGREEMENT*."

Notwithstanding any failure to complete Projects partially funded with Bonds or to issue Additional Bonds therefor, the Commonwealth is obligated, subject to appropriations by the General Assembly, to make payments under the Payment Agreement in an amount sufficient, together with other available funds, to pay the principal of, premium, if any, and interest due on the Bonds.

The Commonwealth has never failed to perform its obligations to budget, appropriate and pay pursuant to the 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.

Appropriation Matters

The Payment Agreement requires the Treasury Board, acting as fiscal agent on behalf of the Authority (the "Fiscal Agent"), to submit annually by December 1 to the Governor of Virginia (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 annual or biennial period. The Payment Agreement requires the Fiscal Agent to use its best efforts each legislative session during the term of the Payment Agreement to have (i) the Governor include the amount so certified in the biennial or any supplemental budget of the Commonwealth, and (ii) 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, and certain other obligations with respect to the Commonwealth. Although there is no legal requirement that debt service obligations on the Authority's Bonds be included with other Commonwealth debt obligations in a single appropriation, the Authority currently anticipates that all debt service obligations for Authority bonds would be contained in the same appropriation. As Fiscal Agent for the Authority, the Treasury Board directly pays the Trustee that portion of any appropriation consisting of payments under the Payment Agreement for debt service on Bonds.

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

It is expected that the Bonds, including the 2022 Bonds, will be paid solely from amounts, if any, appropriated by the General Assembly for the payment of the Bonds, as described in this section. The General Assembly is not required, and is under no legal obligation, to make an appropriation for any amount or payment under the Payment Agreement or otherwise in respect of any Bonds. Further, the General Assembly may amend its appropriation acts to reduce or delete a previous appropriation, and the General Assembly has no obligation to make any appropriations to pay debt service on the Bonds in future years. However, the General Assembly has never failed to make an appropriation to the Authority for payment of debt service on the Authority's Bonds. See "*RECENT DEVELOPMENTS AFFECTING THE COMMONWEALTH* - COVID-19 Pandemic" for a discussion of the financial and operational effects of COVID-19 on the Commonwealth.

Additional Bonds

The Authority intends to issue Additional Bonds to pay the costs of completing certain Projects initially funded with bonds previously issued by the Authority, including Prior Bonds, and to undertake additional Projects. See "*INTRODUCTION* - Authority Financing Program." Any Additional Bonds issued by the Authority under the Indenture will be equally and ratably secured and payable pursuant to the Indenture with the 2022 Bonds and the Prior Bonds. See "*THE MASTER INDENTURE* - Pledge of Revenues and Funds and Parity of Bonds." Neither the size nor the timing of any series of Additional Bonds is known at this time. See "*OTHER COMMONWEALTH FINANCINGS*."

Information Pertaining to the Commonwealth

Appendix A contains the comprehensive financial statements of the Commonwealth for its fiscal year ended June 30, 2021 and ***Appendices B*** and ***C*** contain, respectively, certain financial and demographic/economic information pertaining to the Commonwealth. See "*RECENT DEVELOPMENTS AFFECTING THE COMMONWEALTH* - COVID-19 Pandemic" for a discussion of the financial and operational effects of COVID-19 on the Commonwealth.

RECENT DEVELOPMENTS AFFECTING THE COMMONWEALTH

COVID-19 Pandemic

Background. The World Health Organization declared on March 11, 2020, a global pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus that has been negatively impacting most, if not all, areas of the world. Within the United States, the federal government and various state and local governments, as well as private entities and institutions, have implemented a variety of different efforts aimed at mitigating the spread of COVID-19 including, but not limited to, travel restrictions, voluntary and mandatory quarantines, vaccine mandates, mask-wearing guidelines, testing protocols, event postponement and cancellations, voluntary and mandatory work from home arrangements, and temporary facility closures. These mitigation measures, as well as general concerns related to the global and national public health emergency and other contributing factors, have resulted in dislocations in the labor market and stress on the global and national economies.

Mitigation Measures Taken in the Commonwealth; Current Status. On March 12, 2020, Ralph Northam, the former Governor of Virginia, declared a state of emergency in the Commonwealth as a result of the COVID-19 pandemic. Following such declaration, Governor Northam imposed a series of public health restrictions designed to mitigate the spread of COVID-19 in the Commonwealth, including, at various times, statewide mask-wearing and social distancing guidelines, limitations on public and private in-person gatherings, the closure of certain businesses deemed non-essential, a statewide stay-at-home order, and the cancellation of in-person instruction at schools.

By May 2021, citing the effectiveness and wide availability of the COVID-19 vaccines described below, Governor Northam lifted most of the remaining public health restrictions that he had imposed to mitigate the spread of COVID-19. In addition, Governor Northam allowed his declaration of a state of emergency to expire on June 30, 2021. Currently, with respect to COVID-19, there are no state-imposed public health restrictions limiting general business activity within the Commonwealth.

Under the auspices of the federal government's program called Operation Warp Speed, vaccines have been developed to combat COVID-19. Currently, everyone in Virginia aged five and older is eligible to receive a COVID- 19 vaccine. As reported by the Virginia Department of Health on March 22, 2022, approximately 6,975,572 people had been vaccinated with at least one dose of a COVID-19 vaccine in the Commonwealth (which represents approximately 81.2% of the Commonwealth's total population and approximately 92.1% of the Commonwealth's total population aged 18 and older).

COVID-19 Expenses; Federal Assistance. The Commonwealth has incurred, and anticipates that it will continue to incur, significant additional expenditures to address the COVID-19 pandemic. The potential magnitude of such expenditures cannot be predicted with any certainty; however, in addition to the federal disaster relief funds that the Commonwealth has received, the Commonwealth has 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, 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 $3.1 billion in grant funding provided by the CARES Act described above. Virginia cities and counties are expected to receive separately approximately $2.3 billion in ARPA-SLRF funding directly from the federal government, and the Commonwealth has received approximately $317 million to be passed through to smaller cities and towns and expects to receive an additional approximately $317 million for the same purpose in May 2022. In total, the Commonwealth and its cities and counties expect to receive approximately $7.2 billion in ARPA-SLRF funding. The General Assembly met in a special session in August 2021 and adopted an amendment to the current 2020-2022 biennial budget to appropriate approximately $3.2 billion of the ARPA-SLRF funds to Fiscal Year 2022 expenditures. Of the balance in available ARPA-SLRF funds, the General Assembly authorized Governor Northam to appropriate additional amounts as necessary to respond to a public health emergency or to prevent the emergence of a new health emergency and to include approximately $353.8 million in Governor Northam's introduced budget for the 2022-2024 biennium. The budget amendment was approved by Governor Northam on August 10, 2021, and effective that same date. The ARPA-SLRF funds appropriated for Fiscal Year 2022 expenditures were allocated primarily to serve five specific needs: (1) public health (by means of upgrading state and local public health services and helping people with the cost of housing and utilities); (2) small businesses (by means of providing additional funding for the Rebuild Virginia small business recovery plan, augmenting relief dollars for the hardest-hit industries, investing in Virginia Tourism's work to recruit visitors, and helping the Housing and Community Development department invest in Virginia's main streets, small towns and industrial revitalization); (3) workers (by means of providing additional funding for the Unemployment Trust Fund and the Virginia Employment Commission); (4) public schools (by means of modernizing public school buildings across the Commonwealth); and (5) broadband (by means of providing broadband access to all of Virginia's cities and counties).

The COVID-19 pandemic is ongoing, and there is no basis to predict the duration or extent of the resulting public health crisis or its collateral effects. Likewise, there is no basis to predict the possibility, timing or nature of any future actions that may be taken by federal, state or local governmental authorities to mitigate the spread of COVID-19 or otherwise address its effects.

Recent Financial Information

Revenue Report for Fiscal Year 2021. The Commonwealth finished the prior fiscal year on June 30, 2021, with a $2.6 billion surplus, representing an increase in total revenue collections of 14.2 percent over the fiscal year ended June 30, 2020, and ahead of the Fiscal Year 2021 forecast of 2.6 percent growth.

More specifically, on a Fiscal Year 2021-to-Fiscal Year 2020 comparison, (a) collections of payroll withholding (approximately 54.7 percent of total general fund revenues) increased 4.7 percent over the prior fiscal year, exceeding the annual forecast of 2.7 percent growth; (b) collections of individual income tax non-withholding (approximately 20.3 percent of total general fund revenues) increased 37.1 percent over the prior fiscal year, exceeding the annual forecast of 4.4 percent growth; (c) collections of sales taxes (approximately 16.3 percent of total general fund revenues) increased 12.4 percent over the prior fiscal year, exceeding the annual forecast of 4.7 percent growth; and (d) collections of corporate income taxes (approximately 5.9 percent of total general fund revenues) increased 49.8 percent over the prior fiscal year, exceeding the annual forecast of 27.4 percent growth.

See also ***Appendices A and B*** attached to this Official Statement.

Interim Revenue Reports; Revised Revenue Forecasts. In the normal course, the Governor of Virginia and the Commonwealth Secretary of Finance provide periodic financial reports regarding, among other things, the Commonwealth's revenue forecasts and tax collections for the then current fiscal year.

In December 2021, the former Governor Northam reported a revised annual forecast projecting total general fund revenues for the fiscal year ending June 30, 2022, to increase by 4.2 percent over the prior fiscal year, in contrast to the original annual revenue forecast dated August 2021 that had projected an 8.0 percent decline.

In a letter dated February 18, 2022, and addressed to the respective chairs of the Appropriations Committee of the Virginia House of Delegates and the Finance and Appropriations Committee of the Virginia Senate, Governor Glenn Youngkin announced that his finance staff had performed a new revenue forecast for the current fiscal year ending June 30, 2022 ("Updated Annual Forecast"). The Updated Annual Forecast indicated that total general fund revenues to be received in the current fiscal year are estimated to increase by an additional $1.25 billion, which amount is over and above the $3.3 billion additional increase that had been estimated in the prior annual reforecast performed in December 2021. Of the $1.25 billion in new revenues described in the Updated Annual Forecast, Governor Youngkin indicated that approximately $498.7 million would be required to be deposited into the Revenue Stabilization Fund, leaving an incremental unobligated, one-time balance of $751.4 million.

On March 11, 2022, the Secretary of Finance released a new interim revenue report covering the first eight months (which ended February 28, 2022) of the current fiscal year ending June 30, 2022 (the "February Revenue Report"). The February Revenue Report indicated that, on a fiscal year-to-date basis, total general fund revenue collections through February 2022 rose 13.6 percent over the same period last year, which is ahead of the Updated Annual Forecast of a 9.2 percent increase. More specifically, on a fiscal year-to-date basis, (a) collections of individual income tax withholding (estimated to represent 56.0 percent of total general fund revenues for the fiscal year) have increased 9.7 percent over the same period last year, which is ahead of the Updated Annual Forecast of a 9.0 percent increase; (b) collections of individual income tax non-withholding (estimated to represent 20.0 percent of total general fund revenues for the fiscal year) have increased 8.8 percent over the same period last year, which is ahead of the Updated Annual Forecast of a 2.5 percent increase; (c) collections of sales taxes (estimated to represent 17.0 percent of total general fund revenues for the fiscal year) have increased 14.8 percent over the same period last year, which is ahead of the Updated Annual Forecast of a 11.4 percent increase; and (d) collections of corporate income taxes (estimated to represent 7.0 percent of total general fund revenues for the fiscal year) have increased 54.9 percent over the same period last year, which is ahead of the Updated Annual Forecast of a 32.6 percent increase.

The revenue forecasts described above 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.

Current Appropriation Status Pertaining to the Authority; Commonwealth Budget Status. The Commonwealth's current biennial budget (enrolled as Chapter 1289 of the 2020 Virginia Acts of Assembly, as amended by Chapter 56 of the 2020 Virginia Acts of Assembly, Special Session I and Chapter 552 of the 2021 Virginia Acts of Assembly, Special Session I) provides appropriations to the Treasury Board and allocable to the Authority in a total amount sufficient to pay all debt service scheduled to come due on the Authority's bonds during the current 2020-2022 biennium.

Former Governor Northam introduced a budget bill for the 2022-2024 biennium, commencing July 1, 2022, that contained appropriations sufficient to pay anticipated debt service on all of the Authority's bonds, including expected debt service on the 2022 Bonds, for the Commonwealth's fiscal years ending June 30, 2023, and June 30, 2024.

The General Assembly convened its regular session on January 12, 2022, to consider, among other legislation, the Commonwealth's budget for the 2022-2024 biennium, and adjourned *sine die* on

March 12, 2022, without finalizing amendments to the existing budget for the current 2020-2022 biennium or adopting a new budget for the 2022-2024 biennium.

As further described in his February 18, 2022 letter mentioned above, Governor Youngkin has proposed that the General Assembly consider utilizing a portion of the Commonwealth's excess revenues in a manner that will create various forms of tax relief. Governor Youngkin has put forward several possible tax-relief measures including eliminating the grocery tax, doubling the standard deduction, providing a tax rebate, eliminating taxes on $40,000 in veterans' retirement income, and deferring the most recent rate increase in the tax on gasoline and diesel fuel. More recently, on March 16, 2022, Governor Youngkin made two additional proposals for tax relief: (i) suspending the tax on gasoline and gasohol for three months, beginning May 1, 2022, and gradually resuming such tax in August and September 2022, and (ii) capping the annual adjustments to such tax at no more than two percent per year. A bill reflecting the Governor's proposals is expected to be considered by the General Assembly during the special session discussed below. There is no basis to predict whether the General Assembly will accept or modify the Governor's various proposals for tax relief as it considers amendments to the existing budget for the current 2020-2022 biennium and adopts a new budget for the 2022-2024 biennium.

On March 23, 2022, Governor Youngkin issued a proclamation calling the General Assembly into special session commencing April 4, 2022, to finalize and approve the budget bills. Once the General Assembly has approved or revised the budget bills, the Governor will review the bills and will either sign them, veto the bills in their entirety or certain line items, or recommend amendments. If the Governor recommends amendments and/or vetoes the bills or any line items, the bills will return to the General Assembly for consideration and action during a reconvened session which is required to be held on the sixth Wednesday after adjournment of the special session.

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 a general discussion of the 2022-2024 budget, see "Budgetary Process" in ***Appendix B*** attached to this Official Statement.

Available Cash and Investments. Based on the latest available monthly analysis of the Commonwealth's cash and investments, the Office of the Comptroller reported that for the period ended February 28, 2022, the Commonwealth had approximately $12.4 billion in net unrestricted cash available to support cashflow in the general fund (compared to approximately $13.0 billion available as of January 31, 2022), and an additional approximately $10.6 billion in restricted non-general fund sources to support cash flow in other Commonwealth operating funds as necessary (compared to approximately $10.7 billion available as of January 31, 2022).

THE 2022 BONDS

General Terms

The 2022 Bonds will be issued in the principal amounts set forth on the inside front cover pages of this Official Statement. The 2022 Bonds will be dated the date of their original issuance and delivery, will bear interest from such date at the rates set forth on the inside front cover pages of this Official Statement, payable on each February 1 and August 1, commencing August 1, 2022, and will mature as set forth on the inside front cover pages of this Official Statement. Interest on the 2022 Bonds will be calculated on a 30/360 day basis. Payments will be made on each interest payment date 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 (i.e., on each January 15 and July 15).

The 2022 Bonds will be issued only as fully registered bonds in book-entry only form, in denominations of $5,000 or any integral multiple thereof, and initially will be held by DTC or its nominee as securities depository for the 2022 Bonds.

Purchases and sales of the 2022 Bonds by Beneficial Owners, defined below, are to be made in book-entry only form only and purchasers will not receive certificates representing their interest in 2022 Bonds so purchased. See the subsection "*Book-Entry-Only System*" below. If the book-entry system is discontinued, bond certificates will be delivered as described in the Indenture, and Beneficial Owners will become the registered owners. Principal of, and premium, if any, and interest on the 2022 Bonds will be payable at the corporate trust office of the Bond Registrar, initially, the Trustee, except that, for so long as Cede & Co. or such other nominee of DTC is the registered owner of all of the 2022 Bonds, principal of and premium, if any, and interest on the 2022 Bonds will be payable in accordance with certain procedures of DTC.

Redemption Provisions

Optional Redemption for 2022A Bonds. The 2022A Bonds maturing on or before August 1, 2032 are not subject to redemption prior to maturity. The 2022A Bonds maturing on or after August 1, 2033, may be redeemed prior to their respective maturities at the sole option of the Authority on or after August 1, 2032, from any money available for such purpose, in whole or in part (in any integral multiples of $5,000) at any time, upon payment of a redemption price equal to 100% of the principal amount of the 2022A Bonds to be redeemed, plus accrued interest to the redemption date.

Make-Whole Optional Redemption for 2022B Bonds. The 2022B Bonds are subject to redemption at the option of the Authority, in whole or in part, on any business day, at the Make-Whole Redemption Price (as next defined).

The "Make-Whole Redemption Price" is equal to the greater of: (i) one hundred percent (100%) of the principal amount of such 2022B Bonds to be redeemed on the redemption date; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the 2022B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2022B Bonds are to be redeemed, discounted to the date on which the 2022B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as hereinafter defined), plus ten (10) basis points.

"Treasury Rate" means, as of any redemption date for a particular 2022B Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) (the "Statistical Release") that has become publicly available at least two (2) business days, but not more than forty-five (45) calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the 2022B Bonds to be redeemed.

Manner of Redemption. If less than all of any series of the 2022 Bonds is to be called for redemption, the maturities to be called will be as directed by the Authority in such manner as the Authority may determine to be in its best interests.

If less than all of any maturity of any series of 2022 Bonds is to be called for redemption, such series of 2022 Bonds within each maturity to be called will be selected by DTC or a successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, will be selected by the Trustee by lot in such manner as the Trustee in its discretion may determine. The portion of any 2022 Bond to be redeemed shall be in the principal amount of $5,000 or some integral multiple thereof. In selecting such 2022 Bonds for redemption, each 2022 Bond shall be considered as representing that number of 2022 Bonds that is obtained by dividing the principal amount of such 2022 Bond by $5,000. If a portion of a 2022 Bond shall be called for redemption, a new 2022 Bond in principal amount equal to the unredeemed portion thereof shall be issued to the registered owner upon the surrender thereof.

Notice of Redemption. Whenever 2022 Bonds are to be redeemed, the Authority shall cause notice of the call for redemption to be sent by the Trustee, by overnight delivery or registered or certified first class mail, not less than 30 nor more than 60 days before the redemption date, identifying the 2022 Bonds or portions thereof to be redeemed to DTC or its nominee as the registered owner thereof. Notice of redemption shall be mailed to the registered owners of the 2022 Bonds to be redeemed. **During the period that DTC or its nominee is registered owner of the 2022 Bonds, the Authority shall not be responsible for mailing notices of redemption to the Beneficial Owners, as defined herein. See the subsection "Book-Entry-Only System."**

Any notice of optional redemption of the 2022 Bonds may state that it is conditioned upon there being available an amount of money sufficient to pay the redemption price, as described above, and any conditional notice so given may be rescinded at any time before the payment of the redemption price if any such condition so specified is not satisfied. If a redemption does not occur after a conditional notice is given due to an insufficient amount of funds on deposit by the Authority, the corresponding notice of redemption shall be deemed to be revoked.

If the Authority gives an unconditional notice of redemption, then on the redemption date the 2022 Bonds called for redemption will become due and payable. If the Authority gives a conditional notice of redemption, and if money to pay the redemption price of the affected 2022 Bonds shall have been set aside with the Trustee for the purpose of paying such 2022 Bonds, then on the redemption date the 2022 Bonds will become due and payable. In either case, if on the redemption date the Trustee holds money to pay the 2022 Bonds called for redemption, thereafter, no interest will accrue on those 2022 Bonds, and a bondholder's right will be to receive payment of the redemption price upon surrender of those 2022 Bonds.

Book-Entry-Only System

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the 2022 Bonds, payments of redemption proceeds, distributions, and dividend payments on the 2022 Bonds to DTC, its nominee, Direct and Indirect Participants (as defined below) or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the 2022 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 2022 Bonds. The 2022 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2022 Bond certificate will be issued for each maturity of the 2022 Bonds, respectively, 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 the 2022 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2022 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2022 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmations 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 2022 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 the 2022 Bonds, except in the event that use of the book-entry system for the 2022 Bonds is discontinued.

To facilitate subsequent transfers, all 2022 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 2022 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 2022 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2022 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 2022 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2022 Bonds, such as redemptions, tenders, defaults and proposed amendments to the 2022 Bond documents. For example, Beneficial Owners of the 2022 Bonds may wish to ascertain that the nominee holding the 2022 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 2022 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 the 2022 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy ("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 the 2022 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

BECAUSE DTC IS TREATED AS THE OWNER OF THE 2022 BONDS FOR SUBSTANTIALLY ALL PURPOSES UNDER THE INDENTURE, BENEFICIAL OWNERS MAY HAVE A RESTRICTED ABILITY TO INFLUENCE IN A TIMELY FASHION REMEDIAL ACTION OR THE GIVING OR WITHHOLDING OF REQUESTED CONSENTS OR OTHER DIRECTIONS. IN ADDITION, BECAUSE THE IDENTITY OF BENEFICIAL OWNERS IS UNKNOWN TO THE 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 2022 BONDS THAT MAY BE TRANSMITTED BY OR THROUGH DTC.

Redemption proceeds, distributions, and dividend payments on the 2022 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 Beneficial Owners will be the responsibility of Direct and Indirect Participants. THE AUTHORITY AND THE COMMONWEALTH CAN GIVE NO ASSURANCES THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENT TO BENEFICIAL OWNERS.

DTC may discontinue providing its services as depository with respect to the 2022 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, 2022 Bond certificates are required to be printed and delivered to DTC.

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, 2022 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. 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 all purposes under the Master Indenture, including receipt of all redemption proceeds, distributions, and dividend payments on the 2022 Bonds, receipt of notices, voting and requesting or directing the Authority and the Trustee to take or not to take, or consenting to, certain actions under the Master Indenture.

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 and 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 2022 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 2022 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 2022 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 2022 Bonds are in the book-entry-only system, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct Participant or Indirect Participant acquires an interest in the 2022 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 Indenture will be given only to DTC.

AUTHORITY DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for all Authority bonds that will be outstanding as of the issuance of the 2022 Bonds on a fiscal year basis through 2043.

Fiscal Year Ending June 30	Prior Bonds Outstanding (Principal & Interest)(1)	2022 Bonds Principal	2022 Bonds Interest	Total	Total Debt Service on Authority Bonds Outstanding (Principal & Interest)
2023	$ 320,709,617	$ -	$16,000,294	$16,000,294	$336,709,911
2024	318,380,068	17,995,000	20,567,215	38,562,215	356,942,283
2025	318,265,819	18,660,000	19,779,590	38,439,590	356,705,409
2026	301,769,214	19,360,000	18,942,840	38,302,840	340,072,054
2027	286,969,083	20,155,000	18,066,820	38,221,820	325,190,903
2028	264,295,649	15,875,000	17,221,675	33,096,675	297,392,324
2029	249,692,603	16,685,000	16,407,675	33,092,675	282,785,278
2030	236,811,574	17,545,000	15,551,925	33,096,925	269,908,499
2031	223,488,300	18,440,000	14,652,300	33,092,300	256,580,600
2032	183,106,239	19,390,000	13,706,550	33,096,550	216,202,789
2033	163,837,709	20,380,000	12,712,300	33,092,300	196,930,009
2034	163,828,278	21,430,000	11,667,050	33,097,050	196,925,328
2035	153,551,746	22,525,000	10,568,175	33,093,175	186,644,921
2036	141,685,656	23,680,000	9,413,050	33,093,050	174,778,706
2037	124,350,866	24,890,000	8,198,800	33,088,800	157,439,666
2038	97,397,032	26,165,000	6,922,425	33,087,425	130,484,457
2039	97,400,545	27,510,000	5,580,550	33,090,550	130,491,095
2040	84,420,917	28,770,000	4,317,400	33,087,400	117,508,317
2041	60,830,518	29,945,000	3,143,100	33,088,100	93,918,618
2042	38,486,050	31,165,000	1,920,900	33,085,900	71,571,950
2043	-	32,440,000	648,800	33,088,800	33,088,800
Total*	**$3,829,277,482**	**$453,005,000**	**$245,989,434**	**$698,994,434**	**$4,528,271,916**

* Totals may not add due to rounding.

(1) Debt service on the Authority's Public Facilities Revenue Bonds, Series 2010B-2 (Federally Taxable Build America Bonds) is gross of the expected federal debt service subsidy, which is expected to be $ 2,750,460.95 in the fiscal year ending June 30, 2022.

THE PAYMENT AGREEMENT

In addition to the information presented in "*SOURCES OF PAYMENT AND SECURITY FOR THE BONDS*," the following summarizes certain provisions of the Payment Agreement. This summary does not purport to be comprehensive or definitive and is qualified by reference to the Payment Agreement in its entirety, copies of which may be obtained at the respective offices of the Treasury Board, the Trustee or the Authority.

The Payment Agreement requires the Treasury Board to submit 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 Indenture 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 he presents to the General Assembly the amounts so requested, and (ii) the General Assembly deposit, appropriate and reappropriate, as applicable, such amounts. The General Assembly is not required, and is under no legal obligation, to make an appropriation for any amount or payment under the Payment Agreement or otherwise in respect of any Bonds.

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

Under the Payment Agreement, both the Authority and the Treasury Board will notify the Trustee and the other party thereto promptly upon becoming aware of any failure by the General Assembly to appropriate, in the next succeeding fiscal or biennial period, all principal and interest coming due or expected to be coming due on the Bonds and all other amounts required to be paid under the Indenture.

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 under the Payment Agreement for principal and interest payments due or expected to be coming due under the Indenture and all other amounts required to be paid under the Indenture, including certain administrative expenses and rebate amounts, and to request the Treasury Board to make such payment to the Trustee. The Authority will take all action necessary to have such payments, which are made from legally available funds charged against the proper appropriation made by the General Assembly.

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 Indenture to the Trustee. The Treasury Board, as Fiscal Agent for 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 Payment Agreement and is entitled to enforce, on behalf of the holders of the Bonds, all of the obligations and the rights of the parties thereto to the same extent as if the Trustee were one of the contracting parties.

THE MASTER INDENTURE

The 2022 Bonds are being issued pursuant to a Master Indenture of Trust, dated as of April 15, 1997, as amended and supplemented, and a Fortieth Supplemental Indenture of Trust dated as of April 1, 2022, each between the Authority the Trustee. The Master Indenture of Trust as supplemented from time to time is hereinafter referred to as the "Indenture."

The following, in addition to the information presented in "*THE 2022 BONDS,*" summarizes certain provisions of the Indenture. This summary does not purport to be comprehensive or definitive and is qualified by references to the Indenture, including all supplemental indentures thereto, in its entirety. All capitalized terms not otherwise defined herein shall have the same meaning as given to those terms in the Indenture, copies of which may be obtained at the offices of the Authority or the Trustee.

The 2022A Bonds and the 2022B Bonds will be the fifty-seventh and fifty-eighth series of bonds issued under the Master Indenture. The 2022 Bonds will be equally and ratably secured by the Indenture with the Prior Bonds and with any Additional Bonds (together, 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 BONDS.*"

The Bonds are limited obligations of the Authority. Principal, premium, if any, and interest on the Bonds, including the 2022 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 Indenture, except that a Credit or Liquidity Facility (as defined below) may be provided for one or more series of Bonds. See "*SOURCES OF PAYMENT AND SECURITY FOR THE BONDS.*" **There is no Credit or Liquidity Facility (as defined below) in respect of the 2022 Bonds.**

Pledge of Revenues and Funds and Parity of Bonds

The 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 Indenture, subject only to the right of the Authority to make application thereof to other purposes as provided therein. All Bonds shall in all respects be equally and ratably secured under the 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 Indenture shall have the same right, lien and preference under and by virtue of the Indenture with like effect as if they had all been executed, authenticated and delivered simultaneously, except that a Credit or Liquidity Facility (as defined below) provided for one or more series of Bonds shall secure or provide liquidity only for the applicable series of Bonds.

The Trust Estate includes:

A. Amounts on deposit from time to time in the funds and accounts created under the Indenture, including the earnings thereon, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein and excluding any amount on deposit in the rebate fund created therein;

B. Amounts constituting revenues (including all amounts receivable by the Authority in respect of a Project and all amounts receivable under the Payment Agreement);

C. Amounts received from or on behalf of the providers of any Credit or Liquidity Facilities; and

D. Any and all other property of any kind from time to time by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for any additional security for the Bonds, by the Authority or by anyone on its behalf or with its written consent in favor of the Trustee.

Establishment of Funds and Cash Flow

The Master Indenture establishes the following Funds:

(1) *Bond Fund*. The Trustee shall deposit in the Bond Fund any amounts transferred from the Construction Fund or the Costs of Issuance Fund, all payments or prepayments received by the Trustee from any appropriations made by the General Assembly (excluding the Trustee's fees and expenses), and any other amounts authorized to be deposited in the Bond Fund.

(2) *Construction Fund and Costs of Issuance Fund*. Moneys deposited in the Construction Fund or the Costs of Issuance Fund from the proceeds of the Bonds will be used to pay costs incurred with respect to the development or implementation of a Project or the costs incurred with respect to the issuance of the respective series of Bonds.

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

Credit and Liquidity Facilities

The Master Indenture permits any series of Bonds issued thereunder to be secured by a line of credit, a standby bond purchase agreement, a letter of credit, a reserve fund, a policy of bond insurance, a guaranty, a surety bond or any other similar type of credit or liquidity support issued for the benefit of the Authority or the Trustee to secure or to provide liquidity for one or more series of Bonds (a "Credit or Liquidity Facility"). Each Credit or Liquidity Facility will secure or provide liquidity only for that series of Bonds for which such Credit or Liquidity Facility was provided. **There is no Credit or Liquidity Facility for the 2022 Bonds. There is no debt service reserve fund for the 2022 Bonds**.

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 covenant or agreement on its part under the 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, however, that if the breach of covenant or agreement is one that cannot be completely remedied within such 60-day period, it shall not be an Event of Default as 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 as 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.

If an event of default occurs and has not been remedied, the Trustee may, and if required by the holders of not less than 25% in aggregate principal amount of Bonds outstanding and if indemnified for expenses will, declare the entire principal of and interest on the Bonds due and payable and take such action as the Trustee deems most effective to enforce any of its rights or to perform any of its duties under the Indenture.

Except to enforce certain rights set forth in the Indenture, no holder of any Bond will have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the Indenture, unless (a) an event of default has occurred and is continuing of which the Trustee has been notified in the manner required by the Indenture, (b) the holders of at least 25% in aggregate amount of the Bonds then outstanding have made a request to the Trustee either to proceed to exercise the powers granted by the Indenture or to institute such action, suit or proceeding in its own name or their name, (c) they have offered to the Trustee security and indemnity as provided in the Indenture, and (d) the Trustee has failed or refused to exercise the powers granted by the Indenture within 60 days after receipt by it of such request and offer of indemnity.

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 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 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 any tax-exempt Bonds;

(8) Modify, amend or supplement the 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 Additional Bonds;

(10) Remove the Trustee; and

(11) Modify, amend or supplement the 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 Indentures for the purpose of modifying, altering, amending, adding to or rescinding any of the provisions contained in the 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 without the consent of the holders of each Bond not receiving such preference or priority; 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 without the consent of the holders of all Bonds then outstanding.

Defeasance

If the Authority shall pay or cause to be paid from an irrevocable escrow of cash and direct and general, non-callable obligations of, or obligations the timely payments of principal and interest on which are unconditionally guaranteed by, 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 sentence when there shall have been deposited with a depository either (i) moneys, or (ii) non-callable, direct and government obligations of, or obligations the timely payments of principal and interest on which are unconditionally guaranteed by, the United States of America ("Government Obligations"), or (iii) evidence of ownership of such Government Obligations, the principal and interest on which shall be sufficient to pay when due the principal, redemption premium, if any, and interest on such Bonds to their maturity or earlier redemption date, and the other requirements of the 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 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 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 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.

Certain actions may be taken and certain consents may be given under the Indenture by the owners of specified percentages of the Bonds. The Authority has issued the Prior Bonds and may issue Additional Bonds. Depending upon the outstanding principal balances of such Prior Bonds and Additional Bonds, the owners of such Prior Bonds and Additional Bonds may be able to take actions or give consents without obtaining the approval of any of the owners of the 2022 Bonds.

OTHER COMMONWEALTH FINANCINGS

The Commonwealth anticipates in spring 2022 issuing its Virginia College Building Authority Educational Facilities Revenue Bonds (21st Century College and Equipment Programs) (the "VCBA Bonds") in an approximate amount of $600 million for the use of the Commonwealth's public institutions of higher education. Similar to the 2022 Bonds, the VCBA Bonds would be payable from and secured by funds, if any, appropriated from time to time for such purposes by the General Assembly.

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of The McGraw-Hill Companies, Inc. ("S&P"), have assigned the ratings of "AA+," "Aa1," and "AA+," respectively, to the 2022 Bonds.

Such ratings reflect only the views of the respective rating agencies and an explanation of the significance of such ratings may be obtained only from the respective rating agency. A securities rating is not a recommendation to buy, sell or hold the 2022 Bonds, and 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 any of such ratings may have an adverse effect on the liquidity and market price of the 2022 Bonds.

Neither the Authority nor the Commonwealth has undertaken any responsibility after issuance of the 2022 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 2022 Bonds will be subject to the approving opinions of Kaufman & Canoles, a Professional Corporation, Bond Counsel, Richmond, Virginia, which will be furnished at the expense of the Authority upon delivery of the 2022 Bonds (the "Bond Opinions"). The forms of the Bond Opinions are set forth in ***Appendix D***. The Bond Opinions will be limited to matters relating to the authorization and validity of the 2022 Bonds and to the tax status of interest thereon as described in "*TAX MATTERS*." Bond Counsel has not been engaged to investigate the financial resources of the Authority or the Commonwealth, or their respective ability or willingness to provide for payment of the 2022 Bonds, and the Bond Opinions will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or of any other information that may have been relied on by anyone in making the decision to purchase the 2022 Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. The legal opinions to be delivered concurrently with the delivery of the 2022 Bonds express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Certain legal matters will be passed upon for the Authority, the Treasury Board and the Commonwealth by the Office of the Attorney General of Virginia.

TAX MATTERS

Federal Tax Matters – 2022A Bonds

General. In the opinion of Kaufman & Canoles, a Professional Corporation, Richmond, Virginia, Bond Counsel, under existing law, interest on the 2022A Bonds (the "Tax-Exempt Bonds") (a) is not included in gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax. Except as set forth below under "Virginia Tax Matters," no other opinion will be expressed by Bond Counsel regarding the tax consequences of the ownership of, or the receipt or accrual of interest on, the Tax-Exempt Bonds.

Bond Counsel's opinion will be given in reliance upon certifications by representatives of the Authority and the governmental entities that use or benefit from the Projects ("Users") as to certain facts relevant to both the opinion and requirements of the Code, and Bond Counsel's opinion is also subject to the condition that there is compliance subsequent to the issuance of the Tax-Exempt Bonds with all requirements of the Code that must be satisfied in order for interest income to remain excludable from gross income for federal income tax purposes. The Authority and the Users have covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure, and investment of proceeds of the Tax-Exempt Bonds and the timely payment of any arbitrage rebate amounts in respect to the Tax-Exempt Bonds to the United States Treasury. Failure of the Authority or such Users to comply with such covenants could cause interest, on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

Appendix D to this Official Statement contains the proposed forms of the approving opinions of Bond Counsel. Prospective purchasers of the Tax-Exempt Bonds should review such forms to determine the assumptions relevant to such opinion and the relevant qualifications thereto. Bond Counsel's opinions represent its legal judgment based in part upon the representations and covenants referenced therein and its review of existing law, but is not a guarantee of result or binding on the Internal Revenue Service (the "Service") or the courts. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in law or the interpretation thereof that may thereafter occur or become effective.

In addition to the matters addressed above, prospective purchasers of the Tax-Exempt Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, corporations subject to the environmental tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Tax-Exempt Bonds should consult their tax advisors as to the applicability and impact of such consequences. Bond Counsel will not render any opinion as to these collateral federal income tax matters.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Tax-Exempt Bonds to be subject, directly or indirectly, in whole or in part, to federal or state income taxation, or otherwise prevent owners of the Tax-Exempt Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Tax-Exempt Bonds. Additionally, investors in the Tax-Exempt Bonds should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Tax-Exempt Bonds for federal income tax purposes for all or certain taxpayers. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulation or litigation as to which Bond Counsel expresses no opinion.

Many events could affect the value and liquidity or marketability of the Tax-Exempt Bonds after their issuance, including but not limited to public knowledge of an audit of the Tax-Exempt Bonds by the Service, a general change in interest rates for comparable securities, a change in Federal or state income tax rates, legislative or regulatory proposals as described above and changes in the judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Tax-Exempt Bonds who purchase Tax-Exempt Bonds after their issuance may be different from those relevant to purchase upon issuance. Neither the opinion of Bond Counsel nor this Official Statement addresses the likelihood or effect of any such potential events or such other tax considerations.

Further, the Service has a program to audit obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the Service does audit the Tax-Exempt Bonds, under current Service procedures, the Service would likely treat the Authority as the taxpayer and the owners of the Tax-Exempt Bonds would have limited rights, if any, to participate.

Original Issue Discount. The Tax-Exempt Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "OID Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such OID 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 OID Bond 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 OID Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such OID Bond that are attributable to accrued 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 OID Bond, on days that are determined by reference to the maturity date of such OID Bond. The amount treated as original issue discount on such OID Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such OID Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such OID 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 OID 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 OID Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such OID 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 OID Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a OID Bond. Subsequent purchasers of OID 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.

Original Issue Premium. The Tax-Exempt 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.

Market Discount. A purchaser (other than a person who purchases a Tax-Exempt Bond upon issuance at the issue price) who buys a Tax-Exempt Bond at a discount from its principal amount will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Each potential investor should consult his tax advisor concerning the application of the market discount rules to the Tax-Exempt Bonds.

Information Reporting and Backup Withholding. Interest paid on the Tax-Exempt Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. While this reporting requirement does not by itself affect the excludability of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Tax-Exempt Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (i) are not "exempt recipients," and (ii) fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the Service.

Federal Tax Matters – 2022B Bonds

General. Bond Counsel is of the opinion that interest on the 2022B Bonds (the "Taxable Bonds") is includable in gross income for federal tax purposes. Except as set forth below under "Virginia Tax Matters," no other opinion will be expressed by Bond Counsel regarding the tax consequences of the ownership or disposition of, or the receipt or accrual of interest on, the Taxable Bonds.

Set forth below is a general summary of the anticipated material federal income tax consequences of the purchase, ownership and disposition of the Taxable Bonds. Such summary does not address every aspect of the federal income tax laws that may be relevant to prospective purchasers of Taxable Bonds in light of their personal investment circumstances or to certain types of owners subject to special treatment under the federal income tax laws (for example, banks and life insurance companies) and is generally limited to investors who will hold Taxable Bonds as capital assets within the meaning of Section 1221 of the Code. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a prospective purchaser. Accordingly, prospective purchasers of the Taxable Bonds should consult their own tax advisors regarding federal, state, local, foreign and any other tax consequences with respect to the purchase, ownership and disposition of the Taxable Bonds in their own particular circumstances. Such summary is based on the provisions of the Code, as amended, the Treasury Regulations thereunder, and published rulings and court decisions in effect as of the date hereof, all of which are subject to change, possibly retroactively. No ruling on any of the issues summarized below has been or will be sought from the Service and no assurance can be given that the Service will not take contrary positions and will not prevail with such positions.

Prospective purchasers of the Taxable Bonds should be aware that the acquisition, ownership or disposition of, and the accrual or receipt of interest on, the Taxable Bonds may result in collateral federal income tax liability consequences to certain taxpayers as well as any tax consequences that may arise under the laws of any state, local or foreign jurisdiction. The extent of such other collateral tax consequences will depend upon the owner's particular tax status or other items of income or deduction and prospective purchasers of the Taxable Bonds, particularly prospective purchasers that are dealers in securities or currencies, traders in securities, persons holding Taxable Bonds as a hedge, straddle, conversion or other integrated transaction for federal income tax purposes, insurance companies, financial institutions, tax-exempt organizations and United States holders whose functional currency is not United States dollars, should consult their own tax advisors as to the collateral tax consequences of acquiring, owning or disposing of, and the accrual or receipt of interest on, the Taxable Bonds. Bond Counsel expresses no opinion regarding any such collateral tax consequences.

The Code requires debt obligations, such as the Taxable Bonds, to be issued in registered form and denies certain benefits to the issuer and the holders of debt obligations failing such registration requirement. Such registration requirement with respect to the Taxable Bonds is expected to be satisfied.

Subject to certain exceptions, interest payments to the owners of Taxable Bonds will be reported to the Service. Such information will be filed each year with the Service on Form 1099 (or such other applicable form), which reflects the name, address and taxpayer identification number of each registered owner of the Taxable Bonds. A copy of Form 1099 (or such other applicable form) will be sent to each registered owner of the Taxable Bonds for federal income tax reporting purposes.

Market Discount. The resale of any Taxable Bond by any owner of such Taxable Bond may be affected by the "market discount" provisions of the Code. For such purpose, the market discount on any Taxable Bond will generally be equal to the amount, if any, by which the stated redemption price at maturity of such Taxable Bond immediately after its acquisition by such owner exceeds such owner's adjusted tax basis in such Taxable Bond. Subject to a de minimis exception, such market discount provisions generally require an owner of a Taxable Bond which is acquired by such owner at a market discount to treat any payment on, or any gain recognized on the sale, exchange, redemption or other disposition of, such Taxable Bond as ordinary income to the extent of any "accrued market discount" on such Taxable Bond which has not previously been included in income at the time of sale or other disposition by such owner. In general, any market discount on a Taxable Bond will be treated as accruing on a straight-line basis over the term of such Taxable Bond, or, at the election of the owner of such Taxable Bond, under a constant yield method. Prospective purchasers of Taxable Bonds should consult their own tax advisors as to the tax consequences of acquiring, owning or disposing of, and the accrual or receipt of interest on, Taxable Bonds acquired at a market discount.

Premium. If a Taxable Bond is purchased by an owner at a premium, the owner may be entitled to amortize such premium as an offset to interest income (with a corresponding reduction in the owner's basis) under a constant yield method over the term of the Taxable Bond if an election under Section 171 of the Code is made or is previously in effect.

Sale of Taxable Bonds. If a Taxable Bond is sold or redeemed, the seller will recognize gain or loss equal to the difference between the amount realized on the sale or redemption and the seller's adjusted basis in the Taxable Bond. Such adjusted basis generally will equal the cost of the Taxable Bond to the seller, increased by any market discount included in the seller's gross income and decreased by any payments on the Taxable Bond. Except with respect to market discount, gain or loss recognized on a sale, exchange or prepayment of a Taxable Bond will generally give rise to capital gain or loss if the Taxable Bond is held as a capital asset and will be long-term if the holding period is more than one year. The holding period analysis may be affected by the determination of whether the Taxable Bonds are treated as a single debt instrument or a series of debt instruments and prospective purchasers are especially encouraged to consult with their own tax advisers on this subject.

Defeasance. Defeasance of any Taxable Bond may result in a reissuance thereof, in which event an owner will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the Taxable Bond.

Foreign Investors. Generally, payments of interest on the Taxable Bonds to an owner of Taxable Bonds that is a nonresident alien individual, foreign corporation or other non-United States person (a "foreign person") not engaged in a trade or business within the United States will not be subject to federal income or withholding tax if such foreign person complies with certain identification requirements (including the delivery of a statement, signed by such owner under penalty of perjury, certifying that such owner is a foreign person and providing the name and address of such owner). Foreign investors should consult their own tax advisors regarding the potential imposition of withholding taxes. The summary herein assumes that the owners of the Taxable Bonds are not foreign persons. Special rules may apply to foreign persons with respect to the information reporting requirements and withholding taxes and foreign persons should consult their tax advisors with respect to the application of such reporting requirements and withholding taxes.

Backup Withholding. Payments made to an owner with respect to the Taxable Bonds and proceeds from the sale of the Taxable Bonds will ordinarily not be subject to withholding of federal income tax if such owner is a United States person. However, even a United States person will be subject to withholding of such tax at a rate of 24% under certain circumstances. Except in the case of certain "exempt payees" as defined in the Code, such backup withholding will generally be applicable if an owner (1) fails to furnish to the Trustee such owner's social security number or other taxpayer identification number (collectively, "TIN"), (2) furnishes the Trustee an incorrect TIN, (3) fails to report properly interest, dividends or other "reportable payments" as defined in the Code, or (4) under certain circumstances, fails to provide the Trustee with a certified statement, signed under penalty of perjury, that the TIN provided to the Trustee is correct and that such owner is not subject to backup withholding.

Any federal tax advice contained in this Official Statement respecting the Taxable Bonds was written to support the marketing of the Taxable Bonds and is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding any penalties that may be imposed under the Code. All taxpayers should seek advice based on such taxpayers' particular circumstances from an independent tax advisor. This disclosure is provided to comply with Treasury Circular 230.

Virginia Tax Matters

In the opinion of Bond Counsel, under existing law, the 2022 Bonds, their transfer and the income therefrom (including any profit made on the sale thereof) are exempt from taxation within the Commonwealth of Virginia. Each prospective purchaser of the 2022 Bonds should consult his own tax advisor as to the tax status of interest in the 2022 Bonds under the tax laws of any state other than the Commonwealth of Virginia.

CONTINUING DISCLOSURE

Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule 15c2-12"), prohibits an underwriter from purchasing or selling municipal securities such as the 2022 Bonds, unless it has determined that the issuer of such securities and/or other persons deemed to be "material obligated persons" (hereinafter referred to as "MOPs") have committed to provide (i) on an annual basis, certain financial information and operating data ("Annual Reports"), and, if available, audited financial statements, to the Municipal Securities Rulemaking Board ("MSRB") via the MSRB's Electronic Municipal Market Access System ("EMMA"), as described in 1934 Act Release No. 59062, and (ii) notice of the events listed in Rule 15c2-12 ("Event Notices"), to the MSRB via EMMA.

The covenants that follow have been made to assist the successful bidder or bidders of the 2022 Bonds in complying with Rule 15c2-12.

Authority Continuing Disclosure. The Authority will covenant, by executing a Continuing Disclosure Agreement prior to issuance of the 2022 Bonds, to provide to the MSRB via EMMA annually, not later than May 1 of each year, commencing May 1, 2023, Annual Reports and such annual financial statements as may be required by Rule 15c2-12 with respect to itself, as issuer. The Authority also has covenanted to provide Event Notices with respect to the 2022 Bonds to the MSRB via EMMA. The form of the Authority's Continuing Disclosure Agreement is set forth in ***Appendix E***.

Commonwealth Continuing Disclosure. The Commonwealth, which the Authority has determined to be a MOP for purposes of Rule 15c2-12, will covenant, by executing a Continuing Disclosure Agreement prior to issuance of the 2022 Bonds, to provide to the MSRB via EMMA annually, not later than January 31 of each year, commencing January 31, 2023, Annual Reports and such annual financial statements as may be required by Rule 15c2-12 with respect to itself. In addition, the Commonwealth will covenant to provide notice to the Authority and to the MSRB via EMMA of any changes in the ratings of the Commonwealth's general obligation bonds. The form of the Commonwealth's Continuing Disclosure Agreement is set forth in ***Appendix E***.

The Commonwealth has entered into numerous continuing disclosure undertakings with respect to its own debt issuances, as well as debt issuances by related Virginia authorities. Such undertakings require in part that the Commonwealth annually file on 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 2017, 2018, 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 Virginia College Building Authority ("VCBA"), and (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 VCBA. 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 VCBA bonds that are currently outstanding.

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

SALE AT COMPETITIVE BIDDING

The 2022A Bonds comprising Bidding Group 1 Bonds (as defined in the Notice of Sale for the 2022A Bonds and maturing in the years 2023 through 2035) were offered for sale at competitive bidding on April 5, 2022, and were awarded to BofA Securities, Inc. (the "2022A Bidding Group 1 Initial Purchaser"). The 2022A Bidding Group 1 Initial Purchaser has supplied the information as to the initial yields on the Bidding Group 1 Bonds, as set forth on the inside front cover of this Official Statement. The 2022A Bidding Group 1 Initial Purchaser will be purchasing the Bidding Group 1 Bonds at a purchase price equal to the aggregate original principal amount of the Bidding Group 1 Bonds of $232,065,000.00, less an underwriter's discount of $265,255.40 (0.114302% of the principal amount thereof), plus original issue premium of $41,286,788.00, resulting in a purchase price of $273,086,532.60.

The 2022A Bonds comprising Bidding Group 2 Bonds (as defined in the Notice of Sale for the 2022A Bonds and maturing in the years 2036 through 2042) were offered for sale at competitive bidding on April 5, 2022, and were awarded to Citigroup Global Markets Inc. on behalf of a syndicate of underwriters (the "2022A Bidding Group 2 Initial Purchaser"). The 2022A Bidding Group 2 Initial Purchaser has supplied the information as to the initial yields on the Bidding Group 2 Bonds, as set forth on the inside front cover of this Official Statement. The 2022A Bidding Group 2 Initial Purchaser will be purchasing the Bidding Group 2 Bonds at a purchase price equal to the aggregate original principal amount of the Bidding Group 2 Bonds of $200,885,000.00, less an underwriter's discount of $1,406,195.00 (0.700000% of the principal amount thereof), plus original issue premium of $27,766,938.45, resulting in a purchase price of $227,245,743.45.

The 2022B Bonds were offered for sale at competitive bidding on April 5, 2022, and were awarded to Raymond James & Associates, Inc. (the "2022B Initial Purchaser"). The 2022B Initial

Purchaser has supplied the information as to the initial yields on the 2022B Bonds, as set forth on the inside front cover of this Official Statement. The 2022B Initial Purchaser will be purchasing the 2022B Bonds at a purchase price equal to the aggregate original principal amount of the 2022B Bonds of $20,055,000.00, less an underwriter's discount of $38,824.89 (0.193592% of the principal amount thereof), resulting in a purchase price of $20,016,175.11.

FINANCIAL ADVISOR

Frasca & Associates, LLC, New York, New York, has served as financial advisor to the Authority with respect to the issuance and sale of the 2022 Bonds. Frasca & Associates, LLC is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading of municipal or any other negotiable instruments.

LITIGATION

The Authority is not a party to any current litigation. The Authority has no knowledge of any litigation, pending or threatened, to restrain or enjoin the issuance, sale, execution or delivery of the 2022 Bonds, or in any way contesting or affecting the validity of the 2022 Bonds or the Payment Agreement, any proceeding of the Authority taken with respect to the issuance or sale of the 2022 Bonds, or the existence or powers of the Authority or the title of any officers of the Authority with respect to his or her office.

See the section entitled "LITIGATION" in ***Appendix B*** for a description of litigation involving the Commonwealth.

LEGALITY FOR INVESTMENT AND SECURITY FOR PUBLIC DEPOSITS

Under the Act, the 2022 Bonds are securities in which all public officers and public bodies of the Commonwealth and its political subdivisions, all insurance companies, trust companies, banking associations, investment companies, executors, administrators, trustees and other fiduciaries in the Commonwealth may properly and legally invest funds, including capital in their control or belonging to them. No representation is made as to the eligibility of the 2022 Bonds for investment or for any other purpose under the laws of any other state.

The 2022 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.

CERTIFICATES OF AUTHORITY AND COMMONWEALTH

Concurrently with the delivery of the 2022 Bonds, an officer of the Authority will certify that, to the best of his or her knowledge, this Official Statement (except for the statements and information contained in "*RECENT DEVELOPMENTS AFFECTING THE COMMONWEALTH,*" "*THE 2022 BONDS* - Book-Entry-Only System," "*LEGAL MATTERS*," "*TAX MATTERS*," the last paragraph in "*CONTINUING DISCLOSURE*," "*FINANCIAL ADVISOR*," and "*LEGALITY FOR INVESTMENT AND SECURITY FOR PUBLIC DEPOSITS*," and ***Appendices A***, ***B***, and ***C***, and ***Appendix E*** insofar as such pertains to the continuing disclosure obligations of the Commonwealth, all of the foregoing as to which the Authority will express no representation) did not as of its date, and does not as of the date of delivery of the 2022 Bonds, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein, in the light of the circumstances under which they were made, not misleading. Such certificate will state that such Authority officer did not independently verify the information in this Official Statement from sources other than the Authority and its officers, but that he or she has no reason to believe that such information contains any untrue statement of a material fact or omits to state a material fact that should be included herein for the purpose for which this Official Statement is to be used, or which is necessary in order to make the statements contained herein, in the light of the circumstance under which they were made, not misleading.

The State Treasurer (who is also the Secretary/Treasurer of the Authority) will certify as of the date of delivery of the 2022 Bonds that, to the best of her knowledge, ***Appendices A***, ***B***, and ***C*** (except for the information in the section entitled "*LITIGATION*" in ***Appendix B*** as to which the State Treasurer will make no representation), ***Appendix E*** insofar as such pertains to the continuing disclosure obligations of the Commonwealth, "*RECENT DEVELOPMENTS AFFECTING THE COMMONWEALTH*" and the last paragraph in "*CONTINUING DISCLOSURE*" of this Official Statement do not, as of the date of delivery of the 2022 Bonds, contain any untrue statement of a material fact or omit to state a material fact relating to the Commonwealth necessary in order to make such statements, in the light of the circumstances under which they were made, not misleading.

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 2022 Bonds, the security for the payment of the 2022 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 Bank of New York Mellon Trust Company, N.A., 500 Ross Street, 12th Floor, Pittsburgh, Pennsylvania 15262.

This Official Statement has been authorized by the Authority for use in connection with the sale of the 2022 Bonds. Its purpose is to supply information to prospective buyers of the 2022 Bonds. Financial and other information contained in this Official Statement has been prepared by the Authority and the Department of the Treasury of the Commonwealth 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 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.

The Commonwealth's audited Financial Statements for the year ended June 30, 2021, as audited by the Auditor of Public Accounts of the Commonwealth, are included as ***Appendix A***. These financial statements, along with the related Notes to Financial Statements, (i) have been examined, to the extent set forth in such report by the Auditor of Public Accounts and are included in reliance upon the report of such Auditor, and (ii) are intended to provide a broad overview of the financial position and operating results of the Commonwealth's various funds and account groups as of such date. See "*SOURCES OF PAYMENT AND SECURITY FOR THE BONDS* - Information Pertaining to the Commonwealth."

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

VIRGINIA PUBLIC BUILDING AUTHORITY

BY: /s/ Suzanne S. Long
Chairman

This page intentionally left blank.

APPENDIX A

COMMONWEALTH OF VIRGINIA

FINANCIAL STATEMENTS OF THE COMMONWEALTH
FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL SECTION

Independent Auditor's Report
Management's Discussion and Analysis
Basic Financial Statements
Required Supplementary Information
Combining and Individual Fund Statements and Schedules

Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 15, 2021

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying 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, 2021, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Virginia College Savings Plan (major fund and private purpose trust fund), which is discussed on pages 53 and 276, and certain blended and discretely presented component units of the Commonwealth, which are discussed in Note 1.B. The Virginia College Savings Plan and 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.

Opinion Unit	Total Assets and Deferred Outflows	Net Position/Fund Balance	Revenues, Additions, and Other Financing Sources
Governmental Activities	2.37%	4.62%	1.19%
Business-type Activities	73.48%	85.45%	10.75%
Virginia College Savings Plan Major Enterprise Fund	100.00%	100.00%	100.00%
Aggregate Remaining Fund Information	6.60%	7.24%	5.88%
Aggregate Discretely Presented Component Units	27.28%	21.49%	6.67%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Virginia College Savings Plan and certain blended and discretely presented component units are based on the reports of the other auditors.

www.apa.virginia.gov | (804) 225-3350 | reports@apa.virginia.gov

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Science Museum of Virginia Foundation, Virginia Museum of Fine Arts Foundation, Library of Virginia Foundation, and Danville Science Center Inc., which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the reports of other auditors, the 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, 2021, 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.

Emphasis of Matters

Change in Accounting Principle

As discussed in Note 2 of the accompanying financial statements, the Commonwealth of Virginia's basic financial statements for the year ended June 30, 2021, reflect the provisions of the Governmental Accounting Standards Board's (GASB) Statement No. 90, *Majority Equity Interest.* The government-wide and fund statements have been restated due to the University of Virginia's (nonmajor) implementation of GASB Statement No. 90, Majority Equity Interests - amendment of GASB Statements No. 14 and No. 61, during the current fiscal year. Our opinion is not modified with respect to this matter.

Correction of 2020 Financial Statements

As discussed in Note 2 of the accompanying financial statements, the fiscal year 2020 governmental activities, Commonwealth Transportation Fund, and Federal Trust Fund have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, the schedule of changes in employer's net pension liability, schedule of employer contributions for 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 for other postemployment benefit plans, schedule of changes in employers' total other postemployment benefit liability, and claims development information on pages 27 through 37 and 199 through 236, be presented to supplement the basic financial statements. Such information, 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 the 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 and Other 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 accompanying supplementary information, such as the combining and individual fund statements and schedules, and the other information such as the introductory and statistical sections, are presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The combining and individual non-major fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual non-major fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, our report dated December 15, 2021, on our consideration of the Commonwealth'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. 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'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, 2021. 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, 2021, by $33.7 billion. Net position of governmental activities increased by $4.4 billion and net position of business-type activities increased by $153.0 million. Component units reported an increase in net position of $8.3 billion from June 30, 2020.

Fund Highlights

At the end of the fiscal year, the Commonwealth's governmental funds reported a combined ending fund balance of $14.3 billion, an increase of $4.8 billion in comparison with the prior year. Of this total fund balance, $419.4 million represents nonspendable fund balance, $4.4 billion represents restricted fund balance, $6.7 billion represents committed fund balance, and $2.7 billion represents assigned fund balance. These amounts are offset by a negative $49.6 million unassigned fund balance. The Enterprise Funds reported net position at June 30, 2021, of $1.9 billion, an increase of $152.2 million during the year which is primarily attributable to increases for the Virginia College Saving Plan (major) and capital contributions for the Alcoholic Beverage Control Authority (nonmajor) offset by a decrease for 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, revenues, and expenditures when compared to fiscal year 2020. See page 34 for additional information.

Long-term Debt

The Commonwealth's total debt rose during the fiscal year to $52.6 billion, an increase of $4.0 billion, or 8.3 percent. During the fiscal year, the Commonwealth issued new debt in the amount of $1.5 billion and $6.1 billion for the primary government and component units. These debt issuances increased the total debt balances for the primary government and component units to $18.1 billion and $34.5 billion, respectively.

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 2021. 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 component units and 22 higher education institutions 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 237 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 $33.7 billion during the fiscal year. The net position of the governmental activities increased $4.4 billion, or 16.2 percent, primarily due to increases in cash and investments in the General Fund (major) and increases in capital assets offset by increases in total liabilities. 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 $153.0 million, or 8.6 percent, primarily due to increases in the Virginia College Savings Plan (major) and capital contributions for the Alcoholic Beverage Control Authority (nonmajor) offset by a decrease for the Unemployment Compensation Fund (major). See page 33 for additional information regarding the Virginia College Savings Plan and Unemployment Compensation Fund. As discussed in Note 2, the government-wide beginning balance was restated for the correction of prior year errors to arrive at a restated beginning balance of $29.1 billion.

Figure 12
Net Position as of June 30, 2021 and 2020
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2021	2020 as restated	2021	2020	2021	2020 as restated
Current and other assets	$ 32,367,895	$ 23,726,326	$ 4,489,084	$ 4,482,810	$ 36,856,979	$ 28,209,136
Capital assets	35,044,803	34,245,604	151,529	64,478	35,196,332	34,310,082
Total Assets	67,412,698	57,971,930	4,640,613	4,547,288	72,053,311	62,519,218
Deferred outflows of resources	1,548,153	1,243,790	52,461	41,913	1,600,614	1,285,703
Total assets and deferred outflows of resources	68,960,851	59,215,720	4,693,074	4,589,201	73,653,925	63,804,921
Long-term liabilities outstanding	16,057,289	14,431,997	2,079,094	2,155,127	18,136,383	16,587,124
Other liabilities	15,581,996	11,655,764	660,714	627,657	16,242,710	12,283,421
Total Liabilities	31,639,285	26,087,761	2,739,808	2,782,784	34,379,093	28,870,545
Deferred inflows of resources	5,586,303	5,815,872	21,457	27,624	5,607,760	5,843,496
Total liabilities and deferred inflows of resources	37,225,588	31,903,633	2,761,265	2,810,408	39,986,853	34,714,041
Net position:						
Net investment in capital assets	26,280,177	26,394,331	150,758	63,514	26,430,935	26,457,845
Restricted	3,868,045	2,238,129	137,428	665,621	4,005,473	2,903,750
Unrestricted	1,587,041	(1,320,373)	1,643,623	1,049,658	3,230,664	(270,715)
Total net position	$ 31,735,263	$ 27,312,087	$ 1,931,809	$ 1,778,793	$ 33,667,072	$ 29,090,880

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, 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 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 12**).

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 $3.2 billion is unrestricted net position (**Figure 12**). 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 45.0 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 education and individual and family services. General revenues normally fund governmental activities. For fiscal year 2021, program and general revenues exceeded governmental expenses by $3.4 billion. Program revenues exceeded expenses from business-type activities by $1.2 billion. The following condensed financial information (**Figure 13**) was derived from the Government-wide Statement of Activities and provides detail regarding the change in net position (see page 42).

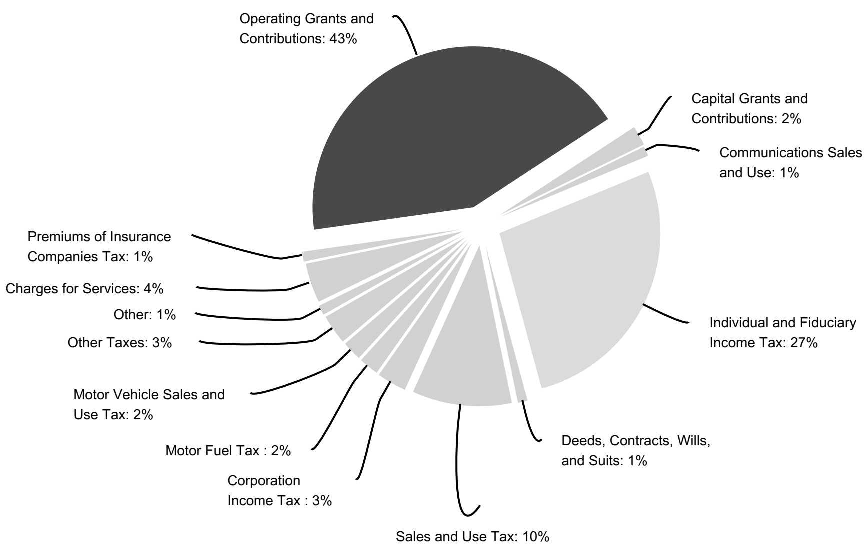
Figure 13
Changes in Net Position for the Fiscal Years Ended June 30, 2021 and 2020
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2021	2020 as restated	2021	2020	2021	2020 as restated
Revenues:						
Program Revenues:						
Charges for Services	$ 2,778,521	$ 2,697,042	$ 6,230,463	$ 4,315,012	$ 9,008,984	$ 7,012,054
Operating Grants and Contributions	26,952,001	19,170,408	257,017	66,304	27,209,018	19,236,712
Capital Grants and Contributions	1,390,079	1,463,023	76,941	9,969	1,467,020	1,472,992
General Revenues:						
Taxes:						
Individual and Fiduciary Income	17,066,596	15,666,185	—	—	17,066,596	15,666,185
Sales and Use	6,527,477	5,720,715	—	—	6,527,477	5,720,715
Corporation Income	1,579,303	1,074,334	—	—	1,579,303	1,074,334
Motor Fuel	1,421,963	1,112,042	—	—	1,421,963	1,112,042
Motor Vehicle Sales and Use	1,118,962	940,706	—	—	1,118,962	940,706
Communications Sales and Use	312,477	346,831	—	—	312,477	346,831
Deeds, Contracts, Wills, and Suits	810,105	554,295	—	—	810,105	554,295
Premiums of Insurance Companies	551,005	549,082	—	—	551,005	549,082
Alcoholic Beverage Sales	220,078	193,675	—	—	220,078	193,675
Tobacco Products	287,856	162,294	—	—	287,856	162,294
Estate	810	—	—	—	810	—
Public Service Corporations	117,596	110,481	—	—	117,596	110,481
Beer and Beverage Excise	42,548	42,199	—	—	42,548	42,199
Wine and Spirits/ABC Liter	32,845	30,487	—	—	32,845	30,487
Bank Stock	26,788	26,721	—	—	26,788	26,721
Other Taxes	1,152,087	814,828	9,141	9,141	1,161,228	823,969
Unrestricted Grants and Contributions	102,053	56,326	—	—	102,053	56,326
Investment Earnings	36,840	246,685	715	2,091	37,555	248,776
Miscellaneous	380,659	469,124	2,389	23	383,048	469,147
Total Revenues	62,908,649	51,447,483	6,576,666	4,402,540	69,485,315	55,850,023
Expenses:						
General Government	5,106,906	4,017,712	—	—	5,106,906	4,017,712
Education	12,765,718	11,534,515	—	—	12,765,718	11,534,515
Transportation	6,148,039	5,554,711	—	—	6,148,039	5,554,711
Resources and Economic Development	1,422,926	1,158,473	—	—	1,422,926	1,158,473
Individual and Family Services	30,575,148	24,119,766	—	—	30,575,148	24,119,766
Administration of Justice	3,235,150	3,169,458	—	—	3,235,150	3,169,458
Interest and Charges on Long-term Debt	271,799	262,104	—	—	271,799	262,104
Virginia Lottery	—	—	2,483,875	1,542,387	2,483,875	1,542,387
Virginia College Savings Plan	—	—	124,169	56,103	124,169	56,103
Unemployment Compensation	—	—	1,199,074	1,245,599	1,199,074	1,245,599
Alcoholic Beverage Control	—	—	904,400	792,159	904,400	792,159
Risk Management	—	—	10,978	17,923	10,978	17,923
Local Choice Health Care	—	—	474,924	421,706	474,924	421,706
Line of Duty	—	—	19,681	16,696	19,681	16,696
Advantage Vanpool Self Insurance Fund	—	—	86	273	86	273
Virginia Industries for the Blind	—	—	65,204	52,050	65,204	52,050
Consolidated Laboratory	—	—	12,694	13,770	12,694	13,770
eVA Procurement System	—	—	22,223	22,056	22,223	22,056
Department of Environmental Quality Title V	—	—	11,738	12,193	11,738	12,193
Wireless E-911	—	—	49,178	43,200	49,178	43,200
Museum and Library Gift Shops	—	—	4,928	6,148	4,928	6,148
Behavioral Health Canteen and Work Activity	—	—	285	355	285	355
Total Expenses	59,525,686	49,816,739	5,383,437	4,242,618	64,909,123	54,059,357
Excess before transfers	3,382,963	1,630,744	1,193,229	159,922	4,576,192	1,790,666
Transfers	1,040,213	855,786	(1,040,213)	(855,786)	—	—
Increase (Decrease) in net position	4,423,176	2,486,530	153,016	(695,864)	4,576,192	1,790,666
Net position, July 1, as restated	27,312,087	24,825,557	1,778,793	2,474,657	29,090,880	27,300,214
Net position, June 30	$ 31,735,263	$ 27,312,087	$ 1,931,809	$ 1,778,793	$ 33,667,072	$ 29,090,880

Governmental Activities Revenues

Figure 14 is a graphical representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by $11.5 billion, or 22.3 percent. The net increase is mainly attributable to increases in the Federal Fund, which are discussed on page 35.

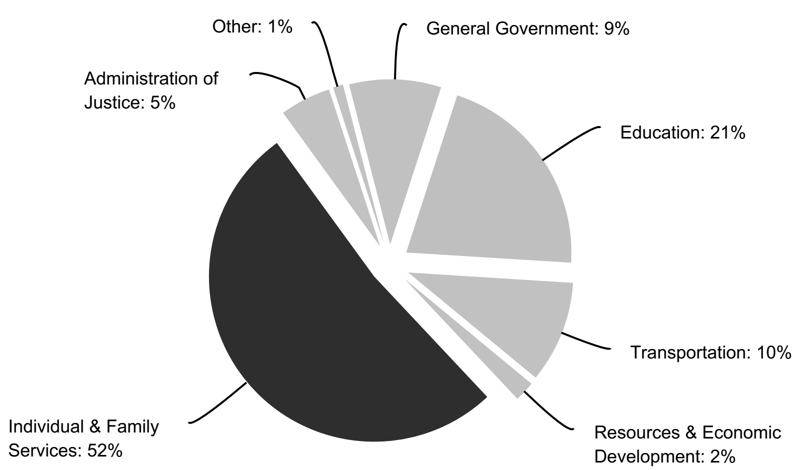
Figure 14
Revenues by Source – Governmental Activities
Fiscal Year 2021



Governmental Activities Expenses

Figure 15 is a graphical representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses increased by $9.7 billion, or 19.5 percent. While there were increases in all expense types, the largest increase was in individual and family services. See pages 34 and 35 for additional information.

Figure 15
Expenses by Type – Governmental Activities
Fiscal Year 2021



Net Position of Business-type Activities

Net position of business-type activities increased by $153.0 million during the fiscal year. As shown in **Figure 16**, highlights of the changes in net position for the major enterprise funds were as follows:

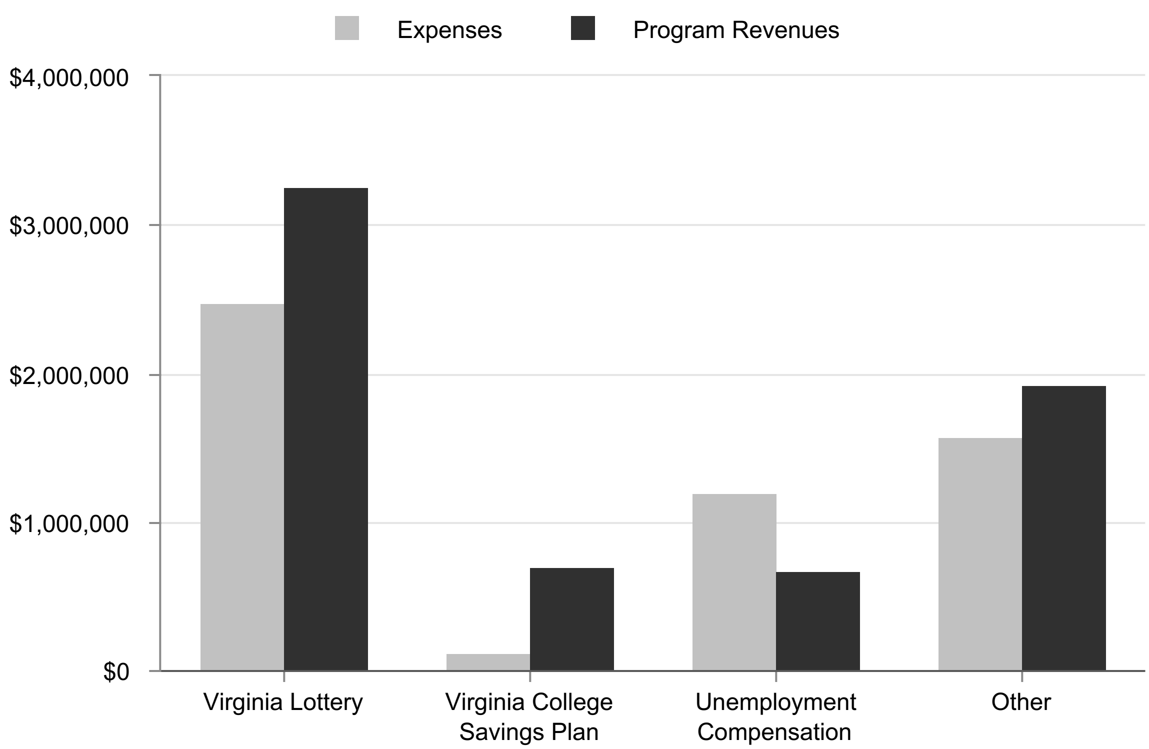
- Lottery sales were $3.3 billion, an increase of $1.1 billion over the prior year. Income before transfers was $777.1 million, an increase of $168.1 million (27.6 percent) from fiscal year 2020. Sales of scratch games increased by $135.3 million (11.6 percent) and online sales increased by $975.0 million (99.3 percent). Total expenses also increased by $941.0 million (61.0 percent), primarily attributable to the cost of prizes.

- Virginia College Savings Plan's net position increased by $582.7 million (54.5 percent) during the fiscal year as a result of total revenues exceeding expenses incurred. While Prepaid529 is closed to new participants, existing customers are still being serviced. Additionally, a new savings option has been introduced called the Tuition Track Portfolio. During the fiscal year, the majority of the net position increase is attributed to investment earnings associated with Prepaid529. While the Tuition Track Portfolio activity is expected to grow in future years, it was not significant to the current year change.

- Unemployment Compensation Fund net position decreased by $528.4 million during fiscal year 2021, as a result of an increase in benefit claims exceeding operating revenues, primarily related to the COVID-19 pandemic. During the fiscal year, the Unemployment Trust Fund was exhausted because of the COVID-19 pandemic. Short-term loans totaling $164.1 million were taken from the U.S. Department of Labor in order to continue paying claims. These loans were repaid prior to fiscal year end, and no loans were outstanding at June 30, 2021.

  Over the one-year period from July 1, 2020, to June 30, 2021, the unemployment rate dropped from 8.4 percent to 4.3 percent. Additionally, there were approximately 220,145 less initial unemployment claims filed than in the previous year. These decreases were offset by an increase in the average weekly benefit amounts from approximately $245.80 to $279.74 and in the average benefit duration from 4.7 weeks to 13.6 weeks in fiscal year 2021. These multiple influences led to a decrease in the total benefit payments of $46.5 million over the prior year.

Figure 16
Business-type Activities
Program Revenues and Expenses
Fiscal Year 2021
(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 $14.3 billion, including a negative unassigned fund balance of $49.6 million indicating that restricted and committed amounts exceed the available modified accrual basis fund balance. The remainder of fund balance is 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 $7.1 billion, an increase of $3.8 billion in comparison with the prior year. Of this total fund balance, $147.1 million represents nonspendable fund balance, $1.9 billion represents restricted fund balance, $2.4 billion represents committed fund balance, and $2.7 billion represents assigned fund balance.

Fiscal year 2021 General Fund revenues were 11.5 percent, or $2.7 billion, higher than fiscal year 2020 revenues. This revenue change results from increases of $2.9 billion primarily attributable to individual and fiduciary income taxes ($1.4 billion), corporation income taxes ($509.8 million), sales and use taxes ($488.5 million), deeds, contracts, wills, and suits taxes ($201.4 million), tobacco product taxes ($125.5 million), other revenue predominantly related to prior year expenditures refunded in the current fiscal year ($74.6 million), tobacco master settlement ($46.4 million), alcoholic beverage sales tax ($29.0 million), fines, forfeitures, and penalties ($16.0 million), and premiums of insurance companies taxes ($14.4 million). This was offset by decreases of $255.9 million primarily attributable to interest, dividends, and rents ($192.4 million), communications sales and use taxes ($34.4 million), and sales of property and commodities ($20.1 million).

Fiscal year 2021 expenditures increased by 3.8 percent, or $833.4 million, when compared to fiscal year 2020. This was primarily attributable to increases in education and individual and family services expenditures of $534.0 million and $293.8 million, respectively. Net other financing sources and uses increased by $224.2 million, which is primarily due to higher transfers in from nongeneral funds and a decrease in transfers out to nongeneral funds.

Budget Highlights

The General Fund began the year with an original revenue budget that was $846.4 million, or 3.6 percent, higher than the final fiscal year 2020 revenue budget. Additionally, the final revenue budget was lower ($334.8 million or 1.4 percent) than the original budget. The change between the original and final budget was primarily attributable to decreases in the final budget for individual and fiduciary income taxes of $713.1 million, premiums of insurance companies taxes of $105.2 million, interest, dividends, and rents of $20.8 million, sales and use taxes of $19.0 million, and sales of property and commodities of $17.2 million. This was offset by increases in the final budget for corporation income taxes of $269.5 million, deeds, contracts, wills, and suits taxes of $212.5 million, tobacco master settlement of $37.7 million, alcoholic beverage sales taxes of $13.9 million, and tobacco product taxes of $12.4 million. Total actual General Fund revenues were higher than final budgeted revenues by $2.7 billion primarily due to individual and fiduciary income taxes ($1.9 billion), sales and use taxes ($323.6 million) and corporation income taxes ($227.0 million).

Total final budget expenditures were lower than original budget expenditures by $649.1 million, or 2.6 percent. This change between the original and final budget was primarily attributable to decreases of budgeted expenditures for individual and family services of $773.2 million and administration of justice of $22.5 million. This was offset by increases for general government of $95.3 million and education of $54.3 million.

The Commonwealth spent less than planned so actual expenditures were $1.2 billion, or 4.8 percent, lower than final budget expenditures. This was primarily attributable education ($459.8 million), general government ($260.2 million) and individual and family services ($189.5 million).

Budget Outlook

Virginia's economy began to recover in fiscal year 2021 from the recession caused by the COVID-19 pandemic. Economic activity measured by Gross Domestic Product, personal income, and consumer spending showed some improvement due to a relaxing of COVID-19 restrictions, introduction of vaccines and the roll-out of federal fiscal stimulus and relief spending. Meanwhile, housing demand was sustained by low mortgage interest rates and increased consumer demand for suburban homes for remote work. Home prices jumped due to increased demand and restricted inventory, while housing construction rose. Additionally, the Commonwealth continued budget solutions, such as accelerated sales taxes, to mitigate difficult economic conditions that have arisen from the 2007-2008 recession and the COVID-19 pandemic. During fiscal year 2021, the two General Fund revenue sources most closely tied to current economic activity - individual income taxes and retail sales taxes - experienced increases when compared to the 2020 collections by $2.0 billion (12.7 percent) and $459.4 million (12.4 percent), respectively. The individual income tax collections were more than the estimated revenue by $1.9 billion (12.0 percent) and the retail sales taxes were more than the estimated revenue by $286.9 million (7.4 percent).

The fiscal year 2021 revenue collections exceeded fiscal year 2020 and the fiscal year 2021 collections estimate. Based on the July 2021 General Fund revenue estimate, the fiscal year 2022 revenue is projected to decrease by 8.0 percent when compared to the fiscal year 2021 revenue collections. This projected planned decrease is primarily a result of the economic uncertainty arising from the ongoing COVID-19 pandemic. The Governor will release his amendments to the 2021-2022 biennial budget on December 16, 2021.

Major Special Revenue Fund Highlights

The Commonwealth Transportation Fund ended the fiscal year with a fund balance of $3.6 billion. Approximately $5.2 billion is contractually committed for various highways, public transportation, and rail preservation projects; $984.9 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 21). Additionally, revenues increased $1.2 billion, or 18.2 percent, and expenditures increased $1.2 billion, or 21.7 percent. The revenue increase was primarily due to increases in tax collections of $852.5 million, or 21.6 percent and receipts from localities of $568.0 million, or 145.9 percent, offset by decreases in other revenues of $142.5 million, or 71.0 percent and federal income of $95.7 million, or 9.5 percent. Expenditures increased mainly for highway maintenance, acquisition, and construction.

The Federal Trust Fund balance increased by $263.2 million, or 115.2 percent during the current year. The change is primarily due to an increase in Federal Grants and Contracts revenue of approximately $5.2 billion, or 24.9 percent, offset by a significant increase in expenditures of $7.6 billion, or 40.3 percent. This change in the Federal Grants and Contracts revenue was mainly attributed to the funding received from the federal government for COVID-19 ($3.3 billion) to assist the Commonwealth in navigating the economic difficulties caused by the pandemic, Unemployment funding ($1.6 billion) and Medicaid funding ($1.6 billion). The remaining difference is distributed over many other federal programs. Expenditures increased primarily due to Unemployment and Medicaid spending. Net other financing sources and uses experienced a decrease of $6.0 million, or 104.2 percent, primarily attributable to additional transfers out to other funds.

The Literary Fund ended the year with a deficit net position of $49.6 million and the ending balance decreased by $90.5 million, or 221.5 percent. These decreases resulted from both operating results and accruals. Net expenditures exceeded net receipts by $185.7 million in fiscal year 2021, and the transfers from other funds representing escheated property and unclaimed prizes from the Unclaimed Property Special Revenue Fund (nonmajor) and the Virginia Lottery Enterprise Fund (major), respectively, decreased by $83.9 million, or 46.8 percent. The loans of $185.5 million owed to the Virginia Public School Authority (major component unit) exceeded accrued receivables by $85.1 million. Additionally, increased transfers out of the fund for teacher retirement has reduced the amount available to issue loans, and ultimately, investment earnings on the loans which has contributed to the deficit.

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, 2021, amounts to $35.2 billion (net of accumulated depreciation totaling $17.0 billion). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, construction-in-progress, and intangible assets including water rights, easements, and software. 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 increases in Construction in Progress of $583.3 million. These changes are primarily attributable to transportation. 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 intangible assets that have a cost or value greater than $100,000 and an expected useful life of two or more years. Additional information on the primary government's capital assets can be found in Note 13, Capital Assets.

Figure 17
Capital Assets as of June 30, 2021
(Net of Depreciation)
(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total
Land	$ 3,638,778	$ 11,758	$ 3,650,536
Buildings	2,703,415	61,084	2,764,499
Equipment	569,841	44,213	614,054
Water Rights/Easements	120,208	—	120,208
Infrastructure	23,355,877	—	23,355,877
Software	497,479	22,313	519,792
Construction-in-Progress	4,159,205	12,161	4,171,366
Total	$ 35,044,803	$ 151,529	$ 35,196,332

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 $52.6 billion, including total tax-supported debt of $24.3 billion and total debt not supported by taxes of $28.3 billion. Bonds backed by the full faith and credit of the government and tax-supported total $1.2 billion. Debt is considered tax-supported if Commonwealth tax revenues are used or pledged for debt service payments. An additional $914.4 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 2021, the Commonwealth issued $7.6 billion of new debt for various projects. Of this new debt, $1.5 billion was for the primary government and $6.1 billion for the component units. Additional information on the Commonwealth's outstanding debt can be found in Note 27, Long-Term Liabilities, as well as in the Debt Schedules beginning on page 306. 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 2021. 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 2019, 2020, and 2021. 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 2019, 2020, and 2021. 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 18
Debt Issuance Margin and Outstanding Debt as of June 30, 2021
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)	$ 8,088,426	$ —	$ —	$ —	$ —
9(b)	24,116,792	278,221	—	278,221	—
9(c)	23,432,644	6,640	—	6,640	955,729
Total		$ 284,861	$ —	$ 284,861	$ 955,729

Economic Factors and Review

During fiscal year 2021, the Commonwealth's economy showed a marked improvement, although still feeling some residual effects of the COVID-19 pandemic on labor market indicators. The Gross Domestic Product grew by 1.2 percent after a fall to -0.8 percent during the prior year. State personal income growth improved to 4.1 percent, due to an expansion of personal current transfer receipts and wages and salary growth. The state unemployment rate for fiscal year 2021 rose to an average 5.6 percent from an average 4.3 percent the fiscal year before, compared to the national rate increase to an average 6.9 percent from an average 5.9 percent over the same period. Total taxable sales increased by 5.8 percent during fiscal year 2021 from a decrease of 1.9 percent in the prior year, representing the largest increase in taxable sales in over 14 years. The Virginia housing market continued to improve, with an increase in single-family homes, townhomes and condos of 26.3 percent and an increase in building permits for new privately-owned housing units of 11.4 percent, compared to 6.1 percent in fiscal year 2020. Virginia's economy is expected to continue to grow due, in part, to an increase in consumer spending and the continued effects of Federal fiscal stimulus. There are, however, new challenges to economic growth, including the spread of the "Delta Variant", supply chain bottlenecks, difficulties finding workers in some industries and an increase in inflation, as well as an expected increase in interest rates.

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, 2021

(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 7)	$ 13,788,038	$ 819,992	$ 14,608,030	$ 4,397,918
Investments (Notes 1 and 7)	8,460,144	3,143,366	11,603,510	17,707,264
Assets Held Pending Distribution (Note 1)	6,005	116,934	122,939	—
Receivables, Net (Notes 1 and 8)	7,229,024	443,845	7,672,869	15,828,994
Contributions Receivable, Net (Notes 1 and 9)	—	—	—	603,039
Internal Balances (Note 1)	136,350	(136,350)	—	—
Due from Primary Government (Note 10)	—	—	—	54,573
Due from Component Units (Note 10)	28,509	—	28,509	116,635
Due from External Parties (Fiduciary Funds) (Note 10)	9,912	—	9,912	—
Inventory (Note 1)	251,135	91,538	342,673	165,994
Prepaid Items (Note 1)	159,329	3,985	163,314	172,375
Other Assets (Notes 1 and 11)	6,894	459	7,353	224,628
Loans Receivable from Primary Government (Notes 1 and 10)	—	—	—	185,545
Restricted Cash and Cash Equivalents (Notes 7 and 12)	1,812,316	—	1,812,316	3,959,399
Restricted Investments (Notes 7 and 12)	349,285	—	349,285	9,440,513
Other Restricted Assets (Note 12)	130,954	5,315	136,269	418,000
Nondepreciable Capital Assets (Notes 1 and 13)	9,226,411	23,919	9,250,330	4,354,254
Depreciable Capital Assets, Net (Notes 1 and 13)	25,818,392	127,610	25,946,002	20,352,421
Total Assets	67,412,698	4,640,613	72,053,311	77,981,552
Deferred Outflows of Resources (Notes 1, 14, 15, 16, and 18)	1,548,153	52,461	1,600,614	1,338,665
Total Assets and Deferred Outflows of Resources	$ 68,960,851	$ 4,693,074	$ 73,653,925	$ 79,320,217
Liabilities and Deferred Inflows of Resources				
Accounts Payable (Notes 1 and 25)	2,013,897	120,385	2,134,282	1,576,479
Amounts Due to Other Governments	1,657,348	68,053	1,725,401	121,461
Due to Primary Government (Note 10)	—	—	—	28,509
Due to Component Units (Note 10)	54,573	—	54,573	116,635
Due to External Parties (Fiduciary Funds) (Note 10)	30,876	1,084	31,960	39,183
Unearned Revenue (Note 1)	5,122,382	4,894	5,127,276	411,421
Obligations Under Securities Lending (Notes 1 and 7)	1,926,331	104,303	2,030,634	104,914
Due to Claimants, Participants, Escrows and Providers (Note 1)	759,595	129,858	889,453	—
Other Liabilities (Notes 1, 15, and 26)	2,915,135	131,817	3,046,952	2,421,129
Loans Payable to Component Units (Notes 1 and 10)	185,545	—	185,545	—
Claims Payable (Notes 1 and 24):				
Due Within One Year	183,763	64,216	247,979	18,161
Due in More Than One Year	732,551	36,104	768,655	34,153
Long-term Liabilities (Notes 1, 22, 23, and 27):				
Due Within One Year	674,074	310,225	984,299	1,911,883
Due in More Than One Year	15,383,215	1,768,869	17,152,084	32,576,732
Total Liabilities	31,639,285	2,739,808	34,379,093	39,360,660
Deferred Inflows of Resources (Notes 1, 14, 15, 16, 18, and 38)	5,586,303	21,457	5,607,760	869,327
Total Liabilities and Deferred Inflows of Resources	$ 37,225,588	$ 2,761,265	$ 39,986,853	$ 40,229,987

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	26,280,177	150,758	26,430,935	13,822,814
Restricted For:				
Nonexpendable:				
Higher Education	—	—	—	5,179,092
Permanent Funds	47,155	—	47,155	—
Other	—	—	—	177,269
Expendable:				
Agriculture and Forestry	10,195	—	10,195	—
Bond Indenture	—	—	—	3,341,544
Capital Projects/Construction/Capital Acquisition	21,562	—	21,562	2,033,768
Contract and Debt Administration	530	—	530	—
COVID-19	269,755	—	269,755	—
Debt Service	113,184	—	113,184	162,503
Economic and Technological Development	111	—	111	—
Educational and Training Programs	3,916	—	3,916	—
Employee Benefit Administration	9,141	—	9,141	—
Environmental Quality and Natural Resource Preservation	25,215	—	25,215	—
Gifts and Grants	86,493	—	86,493	204,683
Health and Public Safety	85,212	—	85,212	—
Higher Education	—	—	—	10,031,289
Literary Fund	26,625	—	26,625	—
Lottery Proceeds Fund	81,222	—	81,222	—
Net Other Postemployment Benefit - Virginia Sickness and Disability Program	121,814	4,620	126,434	78,102
Permanent Funds	1,919	—	1,919	—
Revenue Stabilization Fund	1,767,346	—	1,767,346	—
Transportation Activities	1,166,721	—	1,166,721	—
Unclaimed and Escheats	25,247	—	25,247	—
Unemployment Compensation Trust Fund	—	132,808	132,808	—
Virginia Pooled Investment Program	—	—	—	7,760
Virginia Water Supply Assistance Grant Fund	1,890	—	1,890	—
Other	2,792	—	2,792	21,198
Unrestricted	1,587,041	1,643,623	3,230,664	4,030,208
Total Net Position	$ 31,735,263	$ 1,931,809	$ 33,667,072	$ 39,090,230

Statement of Activities

For the Fiscal Year Ended June 30, 2021

(Dollars in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental Activities				
General Government	$ 5,106,906	$ 305,172	$ 4,879,929	$ 9,740
Education	12,765,718	627,365	1,323,417	3,071
Transportation	6,148,039	848,631	66,571	1,311,903
Resources and Economic Development	1,422,926	534,223	172,834	17,512
Individual and Family Services	30,575,148	209,420	20,438,129	47,853
Administration of Justice	3,235,150	253,710	71,121	—
Interest and Charges on Long-term Debt	271,799	—	—	—
Total Governmental Activities	59,525,686	2,778,521	26,952,001	1,390,079
Business-type Activities				
Virginia Lottery	2,483,875	3,259,685	—	—
Virginia College Savings Plan	124,169	706,932	—	—
Unemployment Compensation	1,199,074	418,378	255,817	—
Alcoholic Beverage Control	904,400	1,135,052	—	76,941
Risk Management	10,978	14,974	—	—
Local Choice Health Care	474,924	482,924	—	—
Line of Duty	19,681	19,037	—	—
Advantage Vanpool Self Insurance Fund	86	556	—	—
Virginia Industries for the Blind	65,204	67,189	—	—
Consolidated Laboratory	12,694	15,463	—	—
eVA Procurement System	22,223	25,513	—	—
Department of Environmental Quality Title V	11,738	11,979	—	—
Wireless E-911	49,178	68,837	—	—
Museum and Library Gift Shops	4,928	3,575	1,200	—
Behavioral Health Canteen and Work Activity	285	369	—	—
Total Business-type Activities	5,383,437	6,230,463	257,017	76,941
Total Primary Government	$ 64,909,123	$ 9,008,984	$ 27,209,018	$ 1,467,020
Component Units				
Virginia Housing Development Authority	$ 540,354	$ 404,329	$ 223,431	$ —
Virginia Public School Authority	115,186	119,123	7,069	—
Virginia Resources Authority	128,514	112,387	22,369	93,549
Virginia College Building Authority	835,651	46,441	36,835	203
Nonmajor	16,192,775	10,337,738	6,422,308	747,127
Total Component Units	$ 17,812,480	$ 11,020,018	$ 6,712,012	$ 840,879

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
$ 87,935	$ —	$ 87,935	$ —
(10,811,865)	—	(10,811,865)	—
(3,920,934)	—	(3,920,934)	—
(698,357)	—	(698,357)	—
(9,879,746)	—	(9,879,746)	—
(2,910,319)	—	(2,910,319)	—
(271,799)	—	(271,799)	—
(28,405,085)	—	(28,405,085)	—
—	775,810	775,810	—
—	582,763	582,763	—
—	(524,879)	(524,879)	—
—	307,593	307,593	—
—	3,996	3,996	—
—	8,000	8,000	—
—	(644)	(644)	—
—	470	470	—
—	1,985	1,985	—
—	2,769	2,769	—
—	3,290	3,290	—
—	241	241	—
—	19,659	19,659	—
—	(153)	(153)	—
—	84	84	—
—	1,180,984	1,180,984	—
(28,405,085)	1,180,984	(27,224,101)	—
—	—	—	87,406
—	—	—	11,006
—	—	—	99,791
—	—	—	(752,172)
—	—	—	1,314,398
—	—	—	760,429

Continued on next page

Statement of Activities *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2021

(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	17,066,596	—	17,066,596	—
Sales and Use	6,527,477	—	6,527,477	—
Corporation Income	1,579,303	—	1,579,303	—
Motor Fuel	1,421,963	—	1,421,963	—
Motor Vehicle Sales and Use	1,118,962	—	1,118,962	—
Communications Sales and Use	312,477	—	312,477	—
Deeds, Contracts, Wills, and Suits	810,105	—	810,105	—
Premiums of Insurance Companies	551,005	—	551,005	—
Alcoholic Beverage Sales	220,078	—	220,078	—
Tobacco Products	287,856	—	287,856	—
Estate	810	—	810	—
Public Service Corporations	117,596	—	117,596	—
Beer and Beverage Excise	42,548	—	42,548	—
Wine and Spirits/ABC Liter	32,845	—	32,845	—
Bank Stock	26,788	—	26,788	—
Other Taxes	1,152,087	9,141	1,161,228	—
Operating Appropriations from Primary Government	—	—	—	2,814,241
Unrestricted Grants and Contributions	102,053	—	102,053	692,827
Investment Earnings	36,840	715	37,555	3,402,862
Miscellaneous	380,659	2,389	383,048	249,708
Transfers	1,040,213	(1,040,213)	—	—
Contributions to Permanent and Term Endowments	—	—	—	340,043
Total General Revenues, Transfers, and Contributions	32,828,261	(1,027,968)	31,800,293	7,499,681
Change in Net Position	4,423,176	153,016	4,576,192	8,260,110
Net Position, July 1, as restated (Note 2)	27,312,087	1,778,793	29,090,880	30,830,120
Net Position, June 30	$ 31,735,263	$ 1,931,809	$ 33,667,072	$ 39,090,230

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. While the entire fund is constitutionally restricted for public schools, the accrued liabilities exceed the accrued assets on the modified accrual basis at June 30.

Nonmajor Governmental Funds include those Special Revenue, Debt Service, Capital Projects, and Permanent Funds listed on page 239 in the Combining and Individual Fund Statements and Schedules section of this report.

Balance Sheet - Governmental Funds

June 30, 2021

(Dollars in Thousands)

		Special Revenue		
	General	Commonwealth Transportation	Federal Trust	Literary
Assets and Deferred Outflows of Resources				
Cash and Cash Equivalents (Notes 1 and 7)	$ 1,391,224	$ 4,551,836	$ 5,370,954	$ 84,469
Investments (Notes 1 and 7)	8,138,018	—	26,866	—
Assets Held Pending Distribution (Note 1)	—	228	—	—
Receivables, Net (Notes 1 and 8)	2,492,817	1,652,090	2,694,389	100,418
Due from Other Funds (Note 10)	76,581	134,758	281	2,448
Due from Component Units (Note 10)	—	2,699	—	—
Due from External Parties (Fiduciary Funds) (Note 10)	9,375	—	—	—
Interfund Receivable (Note 10)	—	—	—	—
Inventory (Note 1)	38,830	92,730	93,313	—
Prepaid Items (Note 1)	108,281	11,255	6,335	—
Other Assets (Notes 1 and 11)	1,138	283	4,799	—
Restricted Cash and Cash Equivalents (Notes 7 and 12)	—	124,143	—	—
Total Assets	12,256,264	6,570,022	8,196,937	187,335
Deferred Outflows of Resources (Notes 1 and 14)	203	—	—	—
Total Assets and Deferred Outflows of Resources	$ 12,256,467	$ 6,570,022	$ 8,196,937	$ 187,335
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Accounts Payable (Notes 1 and 25)	$ 891,836	$ 541,132	$ 206,162	$ 1
Amounts Due to Other Governments	483,576	54,973	780,761	1
Due to Other Funds (Note 10)	40,574	72,099	22,152	—
Due to Component Units (Note 10)	594	9,818	1,159	—
Due to External Parties (Fiduciary Funds) (Note 10)	19,745	5,435	2,906	—
Interfund Payable (Note 10)	676	5,100	23,464	—
Unearned Revenue (Note 1)	—	176,311	4,787,362	—
Obligations Under Securities Lending Program (Notes 1 and 7)	1,388,554	352,131	29,373	24,794
Due to Claimants, Participants, Escrows and Providers (Note 1)	—	—	218,684	—
Other Liabilities (Notes 1 and 26)	1,233,694	21,693	1,344,279	—
Loans Payable to Component Units (Notes 1 and 10)	—	—	—	185,545
Long-term Liabilities Due Within One Year (Notes 1, 22, and 27)	1,389	325	152	—
Total Liabilities	4,060,638	1,239,017	7,416,454	210,341
Deferred Inflows of Resources (Notes 1, 14, and 38)	1,086,815	1,765,253	288,680	26,625
Total Liabilities and Deferred Inflows of Resources	5,147,453	3,004,270	7,705,134	236,966
Fund Balances (Notes 1 and 3):				
Nonspendable	147,111	103,985	99,648	—
Restricted	1,850,459	157,389	392,155	—
Committed	2,444,931	3,303,032	—	—
Assigned	2,666,513	1,346	—	—
Unassigned	—	—	—	(49,631)
Total Fund Balances (Deficit) (Note 4)	7,109,014	3,565,752	491,803	(49,631)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 12,256,467	$ 6,570,022	$ 8,196,937	$ 187,335

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

Nonmajor Governmental Funds	Total Governmental Funds
$ 3,022,184	$ 14,420,667
644,545	8,809,429
5,777	6,005
205,980	7,145,694
63,676	277,744
—	2,699
292	9,667
258,853	258,853
7,423	232,296
14,101	139,972
674	6,894
—	124,143
4,223,505	31,434,063
—	203
$ 4,223,505	$ 31,434,266
$ 98,966	$ 1,738,097
6,214	1,325,525
134,925	269,750
16,506	28,077
2,314	30,400
6,000	35,240
38,278	5,001,951
55,782	1,850,634
469,372	688,056
233,694	2,833,360
—	185,545
114	1,980
1,062,165	13,988,615
23,442	3,190,815
1,085,607	17,179,430
68,657	419,401
2,038,757	4,438,760
986,611	6,734,574
43,873	2,711,732
—	(49,631)
3,137,898	14,254,836
$ 4,223,505	$ 31,434,266

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

June 30, 2021

(Dollars in Thousands)

Total fund balances - governmental funds (see Balance Sheet - Governmental Funds)	$	14,254,836
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.		128,613
When capital assets (land, buildings, equipment, construction-in-progress, 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		9,142,848
Depreciable Capital Assets		25,710,047
Assets to be received for Long-term Debt Service requirements are not reported in the fund statements.		60,949
Deferred outflows associated with pension and other postemployment benefit related costs are long-term in nature and, therefore, not reported in the funds.		1,478,172
Deferred outflows associated with loss on debt refundings are long-term in nature and, therefore, not reported in the funds.		47,996
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		(4,979,593)
Net OPEB Liability		(870,195)
Total OPEB Liability		(309,355)
Capital Leases		(8,050)
Installment Purchases		(93,625)
Compensated Absences		(338,053)
Uninsured Employer's Fund		(22,831)
Bonds		(9,253,625)
Accrued Interest Payable		(80,403)
Other Obligations		(16,808)
Pollution Remediation Liability		(9,140)
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.		(81,787)
Other long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(639,608)
Deferred inflows are not available to pay for current period expenditures and, therefore, are not reported in the funds.		1,499,825
Deferred inflows associated with Service Concession Arrangements capital assets are long-term in nature and, therefore, not reported in the funds.		(3,140,390)
Deferred inflows associated with pension and other postemployment benefit related costs are long-term in nature and, therefore, not reported in the funds.		(743,878)
Deferred inflows associated with gain on debt refundings are long-term in nature and, therefore, not reported in the funds.		(682)
Net position of governmental activities (see Government-wide Statement of Net Position)	$	31,735,263

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, 2021

(Dollars in Thousands)

		Special Revenue		
	General	Commonwealth Transportation	Federal Trust	Literary
Revenues				
Taxes	$ 25,426,956	$ 4,793,482	$ —	$ —
Rights and Privileges	94,978	740,239	28	384
Institutional Revenue	31,755	—	477	—
Interest, Dividends, Rents, and Other Investment Income	14,569	36,692	9,885	8,360
Federal Grants and Contracts	9,693	911,980	26,130,424	—
Other (Note 28)	521,069	1,067,753	514,139	33,437
Total Revenues	26,099,020	7,550,146	26,654,953	42,181
Expenditures				
Current:				
General Government	2,457,553	46,389	1,873,830	44
Education	10,067,519	2,328	1,673,018	227,873
Transportation	147	6,736,448	17,612	—
Resources and Economic Development	535,813	35,210	383,312	—
Individual and Family Services	6,989,563	—	22,301,897	—
Administration of Justice	2,983,582	10,334	103,893	—
Capital Outlay	3,120	20,416	37,927	—
Debt Service:				
Principal Retirement	—	—	—	—
Interest and Charges	—	—	—	—
Total Expenditures	23,037,297	6,851,125	26,391,489	227,917
Revenues Over (Under) Expenditures	3,061,723	699,021	263,464	(185,736)
Other Financing Sources (Uses)				
Transfers In (Note 34)	1,101,248	34,219	34,247	95,241
Transfers Out (Note 34)	(414,818)	(543,447)	(38,115)	—
Notes Issued	5,565	—	—	—
Insurance Recoveries	14	42	6	—
Capital Leases Issued	1,160	87	—	—
Bonds Issued	—	100,760	—	—
Premium on Debt Issuance	—	27,044	—	—
Refunding Bonds Issued	—	—	—	—
Sale of Capital Assets	5,317	3,109	3,623	—
Payment to Refunded Bond Escrow Agents	—	—	—	—
Total Other Financing Sources (Uses)	698,486	(378,186)	(239)	95,241
Net Change in Fund Balances	3,760,209	320,835	263,225	(90,495)
Fund Balance, July 1, as restated (Note 2)	3,348,805	3,244,917	228,578	40,864
Fund Balance (Deficit), June 30 (Note 4)	$ 7,109,014	$ 3,565,752	$ 491,803	$ (49,631)

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

Nonmajor Governmental Funds	Total Governmental Funds
$ 1,057,104	$ 31,277,542
376,493	1,212,122
112,737	144,969
80,074	149,580
133,790	27,185,887
720,204	2,856,602
2,480,402	62,826,702
160,645	4,538,461
59,813	12,030,551
7,094	6,761,301
442,139	1,396,474
1,189,436	30,480,896
92,093	3,189,902
1,372,542	1,434,005
440,371	440,371
356,743	356,743
4,120,876	60,628,704
(1,640,474)	2,197,998
989,706	2,254,661
(209,678)	(1,206,058)
8,561	14,126
3,124	3,186
59	1,306
1,149,840	1,250,600
245,579	272,623
11,030	11,030
4,760	16,809
(11,006)	(11,006)
2,191,975	2,607,277
551,501	4,805,275
2,586,397	9,449,561
$ 3,137,898	$ 14,254,836

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, 2021

(Dollars in Thousands)

Net Change in fund balances - total government funds (See Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds)	$	4,805,275
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 expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.		
Nondepreciable Capital Assets Constructed/Acquired		2,273,769
Nondepreciable Capital Assets Disposed		(432,175)
Depreciable Capital Assets Acquired		365,394
Depreciable Capital Assets Disposed		(17,478)
Depreciation Expense		(1,403,292)
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		(1,250,600)
Capital Lease Proceeds		(1,306)
Bond Premiums		(272,623)
Refunding Bonds Issued		(11,030)
Installment Purchase Proceeds		(14,126)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position.		440,371
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.		11,006
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.		101,018
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		3,347
(Increase) Decrease in Net Pension Liability		(212,802)
(Increase) Decrease in Net OPEB Liability		(4,445)
(Increase) Decrease in Total OPEB Liability		101,112
(Increase) Decrease in Other Long-term Liabilities		(4,457)
(Increase) Decrease in Compensated Absences		(21,388)
(Increase) Decrease in Interest Expense, Amortization of Long-term Debt premium and discounts, and Accrued Interest Liability		106,302
(Increase) Decrease in Other Liabilities		(212,132)
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.		(24,078)
Net revenue (expenses) of certain activities of internal service funds is reported within governmental activities.		47,441
Deferred inflows and outflows associated with pension and OPEB costs are not included in the funds.		(647)
Amortization of deferred inflows and/or outflows associated with Service Concession Arrangements capital assets are not included in the funds.		50,720
Change in net position of governmental activities (See Government-wide Statement of Activities)	$	4,423,176

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 all receipts and expenses from the operations of the Virginia Lottery.

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. Eide Bailly, LLP, audits the Plan, and a separate report is issued.

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 251 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 267 in the Combining and Individual Fund Statements and Schedules section of this report.

Statement of Fund Net Position - Proprietary Funds

June 30, 2021

(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 7)	$ 162,255	$ 135,041	$ 186,417	$ 336,279
Assets Held Pending Distribution (Note 1)	11,157	—	—	—
Receivables, Net (Notes 1 and 8)	90,529	71,279	129,091	61,266
Due from Other Funds (Note 10)	—	—	5,950	2,751
Due from External Parties (Fiduciary Funds) (Note 10)	—	—	—	—
Due from Component Units (Note 10)	—	—	—	—
Inventory (Note 1)	2,421	—	—	89,117
Prepaid Items (Note 1)	754	647	—	2,584
Other Assets (Notes 1 and 11)	1	—	—	458
Total Current Assets	267,117	206,967	321,458	492,455
Noncurrent Assets:				
Investments (Notes 1 and 7)	—	3,143,366	—	—
Assets Held Pending Distribution (Note 1)	105,777	—	—	—
Receivables, Net (Notes 1 and 8)	—	91,680	—	—
Other Assets (Notes 1 and 11)	1,023	481	—	3,811
Nondepreciable Capital Assets (Notes 1 and 13)	—	—	—	23,919
Depreciable Capital Assets, Net (Notes 1 and 13)	14,998	675	—	111,937
Total Noncurrent Assets	121,798	3,236,202	—	139,667
Total Assets	388,915	3,443,169	321,458	632,122
Deferred Outflows of Resources (Notes 1, 14, 15, 16, and 18)	9,726	5,422	—	37,313
Total Assets and Deferred Outflows of Resources	398,641	3,448,591	321,458	669,435
Liabilities and Deferred Inflows of Resources				
Current Liabilities:				
Accounts Payable (Notes 1 and 25)	26,269	935	3,663	89,518
Amounts Due to Other Governments	—	—	59,191	8,862
Due to Other Funds (Note 10)	70,685	100	327	8,948
Due to External Parties (Fiduciary Funds) (Note 10)	213	94	—	777
Interfund Payable (Note 10)	—	—	—	65,751
Unearned Revenue (Note 1)	1,537	—	—	3,357
Due to Claimants, Participants, Escrows and Providers (Note 1)	—	4,389	125,469	—
Obligations Under Securities Lending Program (Notes 1 and 7)	73,058	2,920	—	28,325
Other Liabilities (Notes 1 and 26)	96,869	34,800	—	148
Claims Payable Due Within One Year (Notes 1 and 24)	—	—	—	64,216
Long-term Liabilities Due Within One Year (Notes 1, 22, and 27)	12,797	288,534	—	8,894
Total Current Liabilities	281,428	331,772	188,650	278,796
Noncurrent Liabilities:				
Interfund Payable (Note 10)	—	—	—	—
Claims Payable Due in More Than One Year (Notes 1 and 24)	—	—	—	36,104
Long-term Liabilities Due in More Than One Year (Notes 1, 22, and 27)	146,500	1,464,585	—	157,784
Total Noncurrent Liabilities	146,500	1,464,585	—	193,888
Total Liabilities	427,928	1,796,357	188,650	472,684
Deferred Inflows of Resources (Notes 1, 14, 15, 16, and 18)	3,420	1,458	—	16,579
Total Liabilities and Deferred Inflows of Resources	431,348	1,797,815	188,650	489,263
Net Position				
Net Investment in Capital Assets	14,998	675	—	135,085
Restricted for Net Other Postemployment Benefit - Virginia Sickness and Disability Program	937	405	—	3,278
Restricted for Unemployment Compensation	—	—	132,808	—
Unrestricted	(48,642)	1,649,696	—	41,809
Total Net Position (Deficit) (Note 4)	$ (32,707)	$ 1,650,776	$ 132,808	$ 180,172

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
$ 819,992	$ 1,055,544
11,157	—
352,165	22,381
8,701	67,124
—	245
—	24,195
91,538	18,839
3,985	19,357
459	35,671
1,287,997	1,243,356
3,143,366	—
105,777	—
91,680	—
5,315	2,313
23,919	83,563
127,610	108,345
3,497,667	194,221
4,785,664	1,437,577
52,461	21,782
4,838,125	1,459,359
120,385	97,399
68,053	—
80,060	3,759
1,084	476
65,751	11,030
4,894	123,522
129,858	—
104,303	75,697
131,817	1,332
64,216	183,763
310,225	10,072
1,080,646	507,050
—	146,832
36,104	732,551
1,768,869	143,590
1,804,973	1,022,973
2,885,619	1,530,023
21,457	10,363
2,907,076	1,540,386
150,758	147,315
4,620	2,175
132,808	—
1,642,863	(230,517)
$ 1,931,049	$ (81,027)
760	
$ 1,931,809	

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

For the Fiscal Year Ended June 30, 2021

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Operating Revenues				
Charges for Sales and Services	$ 3,258,976	$ 82,829	$ 414,969	$ 1,818,230
Interest, Dividends, Rents, and Other Investment Income	—	624,101	3,391	4
Other (Note 28)	508	—	18	25,560
Total Operating Revenues	3,259,484	706,930	418,378	1,843,794
Operating Expenses				
Cost of Sales and Services	199,195	—	—	696,992
Prizes and Claims (Note 30)	2,196,506	—	1,199,074	477,617
Educational Benefits Expense	—	81,988	—	—
Personal Services	35,744	17,009	—	186,759
Contractual Services	42,271	13,793	—	105,220
Supplies and Materials	407	51	—	11,421
Depreciation	6,848	195	—	4,965
Rent, Insurance, and Other Related Charges	2,161	932	—	43,612
Non-recurring Cost Estimate Payments to Providers	—	—	—	45,141
Other (Note 31)	—	9,958	—	6,166
Total Operating Expenses	2,483,132	123,926	1,199,074	1,577,893
Operating Income (Loss)	776,352	583,004	(780,696)	265,901
Nonoperating Revenues (Expenses)				
Interest, Dividends, Rents, and Other Investment Income	916	2	—	1,674
Other (Note 32)	(200)	(2)	255,817	12,666
Total Nonoperating Revenues (Expenses)	716	—	255,817	14,340
Income (Loss) Before Capital Contributions and Transfers	777,068	583,004	(524,879)	280,241
Capital Contributions	—	—	—	76,941
Transfers In (Note 34)	—	—	30,727	1,033
Transfers Out (Note 34)	(776,974)	(351)	(34,246)	(260,402)
Change in Net Position	94	582,653	(528,398)	97,813
Total Net Position (Deficit), July 1	(32,801)	1,068,123	661,206	82,359
Total Net Position (Deficit), June 30 (Note 4)	$ (32,707)	$ 1,650,776	$ 132,808	$ 180,172

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
$ 5,575,004	$ 2,204,183
627,496	—
26,086	103,057
6,228,586	2,307,240
896,187	56,417
3,873,197	1,540,522
81,988	—
239,512	65,488
161,284	437,048
11,879	6,061
12,008	23,067
46,705	105,453
45,141	—
16,124	20,858
5,384,025	2,254,914
844,561	52,326
2,592	5,909
268,281	(1,550)
270,873	4,359
1,115,434	56,685
76,941	—
31,760	597
(1,071,973)	(8,987)
152,162	48,295
1,778,887	(129,322)
$ 1,931,049	$ (81,027)
854	
$ 153,016	

Statement of Cash Flows - Proprietary Funds

For the Fiscal Year Ended June 30, 2021

(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	$ 3,253,435	$ 118,347	$ 413,107	$ 1,797,626
Receipts from Investments	—	—	3,546	—
Internal Activity-Receipts from Other Funds	—	—	11,318	32,610
Internal Activity-Payments to Other Funds	—	(146)	—	(4,249)
Payments to Suppliers for Goods and Services	(194,305)	(1,147)	—	(703,854)
Payments for Contractual Services	(21,477)	(13,231)	—	(102,670)
Payments for Prizes, Claims, and Loss Control (Note 36)	(2,183,790)	—	(1,271,193)	(478,168)
Payments for Educational Benefits	—	(179,492)	—	—
Payments to Employees	(35,906)	(16,020)	—	(179,505)
Payments to Providers for Non-recurring Cost Estimates	—	—	—	(43,460)
Other Operating Revenue (Note 36)	512	—	92	9,944
Other Operating Expense (Note 36)	—	(9,543)	—	(53,548)
Net Cash Provided by (Used for) Operating Activities	818,469	(101,232)	(843,130)	274,726
Cash Flows from Noncapital Financing Activities				
Transfers In from Other Funds	—	—	29,665	1,033
Transfers Out to Other Funds	(718,472)	(351)	(34,540)	(599,256)
Other Noncapital Financing Receipt Activities (Note 36)	—	—	322,264	405,938
Other Noncapital Financing Disbursement Activities (Note 36)	(25,000)	—	—	(33,129)
Net Cash Provided by (Used for) Noncapital Financing Activities	(743,472)	(351)	317,389	(225,414)
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(4,029)	(152)	—	(18,302)
Payment of Principal and Interest on Bonds and Notes	—	—	—	(216)
Proceeds from Sale of Capital Assets	11	—	—	53
Other Capital and Related Financing Receipt Activities (Note 36)	—	—	—	47
Net Cash Used for Capital and Related Financing Activities	(4,018)	(152)	—	(18,418)
Cash Flows from Investing Activities				
Purchase of Investments	(3,635)	(1,350,970)	—	—
Proceeds from Sales or Maturities of Investments	11,327	1,410,583	—	—
Investment Income on Cash, Cash Equivalents, and Investments	713	88,470	—	1,567
Net Cash Provided by Investing Activities	8,405	148,083	—	1,567
Net Increase (Decrease) in Cash and Cash Equivalents	79,384	46,348	(525,741)	32,461
Cash and Cash Equivalents, July 1	9,814	85,773	712,158	275,923
Cash and Cash Equivalents, June 30	$ 89,198	$ 132,121	$ 186,417	$ 308,384
Reconciliation of Cash and Cash Equivalents				
Per the Statement of Net Position:				
Cash and Cash Equivalents	$ 162,255	$ 135,041	$ 186,417	$ 336,279
Cash and Travel Advances	1	—	—	430
Less:				
Securities Lending Cash Equivalents	(73,058)	(2,920)	—	(28,325)
Cash and Cash Equivalents per the Statement of Cash Flows	$ 89,198	$ 132,121	$ 186,417	$ 308,384

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

	Total	Governmental Activities Internal Service Funds
	$ 5,582,515	$ 812,767
	3,546	—
	43,928	1,415,982
	(4,395)	(10,733)
	(899,306)	(164,093)
	(137,378)	(428,162)
	(3,933,151)	(1,544,345)
	(179,492)	—
	(231,431)	(62,100)
	(43,460)	—
	10,548	42
	(63,091)	(17,455)
	148,833	1,903
	30,698	597
	(1,352,619)	(8,987)
	728,202	32,663
	(58,129)	(10,438)
	(651,848)	13,835
	(22,483)	(27,885)
	(216)	(15,284)
	64	2,676
	47	—
	(22,588)	(40,493)
	(1,354,605)	—
	1,421,910	—
	90,750	5,702
	158,055	5,702
	(367,548)	(19,053)
	1,083,668	998,900
	$ 716,120	$ 979,847
	$ 819,992	$ 1,055,544
	431	—
	(104,303)	(75,697)
	$ 716,120	$ 979,847

Continued on next page

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

For the Fiscal Year Ended June 30, 2021

(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)	$ 776,352	$ 583,004	$ (780,696)	$ 265,901
Adjustments to Reconcile Operating				
Income to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	6,848	195	—	4,965
Interest, Dividends, Rents, and Other Investment Income	(4,754)	(624,101)	—	—
Miscellaneous Nonoperating Income	3	—	—	—
Other	—	471	—	(128)
Change in Assets, Deferred Outflows of Resources, Liabilities, and				
Deferred Inflows of Resources				
(Increase) Decrease in Accounts Receivable	(5,109)	35,494	221	(1,468)
(Increase) Decrease in Due from Other Funds	—	—	13,433	(1,976)
(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	—	—	—	(212)
(Increase) Decrease in Other Assets: Due in More Than One Year	(107)	(83)	—	(532)
(Increase) Decrease in Inventory	4,890	—	—	951
(Increase) Decrease in Prepaid Items	(73)	251	—	(504)
(Increase) Decrease in Deferred Outflows of Resources	(1,953)	(1,711)	—	(6,884)
Increase (Decrease) in Accounts Payable	12,404	(4,325)	(3,705)	(859)
Increase (Decrease) in Amounts Due to Other Governments	—	—	891	536
Increase (Decrease) in Due to Other Funds	644	(6)	(116)	1,147
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	3	(1)	—	13
Increase (Decrease) in Unearned Revenue	(432)	—	—	(298)
Increase (Decrease) in Due to Claimants, Participants, Escrows and Providers	—	3,919	(73,158)	—
Increase (Decrease) in Other Liabilities	30,732	—	—	(13)
Increase (Decrease) in Claims Payable: Due Within One Year	—	—	—	(218)
Increase (Decrease) in Claims Payable: Due in More Than One Year	—	—	—	993
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(31)	107	—	1,193
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	505	(94,095)	—	16,479
Increase (Decrease) in Deferred Inflows of Resources	(1,453)	(351)	—	(4,360)
Net Cash Provided by (Used for) Operating Activities	$ 818,469	$ (101,232)	$ (843,130)	$ 274,726
Noncash Investing, Capital, and Financing Activities:				
The following transactions occurred prior to the Statement of Net Position date:				
Capital Leases Used to Finance Capital Assets	$ —	$ —	$ —	$ —
Trade-ins of Used Equipment on New Equipment	—	—	—	—
Installment Purchases Used to Finance Capital Assets	—	—	—	—
Change in Fair Value of Investments	—	339,197	—	—
Accounts Payable Increase (Decrease) related to Capital Assets	—	—	—	—
Donated Buildings	—	—	—	76,941
Total Noncash, Investing, Capital, and Financing Activities	$ —	$ 339,197	$ —	$ 76,941

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

	Governmental Activities
Total	Internal Service Funds
$ 844,561	$ 52,326
12,008	23,067
(628,855)	—
3	23
343	—
29,138	(469)
11,457	1,174
—	(1)
—	875
(212)	(952)
(722)	(198)
5,841	(586)
(326)	(3,338)
(10,548)	(3,748)
3,515	15,313
1,427	(233)
1,669	2,101
15	23
(730)	21,463
(69,239)	—
30,719	1,215
(218)	(17,955)
993	(95,317)
1,269	(66)
(77,111)	8,650
(6,164)	(1,464)
$ 148,833	$ 1,903
$ —	$ 4,549
—	12
—	5,474
339,197	—
—	(415)
76,941	—
$ 416,138	$ 9,620

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 276-277 in the Combining and Individual Fund Statements and Schedules section of this report. Combining financial statements for all Fiduciary Funds begin on page 278.

Statement of Fiduciary Net Position - Fiduciary Funds

June 30, 2021

(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 7)	$ 233,076	$ 648,927	$ 3,266,090	$ 320,304
Investments (Notes 1 and 7):				
Bonds and Mortgage Securities	164,045	23,033,667	514,051	14,449
Stocks	120,661	27,357,259	—	17,159
Fixed Income Commingled Funds	1,153,028	1,480,613	—	928
Index and Pooled Funds	3,009,278	13,868,489	—	8,699
Real Estate	296,477	10,739,712	—	6,736
Private Equity	—	27,845,530	—	17,465
Mutual and Money Market Funds	871,500	—	—	—
Short-term Investments	—	5,256,250	3,970,357	3,613
Other	1,489,211	—	—	—
Total Investments	7,104,200	109,581,520	4,484,408	69,049
Assets Held Pending Distribution (Note 1)	6,668	—	—	468,427
Receivables, Net (Notes 1 and 8):				
Accounts	414	—	—	96
Contributions	—	255,656	—	—
Interest and Dividends	6,377	287,033	1,782	180
Security Transactions	—	2,402,590	—	1,507
Taxes	—	—	—	81,882
Other Receivables	1,372	150,280	—	80
Total Receivables	8,163	3,095,559	1,782	83,745
Due from Internal Parties (Governmental Funds and Business-type Activities) (Note 10)	—	31,702	—	258
Due from Component Units (Note 10)	—	39,183	—	—
Other Assets (Notes 1 and 11)	—	—	—	2
Property, Plant, Furniture and Equipment	—	31,706	—	—
Total Assets	7,352,107	113,428,597	7,752,280	941,785
Deferred Outflows of Resources (Note 1)	—	—	—	—
Total Assets and Deferred Outflows of Resources	7,352,107	113,428,597	7,752,280	941,785
Liabilities and Deferred Inflows of Resources				
Accounts Payable (Notes 1 and 25)	478	48,573	—	5,212
Amounts Due to Other Governments	—	—	—	319,574
Due to Internal Parties (Governmental Funds and Business-type Activities) (Note 10)	—	245	—	9,667
Obligations Under Securities Lending (Notes 1 and 7)	195	5,179,913	—	4,423
Due to Claimants, Participants, Escrows and Providers (Note 1)	7,374	—	—	108
Other Liabilities (Notes 1 and 26)	11	135,500	—	1,258
Retirement Benefits Payable	—	457,374	—	—
Refunds Payable	—	10,294	—	—
Compensated Absences Payable (Notes 1 and 22)	—	3,392	—	3
Insurance Premiums and Claims Payable	—	93,704	—	368
Payable for Security Transactions	2,175	5,129,983	—	3,218
Total Liabilities	10,233	11,058,978	—	343,831
Deferred Inflows of Resources (Note 1)	—	—	—	—
Total Liabilities and Deferred Inflows of Resources	10,233	11,058,978	—	343,831
Net Position Restricted for:				
Pensions	—	98,880,981	—	—
Other Employment Benefits	—	3,488,638	—	—
Pool Participants, Individuals, Organizations, and Other Governments	7,341,874	—	7,752,280	597,954
Total Net Position	$ 7,341,874	$ 102,369,619	$ 7,752,280	$ 597,954

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, 2021

(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	$ 1,244,092	$ 22,810,272	$ 9,904	$ 12,222
Total Investment Income	1,244,092	22,810,272	9,904	12,222
Less Investment Expenses	8,332	555,841	738	589
Net Investment Income	1,235,760	22,254,431	9,166	11,633
Contributions:				
Participants	935,763	—	—	6,782
Member	—	1,076,617	—	32
Employer	—	3,133,700	—	897
Non-employer	—	61,344	—	—
Total Contributions	935,763	4,271,661	—	7,711
Shares Sold	—	—	10,054,039	—
Reinvested Distributions	—	—	9,279	—
Other Revenue (Note 28)	2	3,003	—	14,445
Sales Tax Collections for Other Governments	—	—	—	1,501,266
Child Support Collections	—	—	—	621,776
Legal Settlement Collections	13,070	—	—	—
Collections for Inmates and Wards	—	—	—	17,821
Collections for Behavioral Health Patients	—	—	—	5,650
Collateral Received and Related Additions	—	—	—	385,392
Fee Collections for Other Governments	—	—	—	11,237
Collections for Veterans' Care Center Residents	—	—	—	1,516
Other Additions	—	—	—	6,202
Total Additions	2,184,595	26,529,095	10,072,484	2,584,649
Deductions:				
Educational Expense Benefits	431,798	—	—	—
Retirement Benefits	—	5,522,199	—	—
Refunds to Former Members	—	116,186	—	—
Retiree Health Insurance Credits	—	171,401	—	—
Insurance Premiums and Claims	—	264,477	—	6,859
Beneficiary Payments	2,042	—	—	—
Administrative Expenses	—	57,848	—	706
Other Expenses (Note 31)	—	3,767	—	95
Shares Redeemed	47,267	—	9,126,369	—
Long-term Disability Benefits	—	38,708	—	—
Sales Tax Payments to Other Governments	—	—	—	1,500,896
Child Support Payments to Individuals	—	—	—	629,410
Legal Settlement Payments to Injured Parties	684	—	—	—
Payments for Inmates and Wards	—	—	—	5,074
Payments for Behavioral Health Patients	—	—	—	5,340
Collateral Disbursed and Related Deductions	—	—	—	388,472
Distributions to Shareholders from Net Investment Income	—	—	9,166	—
Fee Payments to Other Governments	—	—	—	10,511
Payments for Veterans' Care Center Residents	—	—	—	1,474
Other Deductions	—	—	—	6,499
Total Deductions	481,791	6,174,586	9,135,535	2,555,336
Net Increase (Decrease) in Fiduciary Net Position	1,702,804	20,354,509	936,949	29,313
Net Position, July 1	5,639,070	82,015,110	6,815,331	568,641
Net Position, June 30	$ 7,341,874	$ 102,369,619	$ 7,752,280	$ 597,954

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 292-293 in the Combining and Individual Fund Statements and Schedules section of this report.

Statement of Net Position - Component Units

June 30, 2021

(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 7)	$ 145,203	$ 35,066	$ 4,709
Investments (Notes 1 and 7)	2,433	—	28,878
Receivables, Net (Notes 1 and 8)	6,217,138	3,371,391	4,325,289
Contributions Receivable, Net (Notes 1 and 9)	—	—	—
Due from Primary Government (Note 10)	—	—	—
Due from Component Units (Note 10)	—	—	—
Inventory (Note 1)	—	—	—
Prepaid Items (Note 1)	756	—	104
Other Assets (Notes 1 and 11)	48,209	—	—
Loans Receivable from Primary Government (Notes 1 and 10)	—	185,545	—
Restricted Cash and Cash Equivalents (Notes 7 and 12)	1,624,289	232,667	476,061
Restricted Investments (Notes 7 and 12)	1,084,616	89,261	456,867
Other Restricted Assets (Note 12)	3,022	—	—
Nondepreciable Capital Assets (Notes 1 and 13)	4,336	—	—
Depreciable Capital Assets, Net (Notes 1 and 13)	17,703	—	149
Total Assets	9,147,705	3,913,930	5,292,057
Deferred Outflows of Resources (Notes 1, 14, 15, 16, and 18)	8,703	82,998	46,856
Total Assets and Deferred Outflows of Resources	9,156,408	3,996,928	5,338,913
Liabilities and Deferred Inflows of Resources			
Accounts Payable (Notes 1 and 25)	96,049	201	241
Amounts Due to Other Governments	—	118,030	—
Due to Primary Government (Note 10)	—	—	—
Due to Component Units (Note 10)	—	—	—
Due to External Parties (Fiduciary Funds) (Note 10)	—	—	—
Unearned Revenue (Note 1)	—	—	—
Obligations Under Securities Lending Program (Notes 1 and 7)	—	—	—
Other Liabilities (Notes 1, 15, and 26)	775,880	51,472	28,959
Claims Payable (Notes 1 and 24):			
Due Within One Year	—	—	—
Due in More Than One Year	—	—	—
Long-term Liabilities (Notes 1, 22, and 27):			
Due Within One Year	100,269	326,535	197,388
Due in More Than One Year	4,412,289	3,463,308	3,200,215
Total Liabilities	5,384,487	3,959,546	3,426,803
Deferred Inflows of Resources (Notes 1, 14, 15, 16, 18, and 38)	53,302	—	34,761
Total Liabilities and Deferred Inflows of Resources	5,437,789	3,959,546	3,461,564
Net Position			
Net Investment in Capital Assets	12,504	—	149
Restricted For:			
Nonexpendable:			
Higher Education	—	—	—
Other	—	—	—
Expendable:			
Bond Indenture	3,341,544	—	—
Capital Projects/Construction/Capital Acquisition	—	—	1,843,197
Debt Service	—	2,517	—
Gifts and Grants	—	—	—
Higher Education	—	—	—
Net Other Postemployment Benefit - Virginia Sickness and Disability Program	—	—	—
Virginia Pooled Investment Program	—	—	7,760
Other	—	—	—
Unrestricted	364,571	34,865	26,243
Total Net Position (Deficit) (Note 4)	$ 3,718,619	$ 37,382	$ 1,877,349

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

Virginia College Building Authority	Nonmajor Component Units	Total
$ 147	$ 4,212,793	$ 4,397,918
—	17,675,953	17,707,264
15,365	1,899,811	15,828,994
—	603,039	603,039
1,159	53,414	54,573
—	116,635	116,635
—	165,994	165,994
—	171,515	172,375
—	176,419	224,628
—	—	185,545
407,879	1,218,503	3,959,399
1,186	7,808,583	9,440,513
—	414,978	418,000
—	4,349,918	4,354,254
—	20,334,569	20,352,421
425,736	59,202,124	77,981,552
24,335	1,175,773	1,338,665
450,071	60,377,897	79,320,217
526	1,479,462	1,576,479
—	3,431	121,461
—	28,509	28,509
116,635	—	116,635
—	39,183	39,183
—	411,421	411,421
—	104,914	104,914
86,946	1,477,872	2,421,129
—	18,161	18,161
—	34,153	34,153
344,475	943,216	1,911,883
4,756,918	16,744,002	32,576,732
5,305,500	21,284,324	39,360,660
473	780,791	869,327
5,305,973	22,065,115	40,229,987
—	13,810,161	13,822,814
—	5,179,092	5,179,092
—	177,269	177,269
—	—	3,341,544
—	190,571	2,033,768
—	159,986	162,503
—	204,683	204,683
290,490	9,740,799	10,031,289
—	78,102	78,102
—	—	7,760
—	21,198	21,198
(5,146,392)	8,750,921	4,030,208
$ (4,855,902)	$ 38,312,782	$ 39,090,230

Statement of Activities - Component Units

For the Fiscal Year Ended June 30, 2021

(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	$ 540,354	$ 404,329	$ 223,431	$ —	$ 87,406
Virginia Public School Authority	115,186	119,123	7,069	—	11,006
Virginia Resources Authority	128,514	112,387	22,369	93,549	99,791
Virginia College Building Authority	835,651	46,441	36,835	203	(752,172)
Total Major Component Units	1,619,705	682,280	289,704	93,752	(553,969)
Nonmajor Component Units:					
Higher Education	14,909,484	9,315,682	6,260,766	717,942	1,384,906
Other	1,283,291	1,022,056	161,542	29,185	(70,508)
Total Nonmajor Component Units	16,192,775	10,337,738	6,422,308	747,127	1,314,398
Total Component Units	$ 17,812,480	$ 11,020,018	$ 6,712,012	$ 840,879	$ 760,429

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

General Revenues								
Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous	Special Item (Note 33)	Contributions to Permanent and Term Endowments	Change in Net Position	Net Position (Deficit) July 1	Net Position (Deficit) June 30 (Note 4)
$ —	$ —	$ 44,908	$ —	$ —	$ —	$ 132,314	$ 3,586,305	$ 3,718,619
—	—	(3,315)	366	—	—	8,057	29,325	37,382
—	—	—	—	—	—	99,791	1,777,558	1,877,349
465,170	—	(1)	77	—	—	(286,926)	(4,568,976)	(4,855,902)
465,170	—	41,592	443	—	—	(46,764)	824,212	777,448
2,099,283	171,221	3,332,033	243,359	(24,289)	327,832	7,534,345	27,369,991	34,904,336
249,788	521,606	29,237	5,906	24,289	12,211	772,529	2,635,917	3,408,446
2,349,071	692,827	3,361,270	249,265	—	340,043	8,306,874	30,005,908	38,312,782
$ 2,814,241	$ 692,827	$ 3,402,862	$ 249,708	$ —	$ 340,043	$ 8,260,110	$ 30,830,120	$ 39,090,230

Index to the Notes to the Financial Statements

Notes to the Financial Statements

June 30, 2021

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 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, VA 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 the primary government is able to impose its will on the Authority. Additionally, the Commonwealth receives all net profits. The administrative offices of the Authority are located at 7450 Freight Way, Mechanicsville, VA 23116. The Auditor of Public Accounts 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. KPMG, 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 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 recycling. 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. Clifton Larson Allen, 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. The Authority has elected to show these bonds as liabilities and the associated loans from local borrowers as assets in their separately issued financial statements. Accordingly, the associated assets and liabilities are included in the accompanying financial statements.

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 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 $552.6 million as Program Revenue Capital Grants and Contributions for the 21st Century Program and $77.8 million as Program Revenue Operating Grants and Contributions for equipment. The Authority reported Operating Appropriations from Primary Government of approximately $465.2 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 $5.2 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 $525.9 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 $2.1 billion. 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.

Innovation and Entrepreneurship Investment Authority (nonmajor) – The Authority was granted corporate powers by the *Code of Virginia*. The Authority served to facilitate the marketing, organization, and development of scientific research and technology by the state's institutions of higher education and private industry in the Commonwealth. In addition, the Authority served to promote the economic development of the Commonwealth by attracting and retaining high technology jobs and businesses in Virginia. The Governor and General Assembly appointed the 17-member board, and there was a financial benefit/burden to the primary government. As discussed in Note 33, the Authority ceased operations July 1, 2020, and was replaced by the Virginia Innovation Partnership Authority.

Virginia Innovation Partnership Authority (nonmajor) - The Authority was established as a political subdivision of the Commonwealth effective July 1, 2020. 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 Center for Innovative Technology (CIT) and subsidiaries after elimination of all significant intercompany balances and transactions. CIT 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 CIT Building, Suite 600, 2214 Rock Hill Road, Herndon, Virginia 20170-4228. The Auditor of Public Accounts 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 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 900 South Main Street, Blacksburg, Virginia 24060. 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 commerce through the harbors and ports of Virginia. 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 1431 Terminal Boulevard, Norfolk, Virginia 23505. PBMares, LLP, audits the Authority, and a separate report is issued.

Virginia Passenger Rail Authority (nonmajor) - The Authority was established as a body corporate and political subdivision of the Commonwealth effective July 1, 2020. 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 600 East Main Street, Suite 2125 Richmond, VA 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 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 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 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 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 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.

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 4111 Monarch Way, Suite 303, Norfolk, Virginia 23508. 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. Dixon Hughes Goodman, LLP, 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 23-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's Center for Innovative Technology; Virginia's Secretary of Commerce and Trade; 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. Cherry Bekaert, 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 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 audits the Foundation as part of DCR.

Virginia Arts Foundation (nonmajor) – The Foundation was created as a body politic and corporate to serve the Virginia Commission for the Arts (part of primary government) by promoting the arts in the Commonwealth. The Governor appoints the board of trustees for the Virginia Commission for the Arts, which also serves as the board for the Virginia Arts Foundation. The Director of the Virginia Commission for the Arts serves as the board chairman. In addition, the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 600 East Main Street, Suite 330, Richmond, Virginia 23219. The Auditor of Public

Accounts audits the Foundation as part of the Virginia Commission for the Arts.

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 a statewide health professions pipeline. 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 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. Clifton Larson Allen, 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, 2020, December 31, 2020, or March 31, 2021. 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 $18.0 million
  - foundation assets of $647,478
  - foundation liabilities of $877,181
  - foundation expenses of $31.2 million
- Old Dominion University (nonmajor component unit):
  - institution liabilities of $45.8 million
  - foundation assets of $38.3 million
- Longwood University (nonmajor component unit):
  - foundation assets of $22.7 million
  - institution liabilities of $22.4 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 long-term obligations. 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 Derivatives

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, 2021, the General Fund had a negative cash balance of $13.5 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 7).

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 7).

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 7).

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. Investments in affiliated organizations are accounted for on the equity method of accounting and the System's share of their earnings (losses) for the period is included in investment income using the equity method.

Derivatives

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes (see Note 15).

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, 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, local school bonds receivable, patient receivables, and student receivables. Receivables are recorded net of allowances for doubtful accounts (see Note 8).

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 9).

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 10).

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, 2021:

- Department of Behavioral Health and Developmental Services (DBHDS)
- Department of Corrections (VADOC)
- 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, the Science Museum of Virginia, and the Consolidated Laboratory (nonmajor enterprise funds) are stated at cost using FIFO.

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 10).

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 11).

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 depreciable capital assets are depreciated on the straight-line basis over their useful lives (see Note 13).

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. 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 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. Interest incurred during construction is not capitalized in governmental funds. Interest incurred during the construction of proprietary fund assets is included in the capitalized value of the asset. The total interest cost incurred during the fiscal year was $2.9 million. None of the interest cost incurred this fiscal year was capitalized.

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

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 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 14, 15, 16, and 18).

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 25).

R. Unearned Revenue

Unearned revenue represents monies received or revenues accrued but not earned as of June 30, 2021.

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 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 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 2021. 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 $994.6 million and estimated underpayments total $1.4 billion. When underpayments exceed overpayments, revenue on the fund statements is only recognized to the extent of estimated overpayments. Since underpayments exceed overpayments for the individual income taxes, the unearned tax amount is zero for the fiscal year.

Corporate income tax estimated overpayments total $59.8 million and estimated underpayments total $105.2 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, 2021. 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 juvenile 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 26).

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, 2021. 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 24.A. and 24.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 and workers' compensation 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, 2021. 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 27).

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 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 27).

Y. Deferred Inflows of Resources

Deferred inflows of resources are an acquisition of 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 14, 15, 16, 18, and 38).

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. Additionally, accrued liabilities exceed accrued assets on the modified accrual basis for the Literary Fund (major special revenue) by $49.6 million. As there are no assigned balances in the fund to offset the negative fund balance restricted for specific purposes, the amount is reported as Unassigned Fund Balance.

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 Federal Trust Fund (major special revenue) has been restated by $2.3 billion resulting primarily from recognizing revenue when monies were received in the prior fiscal year instead of when expenditures were incurred in the current fiscal year.
- Capital Asset balances were restated by a total of $363.3 million. The net asset overstatement is primarily attributable to errors by the Virginia Department of Transportation.
- The Commonwealth Transportation Fund (major special revenue) has been restated by $10.9 million resulting from an overstatement of liabilities in the prior year.

Fund Statements

- The Federal Trust Fund (major special revenue) has been restated by $2.3 billion as previously discussed.
- The Commonwealth Transportation Fund (major special revenue) has been restated by $10.9 million as previously discussed.

Component Units

The government-wide and fund statements have been restated due to the University of Virginia's (nonmajor) implementation of GASB Statement No. 90, *Majority Equity Interests* - amendment of GASB Statements No. 14 and No. 61, during the current fiscal year. The Commonwealth elected to early implement the statement in the prior fiscal year.

Beginning Net Position/Fund Balance Restatement

(Dollars in Thousands)

	Balance as of June 30, 2020	GASBS No. 90, Majority Equity Interest	Correction of Prior Year Errors	Balance as of June 30, 2020, as restated
Government-wide Activities:				
Primary Government:				
Governmental Activities	$ 29,982,338	$ —	$ (2,670,251)	$ 27,312,087
Business-Type Activities	1,778,793	—	—	1,778,793
Total Primary Government	$ 31,761,131	$ —	$ (2,670,251)	$ 29,090,880
Component Units	$ 30,812,174	$ 17,946	$ —	$ 30,830,120
Fund Statements:				
Governmental Funds				
Major Governmental Funds:				
General	$ 3,348,805	$ —	$ —	$ 3,348,805
Special Revenue Funds:				
Commonwealth Transportation	3,234,014	—	10,903	3,244,917
Federal Trust	2,546,387	—	(2,317,809)	228,578
Literary	40,864	—	—	40,864
Nonmajor Governmental Funds	2,586,397	—	—	2,586,397
Total Governmental Funds	$ 11,756,467	$ —	$ (2,306,906)	$ 9,449,561
Component Units:				
Virginia Housing Development Authority	$ 3,586,305	$ —	$ —	$ 3,586,305
Virginia Public School Authority	29,325	—	—	29,325
Virginia Resources Authority	1,777,558	—	—	1,777,558
Virginia College Building Authority	(4,568,976)	—	—	(4,568,976)
Nonmajor Component Units	29,987,962	17,946	—	30,005,908
Total Component Units	$ 30,812,174	$ 17,946	$ —	$ 30,830,120

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. Unassigned fund balance for the Literary Fund (major) indicates that the amount restricted for specific purposes exceeds the modified accrual basis fund balance available for these specific purposes.

The governmental fund balance classifications and amounts as of June 30, 2021, 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	$ 38,830	$ 92,730	$ 93,313	$ —	$ 7,401	$ 232,274
Prepaid Items	108,281	11,255	6,335	—	14,101	139,972
Permanent Funds	—	—	—	—	47,155	47,155
Total Nonspendable	147,111	103,985	99,648	—	68,657	419,401
Restricted						
Agriculture and Forestry	—	—	—	—	10,442	10,442
Capital Projects/Construction/Capital Acquisition	—	—	—	—	1,812,907	1,812,907
Contract and Debt Administration	—	—	—	—	530	530
COVID-19	—	—	272,856	—	—	272,856
Debt Service	—	—	—	—	46,134	46,134
Economic and Technological Development	—	—	—	—	116	116
Educational and Training Programs	—	—	—	—	4,860	4,860
Employee Benefit Administration	—	—	—	—	9,141	9,141
Environmental Quality and Natural Resource Preservation	—	—	—	—	25,215	25,215
Gifts and Grants	—	—	119,299	—	3,203	122,502
Government Operations:						
Administrative Services	—	—	—	—	2,767	2,767
Legislative Services	—	—	—	—	25	25
Health and Public Safety	—	—	—	—	97,865	97,865
Lottery Proceeds Fund	81,222	—	—	—	—	81,222
Revenue Stabilization Fund	1,767,346	—	—	—	—	1,767,346
Transportation Activities	—	157,389	—	—	—	157,389
Unclaimed and Escheats	—	—	—	—	25,552	25,552
Virginia Water Supply Assistance Grant Fund	1,891	—	—	—	—	1,891
Total Restricted	1,850,459	157,389	392,155	—	2,038,757	4,438,760
Committed						
Agriculture and Forestry	144	—	—	—	35,319	35,463
Amount Required for Mandatory Reappropriation	525,937	—	—	—	—	525,937
Amount Required for Reappropriation of 2021 Unexpended Balances for Capital Outlay and Restoration Projects	8,357	—	—	—	—	8,357
Capital Projects/Construction/Capital Acquisition	3,282	—	—	—	677	3,959
Central Capital Planning Fund	4,797	—	—	—	—	4,797
Commonwealth's Development Opportunity Fund	58,752	—	—	—	—	58,752
Commonwealth Transportation Fund	115,797	—	—	—	—	115,797
Contract and Debt Administration	193	10,824	—	—	1,496	12,513
COVID-19	—	—	—	—	69,957	69,957
Economic and Technological Development	192,895	—	—	—	109,981	302,876
Educational and Training Programs	888	3,094	—	—	13,729	17,711
Environmental Quality and Natural Resource Preservation	29,817	—	—	—	177,951	207,768
Gifts and Grants	—	—	—	—	4,476	4,476
Government Operations:						
Administrative Services	307	—	—	—	96,876	97,183
Legislative Services	—	—	—	—	296	296
Health and Public Safety	41,499	2,980	—	—	287,037	331,516
Local Government Fiscal Distress	750	—	—	—	—	750
Natural Disaster Sum Sufficient	14,244	—	—	—	—	14,244
Nonrecurring Expenditures	57,898	—	—	—	—	57,898
Regulatory Oversight	—	—	—	—	187,552	187,552
Revenue Reserve Fund	855,790	—	—	—	—	855,790
Taxpayer Relief Fund	65	—	—	—	—	65
Transportation Activities	—	3,286,134	—	—	1,264	3,287,398
Virginia Communication Sales and Use Tax	6,942	—	—	—	—	6,942
Virginia Health Care Fund	92,863	—	—	—	—	92,863
Virginia Water Quality Improvement Fund	90,351	—	—	—	—	90,351
Virginia Water Quality Improvement Fund - Part A	255,764	—	—	—	—	255,764
Virginia Water Quality Improvement Fund - Part B	87,599	—	—	—	—	87,599
Total Committed	2,444,931	3,303,032	—	—	986,611	6,734,574
Assigned						
Agriculture and Forestry	1	—	—	—	198	199
Amount for Potential Super Deposit to Revenue Stabilization Fund	366,811	—	—	—	—	366,811
Amount Required by Chapter 552	1,889,583	—	—	—	—	1,889,583
Amount Required for Discretionary Reappropriations	341,550	—	—	—	—	341,550
Economic and Technological Development	7,989	—	—	—	2,401	10,390
Educational and Training Programs	5,662	—	—	—	12,367	18,029
Employee Benefit Administration	2,581	—	—	—	—	2,581
Environmental Quality and Natural Resource Preservation	10,826	—	—	—	10,233	21,059
Capital Projects/Construction/Capital Acquisition	1,216	—	—	—	—	1,216
COVID-19	113	—	—	—	—	113
Government Operations:						
Administrative Services	9,651	—	—	—	—	9,651
Legislative Services	3,733	—	—	—	—	3,733
Health and Public Safety	26,787	—	—	—	18,671	45,458
Regulatory Oversight	—	—	—	—	3	3
Transportation Activities	10	1,346	—	—	—	1,356
Total Assigned	2,666,513	1,346	—	—	43,873	2,711,732
Unassigned	—	—	—	(49,631)	—	(49,631)
Total Fund Balance	$ 7,109,014	$ 3,565,752	$ 491,803	$ (49,631)	$ 3,137,898	$ 14,254,836

4. DEFICIT FUND BALANCES/NET POSITION

The Literary Fund (major special revenue) ended the year with a deficit net position balance of $49.6 million. The deficit was the result of current year expenditures for teacher retirement and education technology loans exceeding revenue, coupled with the fund accruing loans payable to the Virginia Public School Authority (major component unit) that exceeded the accrued assets on the modified accrual basis.

The Virginia Lottery (major enterprise fund), Alcoholic Beverage Control, 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), the Property Management Fund, the Personnel Management Information System Fund, and the Payroll Service Bureau (internal service funds) ended the year with deficit net positions of $32.7 million, $8.2 million, $3.5 million, $9.0 million, $1.8 million, $15.5 million, $712,866, 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 $14.2 million. The deficit was a result of previous increases in claims liability for constitutional officers' programs exceeding premiums collected. Further, there are noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Enterprise Application Fund (internal service fund) ended the year with a deficit net position balance of $15.2 million. The deficit was a result of working capital advances for the Human Capital Management replacement project and 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 $586.7 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 $4.9 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.

Both the Southern Virginia Higher Education Center and Virginia Economic Development Partnership (nonmajor component units) ended the year with a deficit net position balance of $2.4 million. These deficits are 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 $1.1 billion is required during fiscal year 2023 based on fiscal year 2021 revenue collections. This required deposit is reported as a 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 2021 when using the original fiscal year 2022 revenue estimate established in Chapter 552. However, in anticipation of a revised fiscal year 2022 revenue estimate that may require an additional deposit, $563.9 million represents the potential deposit based on fiscal year 2021 revenue collections. Due to the uncertainty surrounding this additional deposit, it was given a lower priority than other assignments. Accordingly, only $366.8 million is reported as an assigned component of fund balance since the negative unassigned fund balance resulting from modified accrual activity was offset against assignments pursuant to GASB reporting requirements.

The Revenue Stabilization Fund has principal and interest on deposit of $639.6 million 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, 2021, the constitutional maximum is $3.2 billion.

6. REVENUE RESERVE FUND

As of June 30, 2021, the fund has principal and interest on deposit of $855.8 million committed as a part of the General Fund balance. These amounts are 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. No deposit is required in the Revenue Reserve Fund since there is a mandatory deposit for the Revenue Stabilization Fund based on fiscal year 2021 revenues. However, Chapter 552 appropriates $650.0 million for a voluntary deposit during fiscal year 2022. This amount is included in the Amount Required by Chapter 552 which is reported as an assigned component of fund balance.

Additionally, any required annual deposit cannot exceed 1.0 percent of the total general fund revenues for the prior fiscal year. The combined balance of the Revenue Reserve Fund and the Revenue Stabilization Fund cannot exceed 15.0 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, 2021, the calculated maximum balance for the Revenue Reserve Fund is $2.5 billion.

7. CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of June 30, 2021, the carrying amount of cash for the primary government (including the Virginia Retirement System Pooled Investments) was $12.9 billion and the bank balance was $738.4 million. The carrying amount of cash for component units was $2.8 billion and the bank balance was $1.4 billion. Cash equivalents are investments with an original maturity of 90 days or less. Cash and cash equivalents for foundations (component units) totaled $1.0 billion 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 7 includes investment derivatives for the primary government and excludes derivatives for the component units. For additional information concerning derivative instruments, see Note 15.

For purposes of this note, primary government includes governmental, business-type activities, and fiduciary funds. The 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, 2021, the State Treasurer held no security that was in default as to principal or interest and had no securities 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, 2021, the primary government (excluding the System's pooled investments) had $18.6 million in bank balances that were uninsured and uncollateralized. There is no deposit policy that addresses custodial credit risk.

As of June 30, 2021, 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, 2021, component units had $111.8 million in bank balances that were uninsured and uncollateralized, and $18.4 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 (non-major) held $301.0 million and $289.2 million, respectively, of investments, primarily commercial paper, that were uninsured and held by the counterparty as of June 30, 2021.

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, 2021, the System's investments included $2.7 billion, primarily in corporate bonds and notes, U.S. Treasury and agency securities, supranational and non-U.S. Government bonds and notes, municipal securities, and collateralized mortgage obligations, which are highly sensitive to interest rate fluctuations in that they are subject to early payment in a period of declining interest rates and/or because 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, 2021, the Commonwealth's investments subject to interest rate risk had the following maturities and weighted average effective durations.

Primary Government Investments

(Excluding Virginia College Savings Plan and Virginia Retirement System Pooled Investments)

(Dollars in Thousands)

Investment Type	June 30, 2021	Investment Maturities (in years) Less Than 1	1-5	6-10	More Than 10
Debt Securities					
U. S. Treasury and Agency Securities	$ 5,155,150	$ 2,880,443	$ 1,714,612	$ 347,056	$ 213,039
Corporate Bonds and Notes	1,356,178	334,187	591,768	317,668	112,555
Supranational and Non-U.S. Government Bonds and Notes	1,417,986	1,407,731	10,255	—	—
Commercial Paper	7,278,901	7,278,901	—	—	—
Negotiable Certificates of Deposit	8,993,308	8,989,248	4,060	—	—
Repurchase Agreements	3,337,288	3,337,288	—	—	—
Municipal Securities	26,111	135	3,377	8,795	13,804
Asset-Backed Securities	292,707	—	129,975	34,745	127,987
Agency Mortgage-Backed Securities	679,297	7,189	37,208	63,201	571,699
Agency Unsecured Bonds and Notes	4,313,378	1,333,198	2,965,912	9,766	4,502
Mutual and Money Market Funds (Includes SNAP)	2,602,401	2,602,401	—	—	—
Fixed Income and Commingled Funds	4,405	—	4,405	—	—
Other Debt Securities	77	77	—	—	—
Total	$ 35,457,187	$ 28,170,798	$ 5,461,572	$ 781,231	$ 1,043,586

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, 2021	Weighted Avg. Effective Duration (in years)	June 30, 2021	Weighted Avg. Effective Duration (in years)
Debt Securities				
U. S. Treasury and Agency Securities	$ —	—	$ —	—
Corporate Bonds and Notes	564,440	2.4	164,045	4.0
Supranational and Non-U.S. Government Bonds and Notes	6,757	6.8	—	—
Asset Backed Securities	115,828	2.3	—	—
Agency Mortgage Backed Securities	54,516	3.5	—	—
Mutual and Money Market Funds	96,838	<0.1	76,176	<0.1
Guaranteed Investment Contracts	—	—	1,442,102	3.5
Fixed Income and Commingled Funds*	680,664	6.1	1,153,028	7.0
International and Emerging Markets Funds	31,303	6.5	326,285	6.4
Other*	136,144	2.6	—	—
Total	$ 1,686,490	3.9	$ 3,161,636	5.2

*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, 2021	Weighted Avg. Effective Duration (in years)
Debt Securities		
U. S. Treasury and Agency Securities	$ 4,297,364	6.2
Corporate Bonds and Notes	10,052,551	4.2
Collateralized Mortgage Obligations	499,877	1.8
Commercial Mortgages	322,068	2.6
Supranational and Non-U.S. Government Bonds and Notes	1,023,571	8.5
Mutual and Money Market Funds	145,172	5.1
Commercial Paper	4,561,731	0.3
Negotiable Certificates of Deposit	1,015,290	0.3
Repurchase Agreements	1,522,899	< 0.1
Municipal Securities	92,392	9.3
Asset Backed Securities	521,859	2.6
Agencies	2,893,335	4.5
Fixed Income and Commingled Funds	1,517,043	6.2
Fixed Income Derivatives	26,972	17.5
Time Deposits	995,075	< 0.1
Other Debt Securities	41,908	0.9
Debt Securities - No Effective Duration		
Corporate Bonds and Notes	28,617	N/A
Collateralized Mortgage Obligations	70,458	N/A
Supranational and Non-U.S. Government Bonds and Notes	711	N/A
Mutual and Money Market Funds	14,706	N/A
Commercial Paper	42,750	N/A
Asset Backed Securities	41,661	N/A
Other Debt Securities	4,869	N/A
Fixed Income Derivatives	1,725	N/A
Total	$ 29,734,604	3.3

Component Unit Investments
(Dollars in Thousands)

		Investment Maturities (in years)			
Investment Type	June 30, 2021	Less Than 1	1-5	6-10	More Than 10
Debt Securities					
U. S. Treasury and Agency Securities	$ 1,319,251	$ 705,540	$ 346,023	$ 125,543	$ 142,145
Supranational and Non-U.S. Government Bonds and Notes	933	—	933	—	—
Corporate Bonds and Notes	542,398	125,603	384,625	27,090	5,080
Commercial Paper	316,979	316,979	—	—	—
Negotiable Certificates of Deposit	79,408	72,119	7,289	—	—
Repurchase Agreements	870,542	870,542	—	—	—
Municipal Securities	195,928	11,329	70,116	70,800	43,683
Asset-Backed Securities	271,562	19,152	191,031	12,533	48,846
Agency Unsecured Bonds and Notes	203,117	142,741	60,376	—	—
Agency Mortgage-Backed Securities	1,228,143	14,703	68,976	18,929	1,125,535
Mutual and Money Market Funds (Includes SNAP)	1,339,225	1,303,683	35,114	428	—
Guaranteed Investment Contracts	29,851	2,576	16,761	10,514	—
Fixed Income and Commingled Funds	96,250	17,725	42,561	29,702	6,262
Other Debt Securities	82,789	72,040	218	74	10,457
Total	$ 6,576,376	$ 3,674,732	$ 1,224,023	$ 295,613	$ 1,382,008

Foundation Investments
(Dollars in Thousands)

Investment Type	Amount
U.S. Treasury and Agency Securities	$ 562,460
Common and Preferred Stocks	1,071,654
Corporate Bonds and Notes	462,724
Negotiable Certificates of Deposit	11,910
Municipal Securities	94,173
Repurchase Agreements	203,668
Asset Backed Securities	23,657
Agency Mortgage Backed Securities	16,029
Mutual and Money Market Funds	822,676
Bankers' Acceptance	129,658
Real Estate	511,181
Index Funds	365,203
Hedge Funds	3,314,293
Partnerships	3,736,214
Venture Capital	1,479,133
Other	8,632,581
Total	$ 21,437,214

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: P-1, Moody's Investors Service (Moody's) and A-1, Standard & Poor's (S&P)
- Negotiable CDs and bank notes:
  - maturities of one year or less: P-1, Moody's and A-1, S&P
  - maturities over one year: Aa, Moody's and AA, S&P
- Commercial paper: P-1, Moody's and A-1, S&P
- Corporate Notes and Bonds: A3/A- or equivalent by two nationally recognized rating agencies, one of which must be Moody's or S&P. However, each external investment manager may invest up to 10.0 percent of their portfolio in Baa2/BBB rated bonds which, at a minimum, must be rated Baa2/BBB by two nationally recognized rating agencies, one of which must be either Moody's or S&P.
- Municipal Bonds: A3/A- or equivalent by two nationally recognized rating agencies, one of which must be Moody's or S&P
- Asset-backed securities: AAA by two nationally recognized rating agencies, one of which must be Moody's or S&P
- Dollar denominated obligations of sovereign governments: Aaa, Moody's and AAA, S&P
- Commercial Mortgage-Backed Securities (CMBS) and Collateralized Mortgage Obligations (CMOs): AAA by two nationally recognized rating agencies, one of which must be Moody's or S&P

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 15.

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, 2021. 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%	$ 2,386
Agency Unsecured Bonds and Notes	1,576,048	4.5 %	—	0.0 %	—	0.0%	10,264
Asset Backed Securities	1,391	0.0 %	—	0.0 %	289	0.0%	314,406
Commercial Paper	7,278,901	20.9 %	—	0.0 %	—	0.0%	—
Corporate Bonds and Notes	110,443	0.3 %	262	0.0 %	621	0.0%	23,248
Fixed Income and Commingled Funds	—	0.0 %	—	0.0 %	—	0.0%	—
Guaranteed Investment Contracts	—	0.0 %	—	0.0 %	—	0.0%	—
International and Emerging Markets Funds	—	0.0 %	—	0.0 %	—	0.0%	—
Municipal Securities	—	0.0 %	—	0.0 %	—	0.0%	2,164
Mutual and Money Market Funds (Includes SNAP)	—	0.0 %	—	0.0 %	—	0.0%	2,700,316
Negotiable Certificates of Deposit	8,919,227	25.5 %	70,021	0.2 %	—	0.0%	—
Other Debt Securities	—	0.0 %	—	0.0 %	—	0.0%	—
Repurchase Agreements	1,725,000	4.9 %	1,187,500	3.4 %	—	0.0%	—
Supranational and Non-U.S. Government Bonds and Notes	1,082,299	3.2 %	—	0.0 %	—	0.0%	335,688
Total	$ 20,693,309	59.3 %	$ 1,257,783	3.6 %	$ 910	0.0%	$ 3,388,472

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	$ 25,525	0.1%	$ —	0.0%	$ —	0.0%	$ 46,768
Collateralized Mortgage Obligations	—	0.0%	—	0.0%	—	0.0%	188,648
Commercial Mortgages	—	0.0%	—	0.0%	—	0.0%	247,658
Supranational and Non-U.S. Government Bonds and Notes	—	0.0%	—	0.0%	—	0.0%	33,419
Mutual and Money Market Funds	—	0.0%	—	0.0%	—	0.0%	50,000
Commercial Paper	2,605,995	10.9%	1,604,370	6.7%	—	0.0%	—
Negotiable Certificates of Deposit	897,540	3.7%	—	0.0%	—	0.0%	—
Repurchase Agreements	—	0.0%	—	0.0%	—	0.0%	—
Municipal Securities	—	0.0%	—	0.0%	—	0.0%	203
Asset Backed Securities	—	0.0%	—	0.0%	—	0.0%	168,802
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%	—
Other Debt Securities	—	0.0%	—	0.0%	—	0.0%	—
Time Deposits	995,075	4.2%	—	0.0%	—	0.0%	—
Total	$ 4,524,135	18.9%	$ 1,604,370	6.7%	$ —	0.0%	$ 735,498

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%	$ 1,152,717
Agency Unsecured Bonds and Notes	—	0.0%	—	0.0%	—	0.0%	194,514
Asset Backed Securities	168	0.0%	874	0.0%	1,150	0.0%	225,459
Commercial Paper	316,979	6.1%	—	0.0%	—	0.0%	—
Corporate Bonds and Notes	—	0.0%	—	0.0%	—	0.0%	20,342
Fixed Income and Commingled Funds	—	0.0%	—	0.0%	—	0.0%	—
Guaranteed Investment Contracts	—	0.0%	—	0.0%	—	0.0%	—
Municipal Securities	—	0.0%	—	0.0%	—	0.0%	25,943
Mutual and Money Market Funds (Includes SNAP)	2,301	0.0%	—	0.0%	—	0.0%	1,230,419
Negotiable Certificates of Deposit	69,965	1.3%	—	0.0%	—	0.0%	—
Other Debt Securities	—	0.0%	—	0.0%	—	0.0%	—
Repurchase Agreements	—	0.0%	—	0.0%	—	0.0%	—
Supranational and Non-U.S. Government Bonds and Notes	—	0.0%	—	0.0%	—	0.0%	—
Total	$ 389,413	7.4%	$ 874	0.0%	$ 1,150	0.0%	$ 2,849,394

(1) Excludes investments of $5.4 billion for primary government (excluding Virginia Retirement System Pooled Investments), $5.8 billion for the System (Virginia Retirement System Pooled Investments), and $1.4 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 %	$ 725,824	2.1 %	$ 5,484	0.0 %	$ —	0.0 %	$ —	0.0 %	$ 119	0.0 %	$ 733,813
0.0 %	2,726,923	7.8 %	23	0.0 %	3	0.0 %	27	0.0 %	90	0.0 %	4,313,378
0.9 %	8,144	0.0 %	14,911	0.0 %	22,572	0.1 %	11,472	0.0 %	35,350	0.1 %	408,535
0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	7,278,901
0.1 %	203,235	0.6 %	611,581	1.7 %	438,771	1.3 %	691,072	2.0 %	5,430	0.0 %	2,084,663
0.0 %	3,621	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	1,834,476	5.3 %	1,838,097
0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	1,442,102	4.1 %	1,442,102
0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	357,588	1.0 %	357,588
0.0 %	15,738	0.1 %	6,590	0.0 %	—	0.0 %	—	0.0 %	1,619	0.0 %	26,111
7.7 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	75,099	0.2 %	2,775,415
0.0 %	4,060	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	8,993,308
0.0 %	—	0.0 %	12,592	0.0 %	26,184	0.1 %	1,834	0.0 %	95,611	0.3 %	136,221
0.0 %	—	0.0 %	—	0.0 %	224,784	0.6 %	—	0.0 %	—	0.0 %	3,137,284
1.0 %	—	0.0 %	—	0.0 %	—	0.0 %	5,479	0.0 %	1,277	0.0 %	1,424,743
9.7 %	$ 3,687,545	10.6 %	$ 651,181	1.7 %	$ 712,314	2.1 %	$ 709,884	2.0 %	$ 3,848,761	11.0 %	$ 34,950,159

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
0.2%	$ 677,168	2.8%	$ 3,011,268	12.5%	$ 2,250,433	9.3%	$ 3,262,900	13.6%	$ 807,106	3.5%	$ 10,081,168
0.9%	76,808	0.3%	15,997	0.1%	18,364	0.1%	46,775	0.2%	223,743	0.9%	570,335
1.0%	3,804	0.0%	150	0.0%	—	0.0%	36,813	0.2%	33,643	0.1%	322,068
0.1%	66,233	0.3%	98,747	0.4%	279,123	1.2%	534,838	2.2%	11,922	0.0%	1,024,282
0.2%	—	0.0%	3,228	0.0%	—	0.0%	54,868	0.2%	51,782	0.2%	159,878
0.0%	—	0.0%	324,662	1.4%	—	0.0%	—	0.0%	69,454	0.3%	4,604,481
0.0%	—	0.0%	57,000	0.2%	—	0.0%	—	0.0%	60,750	0.3%	1,015,290
0.0%	68,307	0.3%	—	0.0%	—	0.0%	—	0.0%	257	0.0%	68,564
0.0%	70,487	0.3%	17,503	0.1%	—	0.0%	—	0.0%	4,199	0.0%	92,392
0.7%	45,015	0.2%	142,288	0.6%	47,725	0.2%	77,861	0.3%	81,829	0.3%	563,520
0.0%	1,181,038	4.9%	—	0.0%	—	0.0%	—	0.0%	1,712,297	7.2%	2,893,335
0.0%	—	0.0%	—	0.0%	—	0.0%	—	0.0%	1,517,043	6.3%	1,517,043
0.0%	—	0.0%	—	0.0%	—	0.0%	—	0.0%	28,697	0.1%	28,697
0.0%	—	0.0%	—	0.0%	—	0.0%	46,777	0.2%	—	0.0%	46,777
0.0%	—	0.0%	—	0.0%	—	0.0%	—	0.0%	—	0.0%	995,075
3.1%	$ 2,188,860	9.1%	$ 3,670,843	15.3%	$ 2,595,645	10.8%	$ 4,060,832	16.9%	$ 4,602,722	19.2%	$ 23,982,905

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
22.1 %	$ 60,470	1.2%	$ —	0.0%	$ —	0.0%	$ —	0.0%	$ 14,956	0.3%	$ 1,228,143
3.7 %	8,603	0.2%	—	0.0%	—	0.0%	—	0.0%	—	0.0%	203,117
4.3 %	16,323	0.3%	9,184	0.2%	8,654	0.2%	3,822	0.1%	5,928	0.1%	271,562
0.0 %	—	0.0%	—	0.0%	—	0.0%	—	0.0%	—	0.0%	316,979
0.4 %	85,679	1.7%	372,422	7.1%	63,318	1.2%	—	0.0%	637	0.0%	542,398
0.0 %	9,825	0.2%	10,638	0.2%	—	0.0%	—	0.0%	69,553	1.3%	90,016
0.0 %	—	0.0%	5,654	0.1%	—	0.0%	—	0.0%	—	0.0%	5,654
0.5 %	110,813	2.1%	47,303	0.9%	4,504	0.1%	2,177	0.0%	5,187	0.1%	195,927
23.6 %	34,600	0.7%	—	0.0%	—	0.0%	—	0.0%	68,170	1.3%	1,335,490
0.0 %	6,227	0.1%	249	0.0%	813	0.0%	—	0.0%	2,154	0.0%	79,408
0.0 %	49	0.0%	275	0.0%	—	0.0%	—	0.0%	82,465	1.6%	82,789
0.0 %	—	0.0%	—	0.0%	825,000	15.8%	—	0.0%	45,542	0.9%	870,542
0.0 %	933	0.0%	—	0.0%	—	0.0%	—	0.0%	—	0.0%	933
54.6 %	$ 333,522	6.5%	$ 445,725	8.5%	$ 902,289	17.3%	$ 5,999	0.1%	$ 294,592	5.6%	$ 5,222,958

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, 2021, more than 5.0 percent of the Commonwealth's governmental fund investments were in the Federal Home Loan Bank, Federal Farm Credit Bank, Federal National Mortgage Association and Export Development Canada. These investments totaled $1.0 billion, $943.0 million, $863.3 million, and $624.1 million, respectively. 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 the Unclaimed Property (nonmajor special revenue fund) portfolios as of June 30, 2021. 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 Commonwealth's exposure to foreign currency risk as of June 30, 2021 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, 2021. 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	Total
Euro Currency Unit	$ 707	$ 327	$ 12,689	$ 47,268	$ 44,067	$ 105,058
Japanese Yen	259	—	—	27,873	8,063	36,195
Swiss Franc	119	8	—	19,690	—	19,817
Australian Dollar	49	—	687	12,696	1,453	14,885
British Pound Sterling	284	43	7,642	7,374	2,699	18,042
Swedish Krona	58	—	—	13,260	—	13,318
Danish Krone	57	—	—	8,164	—	8,221
Hong Kong Dollar	1,181	5	—	73	1,844	3,103
Israeli Shekel	—	—	—	2,484	—	2,484
US Dollar	—	—	—	1,033	—	1,033
Egyptian Pound	1,863	—	—	—	—	1,863
Singapore Dollar	1	—	—	1,384	—	1,385
Norwegian Krone	1	2	—	704	—	707
Canadian Dollar	—	873	—	—	—	873
New Zealand Dollar	—	—	—	360	—	360
South African Rand	37	—	—	—	—	37
Mexican Peso	36	1	—	—	—	37
Brazil Real	43	—	255	—	—	298
Indonesian Rupiah	—	—	539	—	—	539
Chilean Peso	—	—	528	—	—	528
Total	$ 4,695	$ 1,259	$ 22,340	$ 142,363	$ 58,126	$ 228,783

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	$ —	$ —	$ —	$ —	$ —	$ 2,638,391	$ —	$ 2,638,391
Euro Currency Unit	255,352	1,920,452	121,387	1,055,263	543,873	—	405,447	4,301,774
Japanese Yen	21,768	1,549,117	14,729	—	142,684	502,750	4,125	2,235,173
Hong Kong Dollar	5,534	1,099,011	11,844	—	73,087	—	(59,681)	1,129,795
Pound Sterling	2,404	1,150,173	9,056	—	101,784	—	(97,085)	1,166,332
South Korean Won	340	500,339	—	—	1,606	—	1,311	503,596
Swiss Franc	37,285	566,537	9,616	—	13,661	—	132,465	759,564
New Zealand Dollar	64	8,710	—	—	2,968	—	(222,075)	(210,333)
Canadian Dollar	8,353	738,235	2,399	—	112,129	—	432,987	1,294,103
Brazil Real	774	175,721	17,393	—	24,416	—	(11,828)	206,476
Australian Dollar	1,935	392,676	2,553	—	67,935	—	(150,530)	314,569
Indian Rupee	4,940	267,168	—	—	—	—	6,090	278,198
South African Rand	478	146,809	5,598	—	3,371	—	(6,143)	150,113
New Taiwan Dollar	6,648	429,031	—	—	—	—	(615)	435,064
Thailand Baht	97	42,342	—	—	—	—	377	42,816
Swedish Krona	3,165	329,609	—	—	32,568	—	398,399	763,741
Indonesian Rupiah	402	37,485	3,426	—	—	—	(850)	40,463
Mexican Peso	(691)	40,431	473	—	15,122	—	3,878	59,213
Turkish Lira	5	35,897	—	—	1,311	—	1,391	38,604
Polish Zloty	(487)	26,443	—	—	—	—	517	26,473
Russian Ruble	389	8,473	3,640	—	—	—	191	12,693
Malaysian Ringgit	617	15,489	—	—	—	—	—	16,106
Danish Krone	2,613	155,954	—	—	—	—	(11,624)	146,943
Colombian Peso	(6)	127	2,709	—	—	—	(3,795)	(965)
Peruvian Sol	3	—	3,345	—	—	—	(943)	2,405
Czech Koruna	1,020	650	—	—	—	—	1,019	2,689
Hungarian Forint	386	13,368	—	—	—	—	451	14,205
Chinese Yuan Renminbi	875	101,849	(109)	—	—	—	(41,861)	60,754
Israeli Shekel	22	26,144	—	—	4,165	—	(2,808)	27,523
Chilean Peso	127	18,145	—	—	—	—	(3,027)	15,245
Egyptian Pound	1,983	742	3,048	—	—	—	2,662	8,435
Philippines Peso	19	2,102	—	—	—	—	(5,071)	(2,950)
Dominican Republic Peso	—	—	3	—	—	—	—	3
UAE Dirham	20	3,458	—	—	—	—	—	3,478
Argentine Peso	2,036	—	—	—	—	—	—	2,036
Kazakhstani Tenge	—	—	1,428	—	—	—	—	1,428
Qatari Riyal	223	3,109	—	—	—	—	—	3,332
Uruguayan Peso	—	—	4,806	—	—	—	—	4,806
Ukraine Hryvnia	—	—	2,771	—	—	—	963	3,734
Chinese R Yuan HK	—	—	—	—	—	—	1,530	1,530
Moroccan Dirham	1	—	—	—	—	—	—	1
Saudi Arabian Riyal	139	44,147	—	—	—	—	—	44,286
Singapore Dollar	2,100	124,067	2,467	—	37,053	—	(25,713)	139,974
Norwegian Krone	750	133,067	—	—	2,685	—	77,810	214,312
Total	$ 361,683	$ 10,107,077	$ 222,582	$ 1,055,263	$ 1,180,418	$ 3,141,141	$ 827,964	$ 16,896,128

Foreign Currency Exposures by Asset Class - Component Units

(Dollars in Thousands)

Currency	Common and Preferred Stock	Deposits	Total
British Pound Sterling	143	329	472
Euro Currency Unit	449	1,423	1,872
Swiss Franc	155	—	155
Japanese Yen	204	—	204
South Korean Won	14	—	14
Canadian Dollar	27	—	27
Brazil Real	23	—	23
Swedish Krona	17	—	17
New Taiwan Dollar	10	—	10
Indian Rupee	39	—	39
South African Comm Rand	4	—	4
Norwegian Krone	12	—	12
Mexican New Peso	7	—	7
Australian Dollar	5	—	5
Thailand Baht	9	—	9
Singapore Dollar	13	—	13
Indonesian Rupian	2	—	2
Russian Ruble	11	—	11
Danish Krone	89	—	89
Peruvian Nuevo Sol	2	—	2
Argentina Peso	16	—	16
Chinese RMB	70	—	70
Hong Kong Dollar	73	—	73
Total	**$ 1,394**	**$ 1,752**	**$ 3,146**

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, 2021.

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	$ 4,119,041	$ 3,957,914	$ 161,127	$ —
Corporate Bonds and Notes	2,034,952	1,968	2,032,984	—
Supranational and Non-U.S. Government Bonds and Notes	936,872	—	936,872	—
Commercial Paper	4,583,811	—	4,583,811	—
Negotiable Certificates of Deposit	6,061,837	—	6,061,837	—
Municipal Securities	26,111	1,730	24,381	—
Asset Backed Securities	408,535	2	408,533	—
Agency Mortgage Backed Securities	733,813	—	733,813	—
Agency Unsecured Bonds and Notes	3,107,863	10,264	3,097,599	—
Mutual and Money Market Funds (Includes SNAP)	3,680	2,573	1,107	—
Fixed Income and Commingled Funds	1,166,021	1,166,021	—	—
International and Emerging Markets Funds	357,588	357,588	—	—
Other Debt Securities	136,221	77	136,144	—
Total Debt Securities	23,676,345	5,498,137	18,178,208	—
Equity Securities (2)				
Common and Preferred Stocks	723,860	716,947	6,913	—
Foreign Currencies	1,094	1,094	—	—
Equity Index and Pooled Funds	3,126,346	3,126,250	—	96
Equity Mutual Funds	260,788	260,788	—	—
Real Estate	204,057	196,182	—	7,875
International and Emerging Markets Funds	440,505	440,505	—	—
Other Equity Securities	43	43	—	—
Total Equity Securities	4,756,693	4,741,809	6,913	7,971
Total by Fair Value Level	$ 28,433,038	$ 10,239,946	$ 18,185,121	$ 7,971
Fair value established using the net asset value (NAV) (3)				
Mutual and Money Market Funds (Includes SNAP)	—			
Fixed Income and Commingled Funds	672,076			
Equity Index and Pooled Funds	182,952			
Real Estate	154,886			
Other Equity Securities	655,380			
Total Fair Value Established Using the Net Asset Value (NAV) (3)	1,665,294			
Total Fair Value	$ 30,098,332			

(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, 2021. Additional information 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
Hedge Funds				
Blackstone - Hedge Fund of Funds	$ 157,693	$ —	Semi-Annual	95 Days
Equity Real Estate				
Related Real Estate	7,294	28,360		
UBS Realty Investors	46,113	—	Quarterly	60 Days
Private Debt & Private Equity Funds of Funds				
Golub Capital	51,625	18,375		
Schroder FOC II L	70,122	56,250		
Private Advisors	36,388	9,049		
Adams Street Partners	236,219	68,218		
LGT Capital Partners	9,155	3,240		
Neuberger Berman	33,494	13,818		
Aether Investment Partners	34,444	12,383		
Common fund	13,371	1,640		
Horseley Bridge Partners	8,049	14,172		
Hamilton Lane	1,490	8,510		
Ares Management	6,887	29,057		
Common Trust Funds & Other				
Wellington Management	218,356	—	Monthly	10 Days
Black Rock	325,085	—	Daily	3 Days
Sands Capital	125,077	—	Monthly	10 Days
Total Investments Measured at the NAV	$ 1,380,862			

- **Hedge Funds** – This investment type includes one hedge fund. The Blackstone Partners Offshore Fund is a diversified, multi-strategy hedge fund of funds. Underlying investment strategies include a range of asset classes and the funds are not restricted from participating in any market, strategy or investment. The fair value of investments in this type has been determined using the NAV per share of the investments.

- **Equity Real Estate** – This investment type includes two limited partnerships. The UBS Trumbull Property Fund and The Related Real Estate Fund III's investment strategy is to invest primarily through direct equity-owned real estate assets. The funds also have flexibility to invest in joint venture and debt investments. Investments are generally acquired on an all-cash basis, however, debt may be used where these managers determine leverage is prudent and is expected to enhance total return without undue risk. The fair values of investments in this type have been determined using the NAV per share of Virginia529's ownership of the partnerships.

- **Private Debt and Private Equity Funds of Funds** – This investment type includes private equity funds of funds managed by eight managers and three private debt funds. These investments cannot be redeemed from the fund. Capital is generally expected to be called during the initial 4 to 5 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 three 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, 2021 NAV of Virginia529's ownership of the partnership.

- **Common Trust Funds & Other** – This investment type includes two common trust funds and one limited partnership. The fair value of investments in this type have been determined using the NAV per share of the investments.

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
Common Trust Funds & Other				
Wellington Management Co. LLP	$ 182,952	$ —	Daily	N/A
Equity Real Estate				
UBS Realty Investors	50,761	—	Quarterly	60 Days
Blackstone Property Partners	50,718	—	Quarterly	90 Days
Total Investments Measured at the NAV	$ 284,431			

- **Common Trust Funds & Other:** This investment type includes one common trust fund. The fair value of investments in this type have been determined using NAV per share of the investments. The above table provides information for this investment type by investment manager, fund name and underlying investments.
- **Equity 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	$ 4,122,588	$ 3,004,082	$ 1,118,506	$ —
Corporate Bonds and Notes	7,691,807	—	7,691,807	—
Collateralized Mortgage Obligations	570,335	—	570,335	—
Commercial Mortgages	322,068	—	322,068	—
Supranational and Non-U.S. Government Bonds and Notes	1,024,282	—	1,024,282	—
Mutual and Money Market Funds	146,821	143,646	3,175	—
Negotiable Certificates of Deposit	25,002	—	25,002	—
Municipal Securities	92,392	—	92,392	—
Asset Backed Securities	563,520	—	563,520	—
Agencies	2,893,335	—	2,893,335	—
Other Debt Securities	46,777	—	—	46,777
Fixed Income Derivatives	28,697	24,949	3,748	—
Total Debt Securities	17,527,624	3,172,677	14,308,170	46,777
Equity Securities (2)				
Common and Preferred Stocks	27,365,739	27,318,372	7,864	39,503
Equity Index and Pooled Funds	99,928	—	—	99,928
Real Assets	875,654	—	—	875,654
Equity Futures and Swaps	28,748	(5,465)	34,213	—
Private Equity	2,536	—	—	2,536
Total Equity Securities	28,372,605	27,312,907	42,077	1,017,621
Total by Fair Value Level	$ 45,900,229	$ 30,485,584	$ 14,350,247	$ 1,064,398
Total Fair Value Established Using the Net Asset Value (NAV) (3)	53,064,037			
Total Fair Value	$ 98,964,266			

(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 proprietary matrix pricing technique. This pricing technique defines a primary source and secondary sources to be used if the primary pricing source does not provide a value. Typically, these securities are valued using bid evaluations. 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. 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.

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	$ 5,890,629	$ 325,000	Monthly, quarterly, semi-annually, annually	30-90 days
Equity long only funds	2,505,204	—	Daily, quarterly, annually	14-90 days
Credit funds	145,764	—	Annually	90 days
Multi-strategy funds	2,048,967	—	Monthly, semi-annually	30-60 days
Total hedge funds	10,590,564	325,000		
Credit strategies funds				
Bank loan and direct lending funds	3,965,927	2,348,011		
Distressed debt funds	1,247,507	860,488		
Mezzanine debt funds	777,739	350,988		
Multi-strategy funds	2,052,386	1,245,355		
Opportunistic funds	2,661,666	764,848		
Other Funds	801,794	1,910,780		
Total credit strategies funds	11,507,019	7,480,470		
Private equity funds				
Buyout funds	8,861,902	2,451,248		
Energy funds	521,332	133,713		
Growth funds	2,540,661	680,158		
International buyout funds	2,066,344	971,583		
Special situations funds	1,534,483	1,330,627		
Subordinated debt funds	199,997	122,096		
Turnaround funds	567,212	294,871		
Venture capital funds	81,937	10,604		
Total private equity funds	16,373,868	5,994,900		
Equity international commingled funds	3,183,648	—	Daily, semi-monthly	None, 6 days
Fixed-income commingled funds	1,517,043	—	Daily	None
Real estate and real asset funds				
Infrastructure funds	2,070,194	908,738		
Natural resources funds	1,387,884	475,848		
Private investment real estate funds	6,280,099	1,333,972		
Private real estate investment trusts	140,496	—		
Total real estate and real asset funds	9,878,673	2,718,558		
U. S. Equity commingled funds	13,222	—	Daily	None
Total investments measured at the NAV	$ 53,064,037	$ 16,518,928		

- **Equity Long/Short Hedge Funds** – This type included investments in eleven hedge funds as of June 30, 2021, 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 30.0 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 within 12 months as of June 30, 2021.

- **Equity Long-Only Hedge Funds** – This type included an investment in four hedge funds as of June 30, 2021, 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 60.0 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 as of June 30, 2021.

- **Credit Hedge Funds** – This type included investments in one hedge fund as of June 30, 2021, 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, 2021, 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 six hedge funds as of June 30, 2021, 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 30.0 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 48 months after acquisition. The remaining restriction period for these investments was 1 to 12 months as of June 30, 2021.

- **Credit Strategies Funds** – This type consists of many fund categories, including bank loan and direct lending funds, distressed debt funds, 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 3 to 8 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 3 to 8 years.

- **Equity International Commingled Funds** – This type includes investments in 18 institutional investment funds as of June 30, 2021, which invest in international equities. These funds employ a variety of investment strategies in global developed and emerging markets. 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 nine institutional investment funds that invest in U.S. and multi-national fixed income markets. The fair values of the investments in these funds have been determined using the NAV per share of the investments.

- **U.S. Equity Commingled Funds** - This type includes investments in one institutional investment fund as of June 30, 2021, which invests in domestic equities. This fund seeks investment results that correspond to the aggregate price and dividend performance of securities in the Standard & Poor's 500 Composite Index of large-cap U.S. stocks. The fair values of the investments in this fund have been determined using the NAV per share of the investments. Redemptions can be made from this fund, given the appropriate notice, any regular trading day on the NYSE.

- **Real Assets** – 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.

Component Units

The following table summarizes fair value measurements for the cash equivalents and investments reported by the component units as of June 30, 2021. 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	$ 631,523	$ 492,972	$ 138,551	$ —
Corporate Bonds and Notes	542,397	95,378	447,019	—
Supranational and Non-U.S. Government Bonds and Notes	933	—	933	—
Commercial Paper	22,770	12,090	10,680	—
Negotiable Certificates of Deposit	79,408	49,111	30,297	—
Repurchase Agreements	45,542	—	45,542	—
Municipal Securities	195,927	2,526	193,401	—
Asset-Backed Securities	271,562	13,118	258,444	—
Agency Mortgage-Backed Securities	1,228,144	8,792	1,219,352	—
Agency Unsecured Bonds and Notes	203,117	7,854	195,263	—
Mutual and Money Market Funds	141,259	134,702	6,557	—
Fixed Income and Commingled Funds	55,465	55,465	—	—
Other Debt Securities	53,374	42,593	10,781	—
Total Debt Securities	3,471,421	914,601	2,556,820	—
Equity Securities (2)				
Common and Preferred Stocks	69,067	63,067	6,000	—
Equity Index and Pooled Funds	251,847	251,847	—	—
Real Estate	1,631	1,597	—	34
International and Emerging Markets Fund	17,661	17,661	—	—
Other Equity Securities	1,917	247	1,662	8
Total Equity Securities	342,123	334,419	7,662	42
Total by Fair Value Level	$ 3,813,544	$ 1,249,020	$ 2,564,482	$ 42
Fair Value Established Using the Net Asset Value (NAV) (3)				
Common and Preferred Stocks	16,833			
Fixed Income and Commingled Funds	40,784			
Other Debt Securities	26,918			
Equity Index and Pooled Funds	8,171			
Real Estate	609			
Other Equity Securities	1,803,849			
Total Fair Value Established Using the NAV	1,897,164			
Total Fair Value	$ 5,710,708			

(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. 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. In March 2018, Deutsche Bank announced it put in place a custom insurance solution written by a (AA-rated by S&P) specialty casualty insurer that backstops Deutsche Bank's indemnification obligation. 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 10.9 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, 2021, all collateral received was in the form of cash.

Securities loaned for the State Treasurer's cash collateral reinvestment pool, which consisted of 96.9 percent general account funds and 3.1 percent Virginia Lottery funds as of June 30, 2021, had a carrying value of $2.06 billion and a fair value of $2.10 billion. The fair value of the collateral received was $2.14 billion providing for coverage of 101.9 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 $2.14 billion and the cost of the investments purchased with the cash collateral was $2.14 billion. As of June 30, 2021, the State Treasurer's cash collateral reinvestment pool had an unrealized gain of $366,000, 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, 2021, 100.0 percent of cash collateral reinvestments were in indemnified repurchase agreements.

As of June 30, 2021, the cash collateral reinvestment portfolio had a weighted average maturity to reset date of one day. Using the expected maturity date, the weighted average maturity was 40 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 40 days.

As of June 30, 2021, the cash collateral reinvestment portfolio was in compliance with the State Treasury's current cash collateral reinvestment guidelines.

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 31 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, 2021, was $7.5 billion. The June 30, 2021, balance was composed of U.S. Government and agency securities of $1.6 billion, corporate and other bonds of $2.2 billion, common and preferred stocks of $3.7 billion and supranational and non-U.S. Government bonds of $45.0 million. The value of collateral (cash and non-cash) as of June 30, 2021, was $7.9 billion.

As of June 30, 2021, the invested cash collateral had a cost of $5.2 billion and was composed of negotiable certificates of deposit of $239.6 million, floating rate notes of $2.3 billion, commercial paper of $438.0 million, time deposits of $648.1 million, and repurchase agreements of $1.5 billion.

8. RECEIVABLES

The following schedule (dollars in thousands) details the accounts, loans, local school bonds, 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, 2021.

	Accounts Receivable	Loans / Mortgage Receivable	Local School Bonds Receivable	Interest Receivable	Taxes Receivable
Primary Government:					
General (1)	$ 1,304,656	$ 202	$ —	$ 508,385	$ 2,606,460
Major Special Revenue Funds:					
Commonwealth Transportation (2)	161,482	232,563	—	675	297,411
Federal Trust	2,869,262	236	—	—	—
Literary	304,389	65,562	—	41,451	—
Nonmajor Governmental Funds (2)	255,257	7,072	—	22,884	19,283
Major Enterprise Funds:					
Virginia Lottery	90,529	—	—	—	—
Virginia College Savings Plan	16,177	—	—	9,895	—
Unemployment Compensation	193,817	—	—	—	—
Nonmajor Enterprise Funds	59,775	—	—	—	—
Internal Service Funds	22,664	—	—	—	—
Private Purpose Trust Funds	414	—	—	6,377	—
Pension and Other Employee Benefit Trust Funds (3)	255,656	—	—	287,033	—
Custodial Funds - External Investment Pool	—	—	—	1,782	—
Custodial Funds - Other (3)	9	87	—	180	139,926
Total Primary Government (4)	$ 5,534,087	$ 305,722	$ —	$ 878,662	$ 3,063,080
Discrete Component Units:					
Virginia Housing Development Authority (5)	$ —	$ 6,332,827	$ —	$ 28,699	$ —
Virginia Public School Authority (6)	—	—	3,318,423	52,968	—
Virginia Resources Authority	—	4,288,688	—	32,870	—
Virginia College Building Authority	—	—	—	15,365	—
Nonmajor Component Units (7)	2,267,194	136,070	—	6,991	8,209
Total Component Units	$ 2,267,194	$ 10,757,585	$ 3,318,423	$ 136,893	$ 8,209

Note (1): The General Fund (major) reports pending investment transactions of $90,442 (dollars in thousands) as Other Receivables.

Note (2): The loans receivable in the Commonwealth Transportation Fund (major) includes $194.8 million from the Virginia Transportation Infrastructure Bank as discussed in Note 21.D. 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 $60.9 million is included in the government-wide statements but excluded from the above amounts.

Note (3): In the Pension, Other Employee Benefit Trust Funds and Custodial Funds - Other, Interest Receivable of $287,213 (dollars in thousands) also includes dividends receivable. Additionally, of the total reported as Other Receivables, $150,354 (dollars in thousands) are made up of $119,195 (dollars in thousands) in pending investment transactions, which includes $101,329 (dollars in thousands) in external investment manager receivable, $15,596 (dollars in thousands) in foreign exchange receivable, $911 (dollars in thousands) in settled swaps, and $1,359 (dollars in thousands) in securities lending; and $31,159 (dollars in thousands) in other receivables related to benefit plans.

Note (4): Fiduciary net receivables in the amount of $3,189,249 (dollars in thousands) are not included in the Government-wide Statement of Net Position.

Note (5): The Virginia Housing Development Authority (major component unit) reports $5,978,465 (dollars in thousands) as Restricted Loans/Mortgage Receivable, $25,987 (dollars in thousands) as Restricted Interest Receivable, and $144,791 as Restricted Other Receivables.

Note (6): The Virginia Public School Authority (major component unit) reports $3,318,423 (dollars in thousands) as Local School Bonds Receivable. This amount will be used to repay the Authority's bonds.

Note (7): Other Receivables of the nonmajor component units are primarily comprised of pledges receivable of $221,780 (dollars in thousands) reported by the University of Virginia; third-party settlements and non-patient receivables of $86,498 (dollars in thousands) reported by Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University); $61,309 (dollars in thousands) reported by foundations of the higher education institutions representing FASB reporting entities defined in Note 1.B.; and $75,910 (dollars in thousands) reported by the Virginia Port Authority, $5,066 (dollars in thousands) reported by the Virginia Museum of Fine Arts Foundation.

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
$ —	$ —	$ —	$ 90,442	$ (2,017,328)	$ 2,492,817	$ 416,372
—	—	1,005,000	—	(45,041)	1,652,090	1,214,832
—	—	—	—	(175,109)	2,694,389	20,232
—	—	—	—	(310,984)	100,418	58,721
—	—	—	158	(98,674)	205,980	2,173
—	—	—	—	—	90,529	—
120,498	—	—	16,389	—	162,959	91,680
—	—	—	10,948	(75,674)	129,091	—
—	—	—	2,191	(700)	61,266	—
—	—	—	—	(283)	22,381	—
—	—	—	1,372	—	8,163	—
—	2,402,590	—	150,280	—	3,095,559	—
—	—	—	—	—	1,782	—
—	1,507	—	80	(58,044)	83,745	2,880
$ 120,498	$ 2,404,097	$ 1,005,000	$ 271,860	$ (2,781,837)	$ 10,801,169	$ 1,806,890
$ —	$ —	$ —	$ 25,195	$ (169,583)	$ 6,217,138	$ 5,818,735
—	—	—	—	—	3,371,391	3,026,976
—	—	—	4,166	(435)	4,325,289	3,981,584
—	—	—	—	—	15,365	—
—	—	—	464,646	(983,299)	1,899,811	340,323
$ —	$ —	$ —	$ 494,007	$ (1,153,317)	$ 15,828,994	$ 13,167,618

9. CONTRIBUTIONS RECEIVABLE, NET

The following schedule details the contributions receivable for foundations[1] included with the nonmajor component units, as of June 30, 2021. The major component units reported no contributions receivable for fiscal year 2021.

(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	$ 216,949	$ 322,070	$ 128,599	$ 667,618	$ (35,561)	$ (29,018)	$ 603,039
Total Component Units	$ 216,949	$ 322,070	$ 128,599	$ 667,618	$ (35,561)	$ (29,018)	$ 603,039

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 6.0 percent.

10. 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, 2021.

Schedule of Due from/to Other Funds

June 30, 2021

(Dollars in Thousands)

Due From	Amount	Due To	Amount
Primary Government		**Primary Government**	
General Fund	$ 76,581	Major Special Revenue Funds:	
		Federal Trust	$ 669
		Nonmajor Governmental Funds	223
		Major Enterprise Funds:	
		Virginia Lottery	67,283
		Nonmajor Enterprise Funds	5,344
		Internal Service Funds	3,062
Major Special Revenue Funds:			
Commonwealth Transportation	134,758	General Fund	2,545
		Major Special Revenue Funds:	
		Federal Trust	1,938
		Nonmajor Governmental Funds	130,275
Federal Trust	281	General Fund	4
		Nonmajor Governmental Funds	1
		Major Enterprise Funds:	
		Unemployment Compensation	17
		Nonmajor Enterprise Funds	259
Literary	2,448	Major Enterprise Funds:	
		Virginia Lottery	2,448
Nonmajor Governmental Funds	63,676	Major Special Revenue Funds:	
		Commonwealth Transportation	59,755
		Federal Trust	2,900
		Major Enterprise Funds:	
		Unemployment Compensation	310
		Nonmajor Enterprise Funds	711
Major Enterprise Funds:			
Unemployment Compensation	5,950	General Fund	1,191
		Major Special Revenue Funds:	
		Commonwealth Transportation	245
		Federal Trust	4,204
		Nonmajor Governmental Funds	145
		Major Enterprise Funds:	
		Virginia Lottery	10
		Virginia College Savings Plan	4
		Nonmajor Enterprise Funds	140
		Internal Service Funds	11
Nonmajor Enterprise Funds	2,751	General Fund	268
		Major Special Revenue Funds:	
		Commonwealth Transportation	564
		Federal Trust	1,814
		Nonmajor Governmental Funds	56
		Nonmajor Enterprise Funds	11
		Internal Service Funds	38
Internal Service Funds	67,124	General Fund	36,566
		Major Special Revenue Funds:	
		Commonwealth Transportation	11,535
		Federal Trust	10,627
		Nonmajor Governmental Funds	4,225
		Major Enterprise Funds:	
		Virginia Lottery	944
		Virginia College Savings Plan	96
		Nonmajor Enterprise Funds	2,483
		Internal Service Funds	648
Total Primary Government	$ 353,569	Total Primary Government	$ 353,569

Schedule of Due from/to Internal/External Parties
June 30, 2021

(Dollars in Thousands)

Due From	Amount	Due To	Amount
Primary Government		**Primary Government**	
General Fund	$ 9,375	Custodial Funds - Other	$ 9,375
Nonmajor Governmental Funds	292	Custodial Funds - Other	292
Internal Service Funds	245	Pension and Other Employee Benefit Trust Funds	245
Pension and Other Employee Benefit Trust Funds	31,702	General Fund	19,492
		Major Special Revenue Funds:	
		Commonwealth Transportation	5,430
		Federal Trust	2,906
		Nonmajor Governmental Funds	2,314
		Major Enterprise Funds:	
		Virginia Lottery	213
		Virginia College Savings Plan	94
		Nonmajor Enterprise Funds	777
		Internal Service Funds	476
Custodial Funds - Other	258	General Fund	253
		Major Special Revenue Funds:	
		Commonwealth Transportation	5
Total Primary Government	$ 41,872	Total Primary Government	$ 41,872

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, 2021. There were no Interfund Receivables/Payables for the component units as of June 30, 2021.

Interfund Receivables/Payables
June 30, 2021

(Dollars in Thousands)

Receivable From	Amount	Payable To	Amount
Primary Government		**Primary Government**	
Nonmajor Governmental Funds	$ 258,853	General Fund	$ 676
		Major Special Revenue Funds:	
		Commonwealth Transportation	5,100
		Federal Trust	23,464
		Nonmajor Governmental Funds	6,000
		Nonmajor Enterprise Funds	65,751
		Internal Service Funds	157,862
Total Primary Government	$ 258,853	Total Primary Government	$ 258,853

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 Commonwealth Transportation Fund (major special revenue) to the Virginia Passenger Rail Authority (nonmajor component unit) of $9.8 million is for Commonwealth Rail Funds.

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 $1.2 million is for interest on Build America Bonds (BABs).

A $27.1 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 $593,717 in the fund financial statements and an additional $26.5 million in the government-wide financial statements.

A $468,671 due from primary government amount represents an amount due from a nonmajor governmental fund related to the Department of the Treasury's reimbursement programs to George Mason University (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 $16.0 million represents bond revenue to be used for capital projects.

A $2.7 million due to primary government amount from the Virginia Passenger Rail Authority (nonmajor component unit) to the Commonwealth Transportation Fund (major special revenue) is for reimbursement of administrative support and grant expenditures.

A $24.2 million due from component units in the Health Care Fund (internal service fund) represents amounts due from the nonmajor component units.

A $1.6 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 $116.6 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 $39.2 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 $185.5 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).

11. OTHER ASSETS

The following table summarizes Other Assets as of June 30, 2021.

(Dollars in Thousands)

	Cash and Travel Advances	Net OPEB Asset (1)	Other Assets	Total Other Assets
Primary Government:				
General	$ 1,138	$ —	$ —	$ 1,138
Major Special Revenue Funds:				
Commonwealth Transportation	283	—	—	283
Federal Trust	4,799	—	—	4,799
Nonmajor Governmental Funds	674	—	—	674
Major Enterprise Funds:				
Virginia Lottery	1	1,023	—	1,024
Virginia College Savings Plan	—	481	—	481
Nonmajor Enterprise Funds	430	3,811	28	4,269
Internal Service Funds (2)	—	2,313	35,671	37,984
Custodial Funds - Other (3)	—	—	2	2
Total Primary Government	$ 7,325	$ 7,628	$ 35,701	$ 50,654
Discrete Component Units:				
Virginia Housing Development Authority (4)	$ —	$ —	$ 48,209	$ 48,209
Nonmajor Component Units (5)	237	—	176,182	176,419
Total Component Units	$ 237	$ —	$ 224,391	$ 224,628

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 $35,671 (dollars in thousands) shown above, $34,098 (dollars in thousands) and $1,573 (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 $2,000 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 follows:

- Virginia Commonwealth University Health System Authority (blended component unit of the Virginia Commonwealth University) includes investments in Virginia Premier Health Plan of $83.0 million;
- University of Virginia includes primarily $11.2 million of LVG seed funds at cost; and
- Related foundations of Longwood University, Virginia Polytechnic Institute and State University, and the University of Virginia include $23.2 million, $15.2 million, and $6.5 million, respectively, primarily for cash insurance value of life insurance policies, deferred tax assets, net investment in direct financing leases, intangibles, and right-of-use asset.

12. RESTRICTED ASSETS

Restricted assets represent monies or other resources that must be used for specific legal or contractual requirements. The governmental funds reported $2.2 billion in restricted cash, cash equivalents, and investments primarily related to bond agreements. Of this amount, $1.7 billion relates to transportation projects, $411.1 million pertains to capital projects, and $43.2 million pertains to debt service requirements. The governmental and business-type activities funds reported other restricted assets of $131.0 million and $5.3 million, respectively, for the Virginia Sickness and Disability Program Net OPEB Asset. See Note 11, 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 $2.7 billion, $321.9 million, and $409.1 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 $932.9 million. Of this amount, $925.1 million is restricted for loans to local governments, bond indentures, or federal and state regulations for various revolving funds, and $7.8 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 $131.5 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 $184.2 million to be used for financial aid to tobacco growers and to foster community economic growth. This includes Other Restricted Assets of $39,459 for the Virginia Sickness and Disability Program Net OPEB asset.

The Hampton Roads Sanitation District Commission (nonmajor component unit) reported restricted assets of $30.5 million to be used for debt service.

The Virginia Small Business Financing Authority (nonmajor component unit) reported restricted assets of $35.9 million for gifts and grants. This includes Other Restricted Assets of $26,566 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 $7.5 billion of foundations' restricted assets. This includes Other Restricted Assets of $83.4 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 $23.5 million for a beneficial trust and $5.8 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 $295.1 million and $27.1 million, respectively, primarily for donor-imposed restricted endowments.

The remaining $9.0 million is spread among the following nonmajor component units: the Virginia Outdoors Foundation, the Danville Science Center, the Fort Monroe Authority, the Virginia Arts Foundation, 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 $962,796 for the Virginia Sickness and Disability Program Net OPEB asset.

13. CAPITAL ASSETS

The following schedule presents the changes in the Capital Assets as of June 30, 2021 (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	$ 3,554,354	$ 97,105	$ (12,681)	$ 3,638,778
Water Rights and/or Easements	118,846	1,362	—	120,208
Infrastructure	1,308,220	—	—	1,308,220
Construction-in-Progress (2)	3,575,429	2,200,977	(1,617,201)	4,159,205
Total Nondepreciable Capital Assets	8,556,849	2,299,444	(1,629,882)	9,226,411
Depreciable Capital Assets:				
Buildings (3)	4,497,957	138,260	(8,132)	4,628,085
Equipment	1,397,177	92,309	(41,365)	1,448,121
Infrastructure	34,766,020	1,256,725	(429,988)	35,592,757
Software	1,014,791	87,640	(25,247)	1,077,184
Total Capital Assets being Depreciated	41,675,945	1,574,934	(504,732)	42,746,147
Less Accumulated Depreciation for:				
Buildings	1,823,309	108,398	(7,037)	1,924,670
Equipment	838,866	77,444	(38,030)	878,280
Infrastructure	12,796,304	1,165,311	(416,515)	13,545,100
Software	528,711	75,206	(24,212)	579,705
Total Accumulated Depreciation	15,987,190	1,426,359	(485,794)	16,927,755
Total Depreciable Capital Assets, Net	25,688,755	148,575	(18,938)	25,818,392
Total Capital Assets, Net	$ 34,245,604	$ 2,448,019	$ (1,648,820)	$ 35,044,803

Note (1): Beginning balances have been restated by $363.3 million as discussed in Note 2. In addition, there were reclassifications from the equipment to software category.

Note (2): The beginning balance and decreases include a permanent impairment of $43.7 million related to a breach of contract for which an $8.0 million settlement will be received to offset the reported loss in fiscal year 2022.

Note (3): Includes temporarily impaired assets with a carrying value of $40.4 million.

Depreciation Expense Charged to Functions of the Primary Government
June 30, 2021

(Dollars in Thousands)

Governmental Activities:	
General Government	$ 49,770
Education	5,892
Transportation	1,207,076
Resources and Economic Development	24,904
Individual and Family Services	67,616
Administration of Justice	48,034
Capital Assets held by the Internal Service Funds are charged to various functions	23,067
Total	$ 1,426,359

Schedule of Changes in Capital Assets
Business-type Activities

(Dollars in Thousands)

	Balance July 1	Increases	Decreases	Balance June 30
Nondepreciable Capital Assets:				
Land	$ 11,843	$ —	$ (85)	$ 11,758
Construction-in-Progress	12,642	16,016	(16,497)	12,161
Total Nondepreciable Capital Assets	24,485	16,016	(16,582)	23,919
Depreciable Capital Assets:				
Buildings	23,212	51,923	—	75,135
Equipment	72,283	30,082	(8,658)	93,707
Software	27,462	17,897	(4,516)	40,843
Total Capital Assets being Depreciated	122,957	99,902	(13,174)	209,685
Less Accumulated Depreciation for:				
Buildings	13,670	381	—	14,051
Equipment	53,316	4,771	(8,593)	49,494
Software	15,978	6,856	(4,304)	18,530
Total Accumulated Depreciation	82,964	12,008	(12,897)	82,075
Total Depreciable Capital Assets, Net	39,993	87,894	(277)	127,610
Total Capital Assets, Net	$ 64,478	$ 103,910	$ (16,859)	$ 151,529

Schedule of Changes in Capital Assets
Component Units

(Dollars in Thousands)

	Balance July 1	Increases	Decreases	Subtotal June 30	Foundations (1)	Total June 30
Nondepreciable Capital Assets:						
Land	$ 686,893	$ 54,412	$ (677)	$ 740,628	$ 379,448	$ 1,120,076
Construction-in-Progress	2,212,943	1,649,107	(1,390,561)	2,471,489	117,552	2,589,041
Inexhaustible Easements and Works of Art/ Historical Treasures	85,901	536,626	—	622,527	21,504	644,031
Livestock	223	7	—	230	876	1,106
Total Nondepreciable Capital Assets	2,985,960	2,240,152	(1,391,238)	3,834,874	519,380	4,354,254
Depreciable Capital Assets:						
Buildings	19,579,523	986,204	(40,835)	20,524,892	1,405,501	21,930,393
Infrastructure	4,355,397	279,779	(814)	4,634,362	7,832	4,642,194
Equipment	4,452,690	378,737	(125,748)	4,705,679	187,007	4,892,686
Improvements Other Than Buildings	645,373	47,261	(5,248)	687,386	114,502	801,888
Depreciable Works of Art	642	40	(45)	637	—	637
Library Books	745,559	11,493	(4,005)	753,047	—	753,047
Software	606,630	11,005	(3,628)	614,007	—	614,007
Other Intangible Assets	2,049,567	—	—	2,049,567	—	2,049,567
Total Capital Assets being Depreciated	32,435,381	1,714,519	(180,323)	33,969,577	1,714,842	35,684,419
Less Accumulated Depreciation for:						
Buildings	6,914,782	605,962	(31,186)	7,489,558	465,015	7,954,573
Infrastructure	2,015,665	122,454	(960)	2,137,159	2,854	2,140,013
Equipment	3,031,826	321,587	(103,275)	3,250,138	134,957	3,385,095
Improvements Other Than Buildings	408,856	23,765	(4,664)	427,957	60,324	488,281
Depreciable Works of Art	91	29	(32)	88	—	88
Library Books	677,440	19,172	(4,003)	692,609	—	692,609
Software	495,030	27,801	(3,022)	519,809	—	519,809
Other Intangible Assets	108,876	42,663	(9)	151,530	—	151,530
Total Accumulated Depreciation	13,652,566	1,163,433	(147,151)	14,668,848	663,150	15,331,998
Total Depreciable Capital Assets, Net	18,782,815	551,086	(33,172)	19,300,729	1,051,692	20,352,421
Total Capital Assets, Net	$ 21,768,775	$ 2,791,238	$ (1,424,410)	$ 23,135,603	$ 1,571,072	$ 24,706,675

Note (1): 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.

14. 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 15, 16, 18, and 38 for additional information regarding these items.

Deferred Outflows

Deferred outflows of resources are a consumption of assets by the government that is applicable to a future reporting period.

Deferred Inflows

Deferred inflows of resources are an acquisition of 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, 2021.

Government-wide Statements

(Dollars in Thousands)	Primary Government			
	Governmental Activities	Business-type Activities	Total	Total Component Units
Deferred Outflows of Resources				
Effective Hedges in a Loss Position	$ —	$ —	$ —	$ 6,973
Loss on Refunding of Debt	47,996	—	47,996	297,201
Nonexchange Transactions Not Meeting Time Requirements	203	—	203	—
Government Acquisition-Goodwill	—	—	—	3,009
Pension Related	1,190,316	42,736	1,233,052	790,079
Other Postemployment Benefit Related	309,638	9,725	319,363	241,403
Total Deferred Outflows of Resources	$ 1,548,153	$ 52,461	$ 1,600,614	$ 1,338,665
Deferred Inflows of Resources				
Service Concession Arrangements	$ 4,831,380	$ —	$ 4,831,380	$ 179,449
Gain on Refunding of Debt	682	—	682	53,397
Pension Related	156,934	2,358	159,292	93,919
Other Postemployment Benefit Related	597,307	19,099	616,406	475,573
Irrevocable Split-Interest Agreements Related	—	—	—	17,741
Mortgage Banking Activities	—	—	—	49,248
Total Deferred Inflows of Resources	$ 5,586,303	$ 21,457	$ 5,607,760	$ 869,327

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						
Service Concession Arrangements	$ —	$ 1,690,990	$ —	$ —	$ —	$ 1,690,990
Revenues Considered Unavailable	1,086,815	74,263	288,680	26,625	23,442	1,499,825
Total Deferred Inflows of Resources	$ 1,086,815	$ 1,765,253	$ 288,680	$ 26,625	$ 23,442	$ 3,190,815

Fund Statements

(Dollars in Thousands)	Business-type Activities				Governmental Activities
	Enterprise Funds				
	Virginia Lottery	Virginia College Savings Plan	Nonmajor	Total Business-type Activities	Internal Service Funds
Deferred Outflows of Resources					
Pension Related	$ 8,131	$ 4,348	$ 30,257	$ 42,736	$ 18,348
Other Postemployment Benefit Related	1,595	1,074	7,056	9,725	3,434
Total Deferred Outflows of Resources	$ 9,726	$ 5,422	$ 37,313	$ 52,461	$ 21,782
Deferred Inflows of Resources					
Pension Related	$ 419	$ 156	$ 1,783	$ 2,358	$ 2,605
Other Postemployment Benefit Related	3,001	1,302	14,796	19,099	7,758
Total Deferred Inflows of Resources	$ 3,420	$ 1,458	$ 16,579	$ 21,457	$ 10,363

(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						
Effective Hedges in a Loss Position	$ —	$ —	$ —	$ —	$ 6,973	$ 6,973
Loss on Refunding of Debt	—	82,998	46,430	24,335	143,438	297,201
Government Acquisition-Goodwill	—	—	—	—	3,009	3,009
Pension Related	—	—	392	—	789,687	790,079
Other Postemployment Benefit Related	8,703	—	34	—	232,666	241,403
Total Deferred Outflows of Resources	$ 8,703	$ 82,998	$ 46,856	$ 24,335	$ 1,175,773	$ 1,338,665
Deferred Inflows of Resources						
Service Concession Arrangements	$ —	$ —	$ —	$ —	$ 179,449	$ 179,449
Gain on Refunding of Debt	—	—	34,716	473	18,208	53,397
Pension Related	—	—	36	—	93,883	93,919
Other Postemployment Benefit Related	4,054	—	9	—	471,510	475,573
Irrevocable Split-Interest Agreements Related	—	—	—	—	17,741	17,741
Mortgage Banking Activities	49,248	—	—	—	—	49,248
Total Deferred Inflows of Resources	$ 53,302	$ —	$ 34,761	$ 473	$ 780,791	$ 869,327

15. DERIVATIVES

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 Program (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, 2021, 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, 2021 Fair Value	June 30, 2020 Fair Value
Private Purpose	American General Life	$ 240,222	1/16/2014	Open ended	1.4 %	$ 1,658,901	$ 1,277,523
	Nationwide Life Insurance	240,782	1/29/2018	Open ended	1.9 %		
	Prudential Retirement Insurance & Annuity	240,254	1/30/2014	Open ended	1.4 %		
	RGA	240,337	8/28/2015	Open ended	1.5 %		
	State Street Bank	240,217	5/1/2002	Open ended	1.4 %		
	Voya Retirement And Annuity	240,290	10/5/2012	Open ended	1.5 %		

Pursuant to its investment management agreement, Schroders Investment Management 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. U.S. Treasury futures used to hedge duration are excluded from the 10.0 percent limit. At June 30, 2021, the only derivative instruments held in the account were U.S. Treasury futures. The following table 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. The following table (dollars in thousands) contains information relating to fair value, changes in fair value, and notional value for U.S. Treasury Futures Contracts.

Investment Derivatives - U.S. Treasury Futures Contracts

	Changes in Fair Value		Fair Value at June 30, 2021		
Fund	Classification	Amount	Classification	Amount	Notional Amount
Enterprise	Revenue	$ 104	Investment	$ 104	$ 52,484

Pursuant to its investment management agreement, Advent Capital Management, LLC (Advent) may invest in derivatives for hedging purposes or for efficient portfolio management. Synthetic positions are not allowed and the use of derivatives should not be considered as an alpha generator. Advent primarily uses forward foreign exchange contracts to hedge the value of investments denominated in non-U.S. dollar currencies. Similarly, the Loomis, Sayles & Company and Acadian Asset Management 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.

Defined Benefit 529 Program Currency Forwards

Currency	Cost	Foreign Exchange Purchases	Foreign Exchange Sales	Market Value
Australian Dollar	$ (1,518)	$ 36	$ (1,504)	$ (1,468)
Danish Krone	920	916	—	916
Euro	(60,248)	10,455	(69,384)	(58,929)
Hong Kong Dollar	(3,031)	—	(3,031)	(3,031)
Japanese Yen	(7,208)	3,325	(10,418)	(7,093)
New Zealand Dollar	33	33	—	33
Pound Sterling	(11,101)	—	(10,977)	(10,977)
Singapore Dollar	24	24	—	24
Swedish Krona	347	346	—	346
Swiss Franc	1,413	1,408	—	1,408
U.S. Dollar	80,369	94,410	(14,040)	80,370
Total	$ —	$ 110,953	$ (109,354)	$ 1,599

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. The Defined Benefit 529 Program's PGIM Fixed Income accounts held credit default swaps at June 30, 2021. 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 Derivatives - Credit Default Swaps

	Changes in Fair Value		Fair Value at June 30, 2021		
Fund	Classification	Amount	Classification	Amount	Notional Amount
Enterprise	Revenue	$ (556)	Investment	$ (556)	$ 5,450

At June 30, 2021, PGIM Fixed Income also held U.S. Treasury futures, 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 Derivatives - U.S. Treasury Futures Contracts

	Changes in Fair Value		Fair Value at June 30, 2021		
Fund	Classification	Amount	Classification	Amount	Notional Amount
Enterprise	Revenue	$ (79)	Investment	$ (79)	$ 33,704
Private Purpose	Revenue	(41)	Investment	(41)	20,636

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 Program's Loomis, Sayles & Company Multi-Asset Credit Accounts held interest rate swap options at June 30, 2021. 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 Derivatives - Interest Rate Swap Options

	Changes in Fair Value		Fair Value at June 30, 2021		
Fund	Classification	Amount	Classification	Amount	Notional Amount
Enterprise	Revenue	$ (18)	Investment	$ 58	$ —

At June 30, 2021, Loomis, Sayles & Company also held U.S. Treasury futures, 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 Derivatives - U.S. Treasury Futures Contracts

	Changes in Fair Value		Fair Value at June 30, 2021		
Fund	**Classification**	**Amount**	**Classification**	**Amount**	**Notional Amount**
Enterprise	Revenue	$ (19)	Investment	$ (19)	$ (1,325)

Additional information is available in the Virginia529 separately issued financial statements, which may be obtained at www.virginia529.com.

Virginia Retirement System

All derivatives 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 contracts against amounts owed to the System by the counterparties.

The System holds investments in swaps and futures and enters into forward foreign currency exchange contracts. Swaps, futures 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. Derivatives that are exchange-traded are not subject to credit risk, but all over-the-counter derivatives, 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 is summarized in the table on page 129. 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, 2021, are summarized in the tables below (dollars in thousands).

Derivative Investments Summary

Investment	Net Appreciation/ (Depreciation) in Fair Value for the Fiscal Year Ended June 30, 2021		Fair Value June 30, 2021	
Derivatives (by Type)	Amount	Classification	Amount	Notional (Dollars)
Commodity Futures Long	$ (1,121)	Equity Securities	$ (794)	$ 12,756
Commodity Futures Short	142	Debt Securities	142	(3,002)
Credit Default Swaps Bought	(1,193)	Debt Securities	(31)	6,450
Credit Default Swaps Written	1,676	Debt Securities	1,676	30,980
Fixed-Income Futures Long	36,226	Debt Securities	37,793	1,829,518
Fixed-Income Futures Short	(11,087)	Debt Securities	(12,985)	(684,502)
FX Forwards	(25,555)	Investment Sales/Purchases	(8,884)	(764,998)
Index Futures Long	(12,777)	Equity Securities	(1,427)	439,418
Index Futures Short	(2,725)	Equity Securities	(3,245)	(250,024)
Pay Fixed-Inflation Swaps	1,909	Debt Securities	2,197	21,780
Receive Fixed-Inflation Swaps	14	Debt Securities	14	5,322
Pay Fixed-Interest Rate Swaps	80	Debt Securities	—	—
Receive Fixed-Interest Rate Swaps	(255)	Debt Securities	(108)	33,784
Total Return Bond Index Swaps	2,229	Equity Securities	1,798	61,729
Total Return Equity Index Swaps	(102,210)	Equity Securities	32,415	2,128,657
Total	$ (114,647)		$ 48,561	

Derivative Instruments Subject to Interest Rate Risk

		Investment Maturities (in years)			
Investment Type	**Fair Value June 30, 2021**	**Under 1**	**1-5**	**6-10**	**Greater than 10**
Credit Default Swaps Bought	$ (31)	$ —	$ (31)	$ —	$ —
Credit Default Swaps Written	1,676	—	1,714	(38)	—
Pay Fixed Inflation Swaps	2,197	—	—	2,197	—
Receive Fixed Inflation Swaps	14	—	—	14	—
Receive Fixed Interest Rate Swaps	(108)	—	(108)	—	—
Total	$ 3,748	$ —	$ 1,575	$ 2,173	$ —

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, commodities, and equity index futures as of June 30, 2021, is shown in the Summary table on the previous page.

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, 2021, is shown in the following table and in the Summary table on the previous page.

Currency Forwards

as of June 30

(Dollars in Thousands)

Currency	Cost	Pending Foreign Exchange Purchases	Pending Foreign Exchange Sales	Fair Value 2021	Fair Value 2020
Australian Dollar	(159,133)	251,767	(407,560)	(155,793)	112,495
Brazilian Real	(11,636)	5,790	(17,583)	(11,793)	(545)
British Pound Sterling	(116,731)	293,913	(405,601)	(111,688)	45,836
Canadian Dollar	432,417	555,852	(131,540)	424,312	11,165
Chilean Peso	(3,080)	1,794	(4,821)	(3,027)	1,031
Chinese Yuan Renminbi	(42,280)	—	(41,882)	(41,882)	(45,864)
Chinese Yuan Renminbi HK	208	19,889	(18,359)	1,530	1,400
Colombian Peso	(3,875)	1,483	(5,278)	(3,795)	(2,095)
Czech Koruna	1,045	1,668	(648)	1,020	2,617
Danish Krone	(11,724)	—	(11,629)	(11,629)	(7,023)
Egyptian Pound	2,646	2,662	—	2,662	—
Euro Currency Unit	362,929	881,127	(524,038)	357,089	237,301
Hong Kong Dollar	(68,235)	—	(68,242)	(68,242)	(36,417)
Hungarian Forint	458	1,092	(641)	451	2,020
Indian Rupee	6,105	6,345	(236)	6,109	(1,447)
Indonesian Rupiah	(863)	207	(1,057)	(850)	(2,367)
Israeli Shekel	(2,810)	370	(3,178)	(2,808)	(11,563)
Japanese Yen	(16,566)	442,842	(460,663)	(17,821)	325,715
Mexican Peso	3,754	5,209	(1,420)	3,789	2,115
New Taiwan Dollar	(115)	913	(1,023)	(110)	(2,216)
New Zealand Dollar	(229,523)	30,206	(252,278)	(222,072)	(131,258)
Norwegian Krone	77,501	159,837	(84,439)	75,398	(64,106)
Peruvian Sol	(942)	587	(1,531)	(944)	(3,487)
Philippines Peso	(5,110)	—	(5,071)	(5,071)	(2,075)
Polish Zloty	428	639	(208)	431	907
Romanian Leu	(15)	1,673	(1,673)	—	2,070
Russian Ruble	218	3,314	(3,123)	191	(809)
Singapore Dollar	(25,138)	93,803	(119,377)	(25,574)	(75,531)
South African Rand	(5,307)	832	(5,961)	(5,129)	(3,540)
South Korean Won	671	1,010	(340)	670	(433)
Swedish Krona	408,119	475,876	(77,334)	398,542	417,469
Swiss Franc	131,298	328,567	(196,679)	131,888	164,794
Thai Baht	501	491	—	491	(156)
Turkish Lira	1,416	2,413	(1,022)	1,391	874
Ukranian Hryvnia	950	963	—	963	—
U.S. Dollar	(727,583)	2,822,993	(3,550,576)	(727,583)	(920,206)
Total Forwards Subject to Foreign Currency Risk				$ (8,884)	$ 16,671

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 2021, the System had activity in credit default, inflation, interest rate and total return 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, 2021, is shown in the Summary table on page 126, 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, 2021	Notional Amount
Interest Rate Swaps	Receive Fixed 2.70%, Pay Variable China Repo Fixing 7-day Rate	$ (54)	$ 16,892
Interest Rate Swaps	Receive Fixed 2.70%, Pay Variable China Repo Fixing 7-day Rate	(54)	16,892
Subtotal Interest Rate Swaps		$ (108)	$ 33,784

Investment Type	Reference Rate	Fair Value June 30, 2021	Notional Amount
Total Return Bond Index Swaps	Receive Variable IBOXHY Liquid High Yield Index, Pay Variable 3-month LIBOR	1,798	61,729
Total Return Equity Index Swaps	Receive Variable GDUEACWF Index, Pay Variable 3-month LIBOR + 35 bps	—	587,426
Total Return Equity Index Swaps	Receive Variable GDUEACWF Index, Pay Variable 3-month LIBOR + 30.25 bps	1,289	372,479
Total Return Equity Index Swaps	Receive Variable GDUEACWF Index, Pay Variable 3-month LIBOR + 33 bps	1,408	67,368
Total Return Equity Index Swaps	Receive Variable MSCI World with USA Gross Index, Pay Variable 3-month LIBOR	30,181	978,490
Total Return Equity Index Swaps	Receive Variable MIMUJPNN Index, Pay Variable 3-month LIBOR	(158)	25,120
Total Return Equity Index Swaps	Receive Variable MIMUUKGN Index, Pay Variable 3-month LIBOR + 26 bps	(171)	15,825
Total Return Equity Index Swaps	Receive Variable NDUEEGF Index, Pay Variable 3-month LIBOR - 7 bps	(178)	50,506
Total Return Equity Index Swaps	Receive Variable M1CNA Index, Pay Variable 3-month LIBOR - 400 bps	44	31,443
Subtotal Total Return Swaps		34,213	2,190,386
TOTAL		$ 34,105	$ 2,224,170

Derivative Instruments Subject to Counterparty Credit Risk

Counterparty	Percentage of Net Exposure	Moody's Ratings	S&P Ratings	Fitch Ratings
Goldman Sachs International	51.3%	A1	A+	A+
Goldman Sachs Bank USA/New York NY	46.5%	A1	A+	A+
UBS AG/Stamford CT	1.7%	—	A+	—
Morgan Stanley & Co International PLC	0.3%	Aa3	A+	—
BNP Paribas SA	0.2%	Aa3	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 commodities, U.S. Treasury bonds and notes, non-U.S. government bonds, and U.S. and non-U.S. equity indexes. 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 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 derivatives is classified as Level 2 in the fair value hierarchy. The outstanding forward contracts, summarized by counterparty rating as of June 30, 2021, were as follows:

Counterparty Rating	Par	Concentration	Notional Amount	Market Value	Fair Value Asset (Liability)
A-1+/AA+	$ 58,000,000	10.6	$ 60,270,469	$ 60,296,564	$ (26,095)
A-1/A+	222,000,000	40.4	229,513,906	229,748,304	(234,398)
A-1/A+	126,000,000	22.9	130,339,102	130,435,785	(96,683)
A-2/BBB+	57,000,000	10.3	58,215,742	58,625,628	(409,886)
A-2/BBB+	87,000,000	15.8	89,789,922	89,909,219	(119,297)
	$ 550,000,000	100.0	$ 568,129,141	$ 569,015,500	$ (886,359)

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, 2021, the negative fair value of the swaps of $39.1 million is included in other liabilities and the change in fair value of positive $12.4 million was reported as investment earnings in the accompanying financial statements. During fiscal year 2015, UVA established two fixed-receiver interest rate swaps with a total notional amount of $128.0 million to provide a hedge against fixed interest rates on Series 2015B bonds. These swaps were reevaluated as of June 30, 2016, and determined to no longer be effective hedges. In conjunction with the General Revenue Pledge and Refunding Bond Series 2020 issued in July 2020 and refunding of the University's Series 2015B, the fixed-receiver interest rate swaps were terminated. As of June 30, 2021, the change in fair value of negative $1.4 million is included in 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, 2021, Virginia Commonwealth University Medical Center (VCUMC), which is a division of the Virginia Commonwealth University Health System Authority (a blended component unit of VCU), had two interest rate swap agreements with a notional amount of $113.4 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. During FY 2021, the Series 2013A Bonds ($57.3 million) were refinanced by the Series 2021A Bonds ($57.3 million). The interest rate swap agreement associated with these bonds was terminated. The notional amount at termination was $57.3 million and the cost of termination of $8.8 million was financed through the Series 2021B Bonds. The Series 2013A and 2013B bonds refunded prior Series 2005 and 2008 bonds that resulted in the termination of the prior hedging relationship between the interest rate swaps and the Series 2005 and 2008 bonds. At the time of the refunding in June 2013, the accumulated change in fair value of the interest rate swaps was negative $42.1 million and was included in the calculation of the deferred loss on refunding. Hedge accounting was reestablished on the new debt. As of June 30, 2021, the negative fair value of VCUMC's remaining two swaps of $37.3 million is included in other liabilities and the cumulative change in fair value of these swaps of $7.0 million is included in deferred outflows of resources in the accompanying financial statements. The derivative instruments are classified as Level 2 of the fair value hierarchy. Upon termination of the interest rate swap agreement in June 2021, the unamortized deferred loss on refunding was expensed. Additional information is available in the separately issued financial statements of the higher education institution.

Various foundations of higher education institutions have derivative instruments. The foundations follow FASB rather than GASB reporting requirements. Disclosures for the foundations' derivatives can be found in the separately issued financial statements of the foundations.

16. 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. Contributions for fiscal year 2021 were $3.6 billion with a reserve balance available for benefits of $95.3 billion. This contribution includes a one-time payment of $61.3 million from the Commonwealth to the Teacher Employee Plan. As of June 30, 2021, the VRS had 834 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 2021 were $40.3 million, $24.7 million, and $94.0 million, and reserved balances available for benefits were $1.1 billion, $673.2 million, and $1.9 billion, for SPORS, JRS, and VaLORS, respectively. 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 2021, the mandatory and voluntary member contributions for the defined contribution component of the Hybrid Plan totaled $151.3 million and related mandatory employer contributions totaled $120.1 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	2021 Total
Retirees and Beneficiaries Receiving Benefits	60,478	1,495	5,400	544	67,917
Terminated Employees Entitled to Benefits but not Receiving Them	13,173	153	843	5	14,174
Total	73,651	1,648	6,243	549	82,091
Active Members:					
Vested	51,762	1,520	4,429	378	58,089
Non-Vested	24,346	419	3,383	75	28,223
Total	76,108	1,939	7,812	453	86,312

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.

The System's 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 contribution rates for fiscal year 2021 were based on the actuary's valuation as of June 30, 2019. Employer contributions by the Commonwealth to VRS, SPORS, VaLORS, and JRS were 14.5 percent, 26.3 percent, 21.9 percent, and 29.8 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, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. 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, 2020	$ 17,899,618	$ 13,339,686	$ 4,559,932
Changes for the year			
Service cost	312,510	—	312,510
Interest	1,177,621	—	1,177,621
Differences between actual and expected experience	8,854	—	8,854
Assumption changes	—	—	—
Contributions - employer	—	450,389	(450,389)
Contributions - member	—	144,206	(144,206)
Net investment income	—	253,362	(253,362)
Benefit payments, including refunds	(969,089)	(984,507)	15,418
Administrative expense	—	(8,157)	8,157
Other changes	—	(446)	446
Net changes	529,896	(145,153)	675,049
Balances at June 30, 2021	$ 18,429,514	$ 13,194,533	$ 5,234,981

	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, 2020	$ 14,037,218	$ 10,545,994	$ 3,491,224	$ 1,176,937	$ 865,273	$ 311,664
Changes for the year						
Service cost	225,736	—	225,736	22,167	—	22,167
Interest	924,557	—	924,557	77,231	—	77,231
Differences between actual and expected experience	(6,903)	—	(6,903)	4,466	—	4,466
Assumption changes	—	—	—	—	—	—
Contributions - employer	—	319,892	(319,892)	—	32,497	(32,497)
Contributions - member	—	117,035	(117,035)	—	6,600	(6,600)
Net investment income	—	200,367	(200,367)	—	16,333	(16,333)
Benefit payments, including refunds	(743,872)	(759,723)	15,851	(65,543)	(65,543)	—
Administrative expense	—	(6,994)	6,994	—	(360)	360
Other changes	—	(299)	299	—	(38)	38
Net changes	399,518	(129,722)	529,240	38,321	(10,511)	48,832
Balances at June 30, 2021	$ 14,436,736	$ 10,416,272	$ 4,020,464	$ 1,215,258	$ 854,762	$ 360,496

	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, 2020	$ 678,593	$ 557,541	$ 121,052	$ 2,006,870	$ 1,370,878	$ 635,992
Changes for the year						
Service cost	20,649	—	20,649	43,958	—	43,958
Interest	44,233	—	44,233	131,600	—	131,600
Differences between actual and expected experience	(9,446)	—	(9,446)	20,737	—	20,737
Assumption changes	—	—	—	—	—	—
Contributions - employer	—	24,819	(24,819)	—	73,181	(73,181)
Contributions - member	—	3,436	(3,436)	—	17,135	(17,135)
Net investment income	—	10,491	(10,491)	—	26,171	(26,171)
Benefit payments, including refunds	(46,558)	(46,558)	—	(113,116)	(112,683)	(433)
Administrative expense	—	(232)	232	—	(571)	571
Other changes	—	(42)	42	—	(67)	67
Net changes	8,878	(8,086)	16,964	83,179	3,166	80,013
Balances at June 30, 2021	$ 687,471	$ 549,455	$ 138,016	$ 2,090,049	$ 1,374,044	$ 716,005

Component Units

	Totals		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020	$ 11,555,779	$ 8,669,228	$ 2,886,551
Changes for the year			
Service cost	185,085	—	185,085
Interest	753,598	—	753,598
Differences between actual and expected experience	(3,629)	—	(3,629)
Assumption changes	—	—	—
Contributions - employer	—	263,284	(263,284)
Contributions - member	—	95,438	(95,438)
Net investment income	—	163,102	(163,102)
Benefit payments, including refunds	(720,342)	(704,924)	(15,418)
Administrative expense	—	(5,661)	5,661
Other changes	—	(246)	246
Net changes	214,712	(189,007)	403,719
Balances at June 30, 2021	$ 11,770,491	$ 8,480,221	$ 3,290,270

	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, 2020	$ 11,372,624	$ 8,544,116	$ 2,828,508	$ 183,155	$ 125,112	$ 58,043
Changes for the year						
Service cost	181,040	—	181,040	4,045	—	4,045
Interest	741,490	—	741,490	12,108	—	12,108
Differences between actual and expected experience	(5,537)	—	(5,537)	1,908	—	1,908
Assumption changes	—	—	—	—	—	—
Contributions - employer	—	256,551	(256,551)	—	6,733	(6,733)
Contributions - member	—	93,861	(93,861)	—	1,577	(1,577)
Net investment income	—	160,694	(160,694)	—	2,408	(2,408)
Benefit payments, including refunds	(711,428)	(695,577)	(15,851)	(8,914)	(9,347)	433
Administrative expense	—	(5,609)	5,609	—	(52)	52
Other changes	—	(240)	240	—	(6)	6
Net changes	205,565	(190,320)	395,885	9,147	1,313	7,834
Balances at June 30, 2021	$ 11,578,189	$ 8,353,796	$ 3,224,393	$ 192,302	$ 126,425	$ 65,877

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 $48.8 million for all component units.

The 2019 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 RP-2014 mortality table projected with Scale BB to 2020. 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%)
$ 5,697,910	$ 4,020,464	$ 2,610,022	$ 506,547	$ 360,496	$ 237,673

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%)
$ 199,907	$ 138,016	$ 84,168	$ 982,813	$ 716,005	$ 495,637

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%)
$ 4,569,695	$ 3,224,393	$ 2,093,224	$ 90,427	$ 65,877	$ 45,602

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 %	4.6%	1.5 %
Fixed Income	15.0 %	0.5%	0.1 %
Credit Strategies	14.0 %	5.4%	0.7 %
Real Assets	14.0 %	5.0%	0.7 %
Private Equity	14.0 %	8.3%	1.2 %
MAPS - Multi-Asset Public Strategies	6.0 %	3.0%	0.2 %
PIP-Private Investment Partnerships	3.0 %	6.5%	0.2 %
Total	100.0 %		4.6 %
Inflation			2.5 %
Expected arithmetic nominal return			7.1 %

The allocation in the previous table provides a one-year expected return of 7.1 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 7.1 percent, including expected inflation of 2.5 percent. 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. More recent capital market assumptions compiled for the FY 2020 actuarial valuations, provide a median return of 6.8 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, 2021, 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	$ 95,997	$ 62,392
Changes of assumptions	$ 210,146	$ 27,752
Net difference between projected and actual earnings on plan investments	$ 397,815	$ —
Changes in proportion and difference between employer contributions and proportionate share of contributions	$ 72,129	$ 69,148
Employer contributions subsequent to the Measurement Date	$ 456,965	$ —
Total	$ 1,233,052	$ 159,292

	VRS		SPORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 45,608	$ 40,915	$ 34,808	$ 8,094
Changes of assumptions	167,027	—	21,766	27,750
Net difference between projected and actual earnings on plan investments	312,791	—	26,058	—
Changes in proportion and difference between employer contributions and proportionate share of contributions	63,521	60,141	—	—
Employer contributions subsequent to the Measurement Date	332,250	—	33,769	—
Total	$ 921,197	$ 101,056	$ 116,401	$ 35,844

	JRS		VaLORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ —	$ 13,368	$ 15,563	$ —
Changes of assumptions	6,146	—	15,203	—
Net difference between projected and actual earnings on plan investments	16,788	—	42,170	—
Changes in proportion and difference between employer contributions and proportionate share of contributions	—	—	8,608	9,007
Employer contributions subsequent to the Measurement Date	21,217	—	69,694	—
Total	$ 44,151	$ 13,368	$ 151,238	$ 9,007

Component Units (1) (3)

	Totals	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 38,003	$ 32,809
Changes of assumptions	135,333	—
Net difference between projected and actual earnings on plan investments	254,698	—
Changes in proportion and difference between employer contributions and proportionate share of contributions	52,693	55,674
Employer contributions subsequent to the Measurement Date	277,157	—
Total	$ 757,884	$ 88,483

	VRS		VaLORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 36,571	$ 32,809	$ 1,432	$ —
Changes of assumptions	133,934	—	1,399	—
Net difference between projected and actual earnings on plan investments	250,818	—	3,880	—
Changes in proportion and difference between employer contributions and proportionate share of contributions	51,010	54,390	1,683	1,284
Employer contributions subsequent to the Measurement Date	270,497	—	6,660	—
Total	$ 742,830	$ 87,199	$ 15,054	$ 1,284

(1) During fiscal year 2021, the Commonwealth recognized pension expense for the primary government and component units of $690,178 (dollars in thousands) and $422,196 (dollars in thousands), respectively. The recognized pension expense by plan for the primary government was as follows (dollars in thousands): VRS $518,653, SPORS $41,856, JRS $25,733, and VaLORS $103,936. The recognized pension expense by plan for component units was as follows (dollars in thousands): VRS $411,705, and VaLORS $10,491.

(2) This table includes deferred outflows of resources and deferred inflows of resources of $65,310 and $17,198, respectively, for the Hampton Roads Transportation Accountability Commission (nonmajor governmental), not related to the VRS State Plan.

(3) The component unit amounts exclude deferred outflows of resources and deferred inflows of resources of $32,195 (dollars in thousands) and $5,436 (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 2022 net pension liability.

Primary Government

	VRS	SPORS	JRS	VaLORS
2022	$ 96,963	$ (528)	$ (2,960)	$ 27,515
2023	182,852	8,900	4,024	18,026
2024	106,976	12,706	3,338	13,957
2025	101,100	20,550	5,164	13,039
2026	—	4,961	—	—
Thereafter	—	199	—	—

Component Units

	VRS	VaLORS
2022	$ 76,541	$ 2,697
2023	144,341	1,767
2024	84,445	1,368
2025	79,807	1,278
2026	—	—

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, 2021, the total contributions to this plan were $1.6 million. As of June 30, 2021, the amount to be paid to participants upon retirement is $25.7 million. The summary of significant accounting policies for the plan is in accordance with those discussed in Note 16.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, 2021, there were two participants in this plan. There were no contributions to the plan for fiscal year 2021.

J. Virginia Supplemental Retirement Plan

The Public School Teacher Supplemental Retirement Plan is a defined contribution pension plan established by the Department of Education to provide an optional postemployment benefit plan for turnaround specialists in the public school system. This plan is utilized as an incentive to attract highly skilled teachers for participating public schools pursuant to Title 51.1-617 of the *Code of Virginia* and offered through the MissionSquare. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school boards for credit to the members. As of June 30, 2021, there were two participants in this plan. There were no contributions to the plan for fiscal year 2021.

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 2021 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 2021, total pension expense recognized was $170.9 million and contributions were calculated using the base salary amount of $1.8 billion. As of June 30, 2021, the Commonwealth's colleges and universities had accrued $11.1 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, MCV Associated Physicians (MCVAP), VCU Community Memorial Hospital (CMH), and the Children's Hospital 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 provides an employer contribution match up to 6.0 percent. For information regarding this plan, see the Foundation's website at www.virginiaoutdoorsfoundation.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.

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.

17. 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 16 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 348,350 active members participate in the program as of June 30, 2021.

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 73,045 members were covered under this program as of June 30, 2021.

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 78,705 members were covered under the program as of June 30, 2021.

18. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Virginia Retirement System (System-administered) OPEB Plans

1) Administration and Significant Accounting Policies

The System-administered defined benefit OPEB plans mentioned below have a trust that meets the requirements in GASB Statement No. 75, *Accounting and Financial Reporting for Post*

Employment Benefits Other than Pensions. In addition, the net OPEB liability for these plans have a measurement date of June 30, 2020. 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 16 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, 2020:

	RHIC for State Employees
Inactive employees currently receiving benefit payments	48,423
Inactive employees entitled to but not yet receiving benefit payments	1,956
Active employees	109,603
Total	159,982

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, 2020:

	VSDP
Inactive employees currently receiving benefit payments	5,190
Inactive employees entitled to but not yet receiving benefit payments	—
Active employees	79,105
Total	84,295

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 death and health insurance reimbursement benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. 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. Additionally, beginning in fiscal year 2018, the Department of Human Resource Management administered the 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, 2021, 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, 2021, was $717.31 per covered full-time-equivalent employee.

All rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 $81.1 million, $26.6 million, $33.7 million, $8.2 million, and $3.8 million, respectively, for the year ended June 30, 2021.

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, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. 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 represents the percentage of the Commonwealth's share of Net OPEB Liability amount compared to the Net OPEB Liability amount for all employers of $1.7 billion, $418.8 million and $40.6 million, respectively.

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, 2020	$ 428,334	$ 45,246	$ 383,088	$ 179,878	$ 300,720	$ (120,842)
Changes for the year						
Service cost	8,384	—	8,384	20,365	—	20,365
Interest	28,008	—	28,008	11,590	—	11,590
Benefit changes	—	—	—	—	—	—
Differences between actual and expected experience	(2,373)	—	(2,373)	(28,690)	—	(28,690)
Assumption changes	—	—	—	—	—	—
Contributions - employer	—	35,318	(35,318)	—	16,665	(16,665)
Contributions - member	—	—	—	—	—	—
Net investment income	—	910	(910)	—	5,831	(5,831)
Benefit payments	(28,056)	(29,186)	1,130	(16,748)	(16,470)	(278)
Third-party administrator charges	—	—	—	—	(4,081)	4,081
Administrative expense	—	(96)	96	—	(390)	390
Other changes	—	(4)	4	—	362	(362)
Net changes	5,963	6,942	(979)	(13,483)	1,917	(15,400)
Balances at June 30, 2021	$ 434,297	$ 52,188	$ 382,109	$ 166,395	$ 302,637	$ (136,242)

	Other Plans (3)	
	Commonwealth's Proportion	Proportionate Share of Net OPEB Liability
Group Life Insurance	14.6 %	$ 243,737
Line of Duty Act	56.9 %	238,320
Retiree Health Insurance Credit: Non-State	100.0 %	40,642
Balance at June 30, 2021		$ 522,699
Total balance at June 30, 2021: (excludes VSDP net OPEB asset) (1) (2)		$ 904,808

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, 2020	$ 603,760	$ 63,777	$ 539,983	$ 112,168	$ 187,521	$ (75,353)
Changes for the year						
Service cost	11,758	—	11,758	12,623	—	12,623
Interest	39,280	—	39,280	7,184	—	7,184
Benefit changes	—	—	—	—	—	—
Differences between actual and expected experience	(3,329)	—	(3,329)	(17,783)	—	(17,783)
Assumption changes	—	—	—	—	—	—
Contributions - employer	—	49,532	(49,532)	—	10,329	(10,329)
Contributions - member	—	—	—	—	—	—
Net investment income	—	1,276	(1,276)	—	3,614	(3,614)
Benefit payments	(42,384)	(41,254)	(1,130)	(11,056)	(11,334)	278
Third-party administrator charges	—	—	—	—	(2,530)	2,530
Administrative expense	—	(135)	135	—	(241)	241
Other changes	—	(6)	6	—	224	(224)
Net changes	5,325	9,413	(4,088)	(9,032)	62	(9,094)
Balances at June 30, 2021	$ 609,085	$ 73,190	$ 535,895	$ 103,136	$ 187,583	$ (84,447)

	Other Plans (3)	
	Commonwealth's Proportion	Proportionate Share of Net OPEB Liability
Group Life Insurance	15.8 %	$ 263,721
Line of Duty Act	3.2 %	13,268
Balance at June 30, 2021		$ 276,989
Total balance at June 30, 2021: (excludes VSDP net OPEB asset) (1) (4)		$ 812,884

(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 $1,230,725 (dollars in thousands) as of June 30, 2021. 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 0.1 percent and -0.1 percent, respectively, while the component units' proportion changed by 0.2 percent and 0.3 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 $1,120,139 (dollars in thousands) as of June 30, 2021. 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 $3.5 million for all other component units.

The net OPEB liabilities were based on an actuarial valuation as of June 30, 2019, 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 2.2 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 2.2 percent, which approximates the risk-free rate of return. This rate decreased by 1.3 percent when compared to the prior year. The following table (dollars in thousands) shows the Commonwealth's changes in the discount rate and the healthcare trend rate.

Primary Government

Changes in Discount Rate

RHIC Net OPEB Liability 1.0% Decrease (5.8%)	RHIC Net OPEB Liability Current Discount Rate (6.8%)	RHIC Net OPEB Liability 1.0% Increase (7.8%)	VSDP Net OPEB Liability (Asset) (1) 1.0% Decrease (5.8%)	VSDP Net OPEB Liability (Asset) (1) Current Discount Rate (6.8%)	VSDP Net OPEB Liability (Asset) (1) 1.0% Increase (7.8%)
$ 423,417	$ 382,109	$ 346,566	$ (124,306)	$ (138,242)	$ (146,956)

GLI Proportionate Share of Net OPEB Liability 1.0% Decrease (5.8%)	GLI Current Discount Rate (6.8%)	GLI 1.0% Increase (7.8%)	LODA Proportionate Share of Net OPEB Liability 1.0% Decrease (1.2%)	LODA Current Discount Rate (2.2%)	LODA 1.0% Increase (3.2%)
$ 320,411	$ 243,737	$ 181,471	$ 282,883	$ 238,320	$ 204,730

Changes in Discount Rate — RHIC: Non-State Proportionate Share of Net OPEB Liability 1.0% Decrease (5.8)%	Current Discount Rate (6.8%)	1.0% Increase (7.8)%	Changes in Healthcare Cost Trend Rates — LODA Proportionate Share of Net OPEB Liability 1.0% Decrease (6.0% decreasing to 3.8%)	Healthcare Cost Trend Rates (7.0% decreasing to 4.8%)	1.0% Decrease (8.0% decreasing to 5.8%)
$ 45,599	$ 40,642	$ 36,426	$ 196,980	$ 238,320	$ 292,394

Component Units

Changes in Discount Rate

RHIC Net OPEB Liability 1.0% Decrease (5.8)%	RHIC Net OPEB Liability Current Discount Rate (6.8%)	RHIC Net OPEB Liability 1.0% Increase (7.8%)	VSDP Net OPEB Liability (Asset) (1) 1.0% Decrease (5.8)%	VSDP Net OPEB Liability (Asset) (1) Current Discount Rate (6.8%)	VSDP Net OPEB Liability (Asset) (1) 1.0% Increase (7.8%)
$ 593,828	$ 535,895	$ 486,046	$ (77,048)	$ (84,447)	$ (91,088)

GLI Proportionate Share of Net OPEB Liability 1.0% Decrease (5.8)%	GLI Current Discount Rate (6.8%)	GLI 1.0% Increase (7.8%)	LODA Proportionate Share of Net OPEB Liability 1.0% Decrease (1.2%)	LODA Current Discount Rate (2.2%)	LODA 1.0% Increase (3.2%)
$ 346,682	$ 263,721	$ 196,349	$ 15,749	$ 13,268	$ 11,398

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%)
$ 10,966	$ 13,268	$ 16,278

(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 %	4.6 %	1.5 %
Fixed Income	15.0 %	0.5 %	0.1 %
Credit Strategies	14.0 %	5.4 %	0.7 %
Real Assets	14.0 %	5.0 %	0.7 %
Private Equity	14.0 %	8.3 %	1.2 %
MAPS - Multi-Asset Public Strategies	6.0 %	3.0 %	0.2 %
PIP-Private Investment Partnerships	3.0 %	6.5 %	0.2 %
Total	100.0 %		4.6 %
Inflation			2.5 %
Expected arithmetic nominal return			7.1 %

The allocation in the previous table provides a one-year expected return of 7.1 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 7.1 percent, including expected inflation of 2.5 percent. 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. More recent capital market assumptions compiled for the FY 2020 actuarial valuations, also provide a median return of 6.8 percent.

The long-term expected rate of return on the LODA OPEB Program's investments was set at 2.2 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 2.2 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 Bond Buyer General Obligation 20-year Municipal Bond Index as of June 30, 2020.

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, 2021, 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	$ 54,572	$ 234,771
Changes of assumptions	84,930	294,500
Net difference between projected and actual earnings on plan investments	18,744	339
Changes in proportion and difference between employer contributions and proportionate share of contributions	61,659	86,796
Employer contributions subsequent to the Measurement Date	78,236	—
Amounts associated with transactions subsequent to the Measurement Date	21,222	—
Total	$ 319,363	$ 616,406

	RHIC		VSDP	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 159	$ 5,734	$ 12,811	$ 28,272
Changes of assumptions	6,366	1,812	1,816	5,594
Net difference between projected and actual earnings on plan investments	1,880	—	9,269	—
Changes in proportion and difference between employer contributions and proportionate share of contributions	11,499	16,331	4,749	4,580
Employer contributions subsequent to the Measurement Date	33,664	—	16,586	—
Total	$ 53,568	$ 23,877	$ 45,231	$ 38,446

	GLI		LODA	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 15,634	$ 2,189	$ 25,298	$ 32,491
Changes of assumptions	12,190	5,090	63,800	14,851
Net difference between projected and actual earnings on plan investments	7,322	—	—	339
Changes in proportion and difference between employer contributions and proportionate share of contributions	7,782	11,471	13,055	13,830
Employer contributions subsequent to the Measurement Date	16,396	—	7,753	—
Total	$ 59,324	$ 18,750	$ 109,906	$ 61,511

	RHIC: Non-State	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 670	$ 154
Changes of assumptions	758	296
Net difference between projected and actual earnings on plan investments	273	—
Changes in proportion and difference between employer contributions and proportionate share of contributions	1,635	1,635
Employer contributions subsequent to the Measurement Date	3,837	—
Total	$ 7,173	$ 2,085

Component Units (2) (3)

	Totals (1)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 26,486	$ 153,423
Changes of assumptions	26,794	211,246
Net difference between projected and actual earnings on plan investments	16,304	19
Changes in proportion and difference between employer contributions and proportionate share of contributions	61,859	38,065
Employer contributions subsequent to the Measurement Date	75,089	—
Amounts associated with transactions subsequent to the Measurement Date	15,818	—
Total	$ 222,350	$ 402,753

	RHIC		VSDP	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 223	$ 8,042	$ 7,940	$ 17,524
Changes of assumptions	8,927	2,540	1,126	3,467
Net difference between projected and actual earnings on plan investments	2,637	—	5,745	—
Changes in proportion and difference between employer contributions and proportionate share of contributions	20,560	15,728	2,704	2,873
Employer contributions subsequent to the Measurement Date	47,421	—	9,981	—
Total	$ 79,768	$ 26,310	$ 27,496	$ 23,864

	GLI		LODA	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,915	$ 2,369	$ 1,408	$ 1,809
Changes of assumptions	13,189	5,507	3,552	827
Net difference between projected and actual earnings on plan investments	7,922	—	—	19
Changes in proportion and difference between employer contributions and proportionate share of contributions	8,010	5,630	1,852	1,111
Employer contributions subsequent to the Measurement Date	17,255	—	432	—
Total	$ 63,291	$ 13,506	$ 7,244	$ 3,766

(1) These tables aggregate the deferred inflows of resources and deferred outflows of resources for both the VRS-administered and DHRM-administered plans.

(2) The component unit amounts in the accompanying financial statements include deferred outflows of resources and deferred inflows of resources of $14,905 (dollars in thousands) and $20,318 (dollars in thousands), respectively, for other OPEB plans.

(3) Additionally, during fiscal year 2021, the Commonwealth recognized OPEB expense for the primary government and component units of $77,630 (dollars in thousands) and $68,210 (dollars in thousands), respectively, for the VRS-administered OPEB plans. The recognized OPEB expense by plan for the primary government was as follows (dollars in thousands): RHIC $31,126; VSDP $12,805; GLI $8,314; LODA $21,500; and RHIC: Non-State $3,885. The recognized OPEB expense by plan for component units was as follows (dollars in thousands): RHIC $48,194; VSDP $7,879; GLI $10,836; and LODA $1,301.

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 2022 net OPEB liability (asset).

Primary Government

	RHIC	VSDP	GLI	LODA
2022	$ 989	$ (3,054)	$ 3,406	$ 5,277
2023	(85)	(609)	5,200	5,339
2024	(2,986)	(425)	6,838	5,405
2025	(3,294)	(362)	6,910	5,424
2026	1,403	(2,292)	1,704	5,444
Thereafter	—	(3,059)	120	13,753

	RHIC: Non-State
2022	$ 237
2023	266
2024	298
2025	315
2026	110
Thereafter	25

Component Units

	RHIC	VSDP	GLI	LODA
2022	$ (1,503)	$ (1,976)	$ 4,582	$ 396
2023	129	(395)	6,997	400
2024	4,538	(276)	9,199	405
2025	5,005	(235)	9,298	407
2026	(2,132)	(1,485)	2,292	408
Thereafter	—	(1,982)	162	1,030

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, 2020. 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 4,400 retirees and 90,000 active employees in the program as of June 30, 2020. 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 $568.8 million as of June 30, 2021, was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2020. 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, 2020	$ 392,111
Changes for the year	
Service cost	27,481
Interest cost	14,329
Changes of benefit terms	—
Differences between expected and actual experience	(13,821)
Changes of assumptions	(74,488)
Benefit payments	(19,695)
Net change	(66,194)
Balances at June 30, 2021	$ 325,917

Component Units

	PMRH Increase (Decrease) Total OPEB Liability
Balances at June 30, 2020	$ 286,769
Changes for the year	
Service cost	20,482
Interest cost	10,680
Changes of benefit terms	—
Differences between expected and actual experience	(10,300)
Changes of assumptions	(55,516)
Benefit payments	(9,208)
Net change	(43,862)
Balances at June 30, 2021	$ 242,907

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 $60.8 million for all other component units.

The PMRH total OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2020. 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 6.8 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, 2020

Measurement Date	June 30, 2020 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.34 years
Discount Rate	2.2%
Projected Salary Increases	4.0%
Medical Trend Under 65	Medical & Rx: 6.8% to 4.5% Dental: 4.0%
Year of Ultimate Trend	2029
Mortality	Mortality rates vary by participant status
Pre-Retirement	RP-2014 Employee Rates to age 80; Healthy Annuitant Rates at age 81 and older projected with Scale BB to 2020; males setback 1 year, 85.0% of rates; females setback 1 year
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at age 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85
Post-Disablement:	RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115.0% of rates; females 130.0% of rates

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2020. 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, 2019 valuation based on recent experience:

- Spousal coverage - reduced the rate from 25.0 percent to 20.0 percent
- Retiree participation - reduced the rate from 50.0 percent to 45.0 percent

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect mortality improvement projection scale BB, including age over 65 in pre-retirement mortality base rates. No excise tax has been reflected due to the SECURE Act. Among the provisions was a repeal of three taxes and fees that were originally intended to help fund the Affordable Care Act (ACA); i) the excise tax on high-cost health plans (Cadillac tax); ii) the annual fee on health insurance providers; and iii) the medical device excise tax. Trend rates were updated based on economic conditions as of June 30, 2020. Additionally, the discount rate was decreased from 3.5 percent to 2.2 percent based on the Bond Buyers GO 20 Municipal Bond Index.

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 (1.2%)	Current Discount Rate (2.2%)	1.0% Increase (3.2%)
$ 342,957	$ 325,917	$ 308,634

Changes in Healthcare Cost Trend Rates

PMRH — Total OPEB Liability		
1.0% Decrease	Healthcare Cost Trend Rates	1.0% Increase
(5.8% decreasing to 3.5%)	(6.8% decreasing to 4.5%)	(7.8% decreasing to 5.5%)
$ 292,158	$ 325,917	$ 365,511

Component Units

Changes in Discount Rate

PMRH — Total OPEB Liability		
1.0% Decrease (1.2%)	Current Discount Rate (2.2%)	1.0% Increase (3.2%)
$ 255,607	$ 242,907	$ 230,026

Changes in Healthcare Cost Trend Rates

PMRH — Total OPEB Liability		
1.0% Decrease	Healthcare Cost Trend Rates	1.0% Increase
(5.8% decreasing to 3.5%)	(6.8% decreasing to 4.5%)	(7.8% decreasing to 5.5%)
$ 217,746	$ 242,907	$ 272,417

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	$ —	$ 165,931
Changes of assumptions	—	266,857
Changes in proportion	22,939	38,949
Amounts associated with transactions subsequent to the Measurement Date	21,222	—
Total	$ 44,161	$ 471,737

Component Units (1) (2)

	PMRH	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ —	$ 123,679
Changes of assumptions	—	198,905
Changes in proportion	28,733	12,723
Amounts associated with transactions subsequent to the Measurement Date	15,818	—
Total	$ 44,551	$ 335,307

(1) The component unit amounts exclude deferred outflows of resources and deferred inflows of resources of $4,148 and $52,502 (dollars in thousands), respectively, for other OPEB plans.

(2) Additionally, during fiscal year 2021, the Commonwealth recognized OPEB expense for the primary government and component units of negative $84,668 (dollars in thousands) and negative $55,925 (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 amounts associated with transactions subsequent to the measurement date as those will reduce the fiscal year 2022 total OPEB liability.

Primary Government

		PMRH
2022	$	(126,888)
2023		(126,888)
2024		(106,455)
2025		(59,728)
2026		(23,928)
Thereafter		(4,911)

Component Units

		PMRH
2022	$	(86,677)
2023		(86,677)
2024		(72,720)
2025		(40,800)
2026		(16,346)
Thereafter		(3,354)

7) Other OPEB Plans

Higher Education

The University of Virginia (nonmajor component unit) has a Retiree Health Plan that covers employees who retire before becoming eligible for Medicare. In addition, an Optional Retirement Life Insurance Plan is offered to University faculty and Medical Center employees who participate in the Optional Retirement Plans. For these OPEB plans, the University reported a total OPEB liability of $59.7 million, deferred outflows of resources of $4.0 million, and deferred inflows of resources of $52.0 million as of June 30, 2021. 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 $89,789, deferred outflows of resources of $27,700, and deferred inflows of resources of $12,705 for Group Life Insurance and Retiree Health Insurance Credit OPEB Plans.

Other Component Units

The Virginia Housing Development Authority (major component unit) offers a medical, dental, and vision benefit plan, and reports deferred outflows of resources of $8.7 million and deferred inflows of resources of $4.1 million as of June 30, 2021.

The Virginia Resources Authority (major component unit) offers an optional Retirement Life Insurance Plan for those employees who choose to participate. The Authority reports a net OPEB liability of $278,496, deferred outflows of resources of $34,295, and deferred inflows of resources of $8,719 as of June 30, 2021.

The Virginia Port Authority (nonmajor component unit) offers medical and dental benefits for retirees. The Authority reports a total OPEB liability of $1.1 million, a net OPEB liability of $618,000, deferred outflows of $296,118 and deferred inflows of resources of $633,164 as of June 30, 2021.

Hampton Roads Sanitation District (nonmajor component unit) offers a health and dental benefit plan for those employees who choose to participate. The District reports a net OPEB liability of $2.5 million, deferred inflows of resources of $16.2 million and deferred outflows of resources of $6.0 million as of June 30, 2021.

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 reports a net OPEB liability of $65,282, deferred outflows of resources of $26,207, and deferred inflows of resources of $3,170 as of June 30, 2021.

19. 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, 2021, of $4.2 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, 2021, was $615.2 million, which is also excluded from the accompanying financial statements.

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 2021 was a maximum match 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 $15.0 million for fiscal year 2021.

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 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 $5.7 million for fiscal year 2021. 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 $2.0 million to these accounts for fiscal year 2021.

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.

The Virginia Port Authority (VPA) (nonmajor component unit) offers three deferred compensation plans and two matching savings plans 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.

20. 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 $3.6 billion are not included in the financial statements.

21. COMMITMENTS

A. Construction Projects

Primary Government

Highway Projects

As of June 30, 2021, the Department of Transportation had contractual commitments of approximately $5.0 billion for construction of various highway projects. Funding for these expenditures is expected to be provided as follows: (1) State funds - approximately 74.1 percent or $3.7 billion; (2) Proceeds from Bonds - approximately 15.3 percent or $764.0 million; and, (3) Federal funds – approximately 10.6 percent or $525.0 million.

Mass Transit Projects

As of June 30, 2021, the Department of Rail and Public Transportation had contractual commitments of approximately $234.0 million for various public transportation and rail preservation projects. Funding of the future expenditures is expected to be as follows: 1) State funds – approximately 85.0 percent or $199.0 million, and 2) Federal funds – approximately 15.0 percent or $35.0 million.

Wastewater Treatment Projects

As of June 30, 2021, 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 $8.6 million provided by bond proceeds and the Water Quality Improvement Fund.

Other Construction Projects

As of June 30, 2021, the Department of General Services had construction commitments of approximately $151.4 million.

As of June 30, 2021, the Department of Veterans Services had contractual commitments of $58.1 million and non-contractual commitments of $14.8 million for construction projects.

As of June 30, 2021, the Department of Behavioral Health and Developmental Services had construction contractual commitments of approximately $34.5 million.

As of June 30, 2021, the Department of Military Affairs had construction contractual commitments of approximately $12.2 million.

As of June 30, 2021, the Virginia School for the Deaf and the Blind had contractual commitments of $10.0 million for construction projects.

As of June 30, 2021, the Department of Conservation and Recreation had contractual commitments of $7.9 million for construction projects.

As of June 30, 2021, the Department of Forensic Science had contractual commitments of approximately $5.1 million for construction projects.

Component Units

Port Projects

As of June 30, 2021, the Virginia Port Authority (nonmajor) was committed to construction contracts totaling $73.5 million.

Wallops Island Project

As of June 30, 2021, the Virginia Commercial Space Flight Authority (nonmajor) was committed to construction programs totaling $4.0 million, approximately $2.4 million of which will be reimbursable under separate private and federal contract agreements and approximately $440,000 of which are funded by the Commonwealth.

Treatment Plant

As of June 30, 2021, the Hampton Roads Sanitation District Commission (nonmajor) was committed to construction contracts totaling $582.7 million.

Higher Education Institutions

Colleges and universities (nonmajor) had contractual commitments as of June 30, 2021, of approximately $1.6 billion. Higher education foundations' commitments total approximately $106.5 million. These are primarily for construction contracts.

B. Operating Leases

The Commonwealth has entered into numerous agreements to lease land, buildings, and equipment. Most of the operating leases contain the provision that the Commonwealth may renew the operating leases at the expiration date of the lease on a month-to-month basis. In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases of a similar nature. Rental expense for the primary government under these operating leases for the year ended June 30, 2021, was $88.6 million for governmental activities (including internal service funds) and $33.4 million for business-type activities. Rental expense for the discrete component units (excluding foundations) for the year ended June 30, 2021, was $139.9 million. The Commonwealth has, as of June 30, 2021, the following minimum rental payments due under the above leases (dollars in thousands):

	Primary Government		
	Governmental Activities	Business-type Activities	Component Units (1)
2022	$ 82,717	$ 30,924	$ 93,456
2023	59,353	26,221	76,619
2024	48,760	22,185	57,500
2025	39,960	17,507	43,243
2026	31,571	13,174	37,992
2027-2031	72,296	20,817	108,908
2032-2036	3,196	—	5,637
2037-2041	49	—	1,056
2042-2046	49	—	929
2047-2051	40	—	905
2052-2056	—	—	815
2057-2061	—	—	5
2062-2066	—	—	3
Total	$ 337,991	$ 130,828	$ 427,068

Note (1): The above amounts exclude operating lease obligations of foundations.

	Foundations (2)
2022	$ 10,924
2023	10,412
2024	10,161
2025	9,864
2026	9,487
Thereafter	37,677
Total	$ 88,525

Note (2): Foundations represent FASB reporting entities defined in Note 1.B. Rental expense for the year ended June 30, 2021, was approximately $11.7 million.

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. Investment Commitments – Virginia Retirement System

The Virginia Retirement System extends investment commitments in the normal course of business, which, as of June 30, 2021, amounted to $19.1 billion.

D. 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, 2021, $194.8 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 95 Express Lanes LLC for the 395 Express Lanes Northern Extension. The City of Alexandria for the Potomac Yard Metrorail Station loan has been approved, but no disbursements were made as of June 30, 2021. Payments were made by the City of Chesapeake for $9.8 million, Chesapeake Bay Bridge and Tunnel District for $20,564, and the 95 Express Lanes LLC for $827,624 in July 2021. All loans are coordinated through the Virginia Resources Authority (major component unit).

E. Tobacco Grants

The Tobacco Region Revitalization Commission (nonmajor component unit) had $97.4 million in grant award commitments not reflected in the accompanying financial statements since eligibility requirements were not met as of June 30, 2021, in accordance with GASB Statement No. 33.

F. Other Commitments

Primary Government

As of June 30, 2021, the Virginia Department of Transportation had contractual commitments of approximately $984.9 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. This amount has been reduced by $201.7 million due to a vendor bankruptcy.

The Virginia College Savings Plan (major enterprise fund) administers the Defined Benefit 529 Program. As of June 30, 2021, the Program had $263.1 million in private equity commitments.

As of June 30, 2021, the Department of Corrections had contractual commitments of approximately $239.3 million for detention services and medical care.

As of June 30, 2021, the Department of Behavioral Health and Developmental Services had contractual commitments of approximately $62.8 million.

The Virginia Wireless E-911 (nonmajor enterprise fund) had $59.4 million in outstanding grants awarded but not yet disbursed to localities as of June 30, 2021, since all of the eligibility criteria have not been met in accordance with GASB Statement No. 33.

As of June 30, 2021, the Virginia Employment Commission had contractual commitments of approximately $6.2 million for information systems modernization projects and approximately $27.8 million for other non-contractual commitments.

As of June 30, 2021, the Department of Motor Vehicles had contractual commitments of approximately $31.6 million for driver's licenses and technology services.

As of June 30, 2021, the Virginia Department of Health had commitments of approximately $31.4 million to localities, trauma centers, grants to rescue squads, and water supply assistance grants.

As of June 30, 2021, the Enterprise Applications (internal service fund) had $11.1 million in contractually obligated commitments for the Human Capital Management replacement project.

Component Units

The Virginia Housing Development Authority (major) and Virginia Resources Authority (major) had $1.3 billion and $545.7 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, 2021, in accordance with GASB Statement No. 33.

As of June 30, 2021, the Virginia Passenger Rail Authority (nonmajor) had capital grant commitments outstanding of $78.6 million and other contractual commitments of $33.7 million. The Authority also has $26.7 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 $1.1 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, 2021, in accordance with GASB Statement No. 33.

22. 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 17). 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 27). All amounts related to the fiduciary funds are recognized in those funds.

The liability as of June 30, 2021, 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.

23. POLLUTION REMEDIATION OBLIGATIONS

The Commonwealth has pollution remediation obligations of $9.1 million, of which $2.0 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 hazardous waste removal, cleanup relating to leakage of underground storage tanks, soil and groundwater contaminations, dump site cleanups, asbestos, lead contamination, 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 Emergency Management (VDEM)
- 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, 2021:

- VDEM relating to cleanup of an emergency fuel storage facility
- DJJ relating to petroleum storage tank removal
- VDOT relating to groundwater contamination

24. 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 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, 2021, $116.5 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)
2020-2021	$ 136,804	$ 1,454,648	$ (1,474,995)	$ 116,457
2019-2020	$ 131,384	$ 1,319,329	$ (1,313,909)	$ 136,804

(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, 2021, $799.3 million is reported as the estimated claims payable for the risk management plan. This amount is discounted to present value at a rate of 0.1 percent. Undiscounted claims payable as of June 30, 2021, is $807.9 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)
2020-2021	$ 892,190	$ (31,008)	$ (61,926)	$ 799,256
2019-2020	$ 751,969	$ 211,641	$ (71,420)	$ 892,190

(1) Of the balance shown above, $66.7 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, 2021, $600,937 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)
2020-2021	$ 592	$ 7,515	$ (7,506)	$ 601
2019-2020	$ 618	$ 6,402	$ (6,428)	$ 592

(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, 2021 was $11.0 million. The University has contracted with several third-party claims administrators: Aetna for its medical claims, United Concordia for its dental claims, and OptumRx for its pharmacy claims.

As of June 30, 2021, 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 $5.0 million and estimated losses on malpractice claims of $3.2 million. Aries Insurance Captive (component unit of the Authority) reports claims payable of $26.9 million for estimated losses on malpractice claims and $6.2 million for estimated workers' compensation claims. Additional information on claims payable can be found in the Authority's separately issued financial statements.

Virginia International Terminals, LLC (VIT) (a blended component unit of the Virginia Port Authority – nonmajor) is partially self-insured for certain workers' compensation claims. The Authority maintains insurance coverage of $5.0 million per claim, but is obligated to pay the first $1.0 million of any individual's claims per incident. 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 2020 and 2021, 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 $6.5 million for calendar year 2021 and $6.2 million for calendar year 2020.

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 433 local government units participating in the pool. This includes 67 school districts, 38 counties, 132 cities/towns, and 196 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, 2021, $49.9 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, 2021, there were 495 units of local government in the pool, including 13 towns and 24 counties. The remaining 458 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, 2021, $45.2 million and $3.7 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, 2021, $1.5 million 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, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Unpaid Claims and Claim						
Adjustment Expenses at Beginning of Fiscal Year	$ 50,486	$ 46,836	$ 47,609	$ 39,509	$ 1,450	$ 1,513
Incurred Claims and Claim Adjustment Expenses:						
Provision for Insured Events of the Current Fiscal Year	450,897	402,147	13,845	14,130	18,398	15,674
Changes in Provision for Insured Events of Prior Fiscal Years	—	—	(4,255)	1,711	—	—
Total Incurred Claims and Adjustment Expenses	450,897	402,147	9,590	15,841	18,398	15,674
Payments:						
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	451,451	398,497	1,251	1,267	18,376	15,737
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Fiscal Year	—	—	7,055	6,521	—	—
Total Payments	451,451	398,497	8,306	7,788	18,376	15,737
Change in Provision for Discounts	—	—	23	47	—	—
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Discounted) (1) (2) (3) (4)	$ 49,932	$ 50,486	$ 48,916	$ 47,609	$ 1,472	$ 1,450
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Undiscounted)	$ 49,932	$ 50,486	$ 49,000	$ 47,786	$ 1,472	$ 1,450

Note (1): The entire balance for Local Choice Health Care, $49,932 (dollars in thousands) is due within one year.

Note (2): Of the balance shown above for Risk Management, $12,812 (dollars in thousands) is due within one year.

Note (3): The entire balance for Line of Duty, $1,472 (dollars in thousands) is due within one year.

Note (4): The interest rate used for discounting is 0.1 percent.

25. ACCOUNTS PAYABLE

The following table (dollars in thousands) summarizes Accounts Payable as of June 30, 2021.

	Vendor	Salary / Wage	Retainage	Other	Foundations (1)	Total
Primary Government:						
General	$ 776,506	$ 115,316	$ 14	$ —	$ —	$ 891,836
Major Special Revenue Funds:						
Commonwealth Transportation	502,726	37,307	1,099	—	—	541,132
Federal Trust	177,031	23,203	5,928	—	—	206,162
Literary	1	—	—	—	—	1
Nonmajor Governmental Funds	57,905	15,730	24,780	551	—	98,966
Major Enterprise Funds:						
Virginia Lottery (2)	17,548	2,849	—	5,872	—	26,269
Virginia College Savings Plan	64	706	—	165	—	935
Unemployment Compensation	—	—	—	3,663	—	3,663
Nonmajor Enterprise Funds	78,910	10,585	18	5	—	89,518
Internal Service Funds	90,734	3,339	3,326	—	—	97,399
Private Purpose Trust Funds	—	—	—	478	—	478
Pension and Other Employee Benefit Trust Funds (3)	—	3,036	—	45,537	—	48,573
Custodial Funds - Other	5,063	—	—	149	—	5,212
Total Primary Government (4)	$ 1,706,488	$ 212,071	$ 35,165	$ 56,420	$ —	$ 2,010,144
Discrete Component Units:						
Virginia Housing Development Authority (5)	$ 1,806	$ 5,126	$ —	$ 89,117	$ —	$ 96,049
Virginia Public School Authority	201	—	—	—	—	201
Virginia Resources Authority	235	6	—	—	—	241
Virginia College Building Authority	526	—	—	—	—	526
Nonmajor Component Units	674,572	588,069	76,963	106	139,752	1,479,462
Total Component Units	$ 677,340	$ 593,201	$ 76,963	$ 89,223	$ 139,752	$ 1,576,479

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 $28,170 (dollars in thousands) in investment management fees and $17,367 (dollars in thousands) in program benefit liabilities.

Note (4): Fiduciary liabilities of $54,263 (dollars in thousands) are not included in the Government-wide Statement of Net Position. In addition, governmental fund liabilities of $178,401 (dollars in thousands) are included in the Government-wide Statement of Net Position, but excluded from the above amounts.

Note (5): Other Accounts Payable for the Virginia Housing Development Authority of $59,396 (dollars in thousands) predominantly represents federal pass-through grant awards that have not been disbursed to the recipients as of June 30.

26. OTHER LIABILITIES

The following tables (dollars in thousands) summarize Other Liabilities as of June 30, 2021.

	Primary Government					
	General	Commonwealth Transportation	Federal Trust	Nonmajor Governmental Funds	Virginia Lottery	Virginia College Savings Plan (1)
Lottery Prizes Payable	$ —	$ —	$ —	$ —	$ 96,869	$ —
Medicaid Payable	472,211	—	1,321,575	152,511	—	—
Family Access to Medical Insurance Security Payable	10,011	—	22,669	—	—	—
Tax Refunds Payable	481,451	—	—	—	—	—
Accrued Interest Payable	—	—	—	37,400	—	—
Deposits Pending Distribution	6,960	1,857	8	28,325	—	—
Car Tax Payable	263,025	—	—	—	—	—
Other Liabilities	36	19,836	27	15,458	—	34,800
Total Other Liabilities	$ 1,233,694	$ 21,693	$ 1,344,279	$ 233,694	$ 96,869	$ 34,800

	Primary Government					
	Nonmajor Enterprise Funds	Internal Service Funds	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds (2)	Custodial Funds - Other	Total Primary Government (3)
Lottery Prizes Payable	$ —	$ —	$ —	$ —	$ —	$ 96,869
Medicaid Payable	—	—	—	—	—	1,946,297
Family Access to Medical Insurance Security Payable	—	—	—	—	—	32,680
Tax Refunds Payable	—	—	—	—	—	481,451
Accrued Interest Payable	—	—	—	—	—	37,400
Deposits Pending Distribution	148	1,332	11	—	—	38,641
Car Tax Refund Payable	—	—	—	—	—	263,025
Other Liabilities	—	—	—	135,500	1,258	206,915
Total Other Liabilities	$ 148	$ 1,332	$ 11	$ 135,500	$ 1,258	$ 3,103,278

Note (1): Other Liabilities of $34,800 (dollars in thousands) reported by the Virginia College Savings Plan represent amounts associated with pending investment trades and program distributions payable.

Note (2): Other Liabilities of $135,500 (dollars in thousands) reported in Pension and Other Employee Benefit Trust Funds are made up of $98,572 (dollars in thousands) in other funds managed by the System; $3,523 (dollars in thousands) in other payables related to the System benefit plans; and $33,405 (dollars in thousands) in pending investment transactions consisting of: $26,875 (dollars in thousands) in net foreign exchange contracts payable; $865,000 in other investment payables; $1,611 (dollars in thousands) in foreign taxes payables related to the System benefit plans; $920,000 in dividends payable related to the System benefit plans; and $3,134 (dollars in thousands) in contribution accrual.

Note (3): Fiduciary liabilities of $136,769 (dollars in thousands) are not included in the Government-wide Statement of Net Position. Governmental fund liabilities of $80,443 (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	$ 33,781	$ 51,472	$ 22,830	$ 86,484	$ 94,633	$ 289,200
Deposits Pending Distribution	—	—	—	—	650,507	650,507
Short-term Debt	710,300	—	—	—	124,943	835,243
Grants Payable	—	—	—	—	8,634	8,634
Other Liabilities	31,799	—	6,129	462	599,155	637,545
Total Other Liabilities	$ 775,880	$ 51,472	$ 28,959	$ 86,946	$ 1,477,872	$ 2,421,129

Note (4): Other Liabilities of nonmajor component units are predominantly comprised of Medicare advance payments as part of the CMS Accelerated and Advance Payments Program reported by University of Virginia (UVA) of $166,587 (dollars in thousands), Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University) (VCUHSA) of $159,983 (dollars in thousands), and derivative instruments reported by the following: UVA of $39,061 (dollars in thousands), VCUHSA $37,349 (dollars in thousands), and foundations of higher education institutions of $33,601 (dollars in thousands), Other Liabilities also includes third party settlements reported by VCUHSA of $72,285 (dollars in thousands).

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, 2021, the estimated liability related to Medicaid claims totaled $1.9 billion. Of this amount, $472.2 million is reflected in the General Fund (major governmental), $1.3 billion in the Federal Trust Special Revenue Fund (major governmental), and $152.5 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, 2021, the estimated liability related to claims totaled $32.7 million. Of this amount, $10.0 million is reflected in the General Fund (major governmental) and $22.7 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, 2020, and on business tax returns filed for corporate fiscal years ending on or before June 30, 2021. 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. Due to the COVID-19 pandemic, the filing deadline for individual tax returns was extended.

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 2021, the Commonwealth laid off 142 employees. The affected employees had the option of volunteering for enhanced retirement benefits or severance benefits. The enhanced retirement benefits option was elected by 21 employees, and the remaining 121 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 2021 and will end no later than June 30, 2022. The benefit cost expended and the outstanding liability as of June 30, 2021 for governmental funds, are $1.2 million and $79,142, 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. During fiscal year 2021, the Unemployment Compensation Fund (major enterprise) received short-term loans from the U.S. Department of Labor to pay unemployment claims related to the COVID-19 pandemic in the amount of $164.1 million. No loans were outstanding at June 30, 2021. Changes in the balances of short-term debt (dollars in thousands) are as follows:

	Balance July 1	Increases	Decreases	Balance June 30
Short-term Debt	$ —	$ 164,120	$ (164,120)	$ —

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, 2021.

The Virginia Housing Development Authority (major component unit) has a direct borrowing from a line of credit of $710.3 million. Virginia Polytechnic Institute and State University and Virginia Commonwealth University (nonmajor component units) have commercial paper of $21.4 million and $4.4 million, respectively, primarily for capital projects. Various higher education institution foundations (nonmajor component units) have lines of credit of $97.2 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 $15,000 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, $190.0 million, $50.0 million, and $69,811, respectively. The Hampton Roads Sanitation District Commission, the Virginia Port Authority, and the Science Museum of Virginia Foundation (nonmajor component units) have unused lines of credit of $35.0 million, $16.0 million, and $1.5 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.

27. 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 26), 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.

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, 2021

(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)	$ 278,221	$ 45,775
9(c) Parking Facilities (3)	6,640	840
Total General Obligation Bonds	284,861	46,615
Nongeneral Obligation Bonds - 9(d):		
Transportation Debt (3) (4)	3,747,904	202,440
Virginia Public Building Authority (3)	3,472,631	178,075
Total Nongeneral Obligation Bonds	7,220,535	380,515
Other Long-term Obligations:		
Net Pension Liability	5,058,611	—
Net OPEB Liability	880,210	4,908
Total OPEB Liability	314,039	20,458
Compensated Absences	346,551	179,356
Capital Lease Obligations	27,768	6,672
Pollution Remediation Obligations	9,140	2,028
Installment Purchase Obligations from Direct Borrowings	127,673	18,711
Economic Development Authority Obligations (3)	7,542	7,542
Hampton Roads Transportation Accountability Commission (3) (5)	1,748,229	—
Other Liabilities	32,130	7,269
Total Other Long-term Obligations	8,551,893	246,944
Total Governmental Activities	16,057,289	674,074
Business-type Activities: (1) (5)		
Other Long-term Obligations:		
Net Pension Liability	176,370	—
Net OPEB Liability	24,598	49
Total OPEB Liability	11,878	765
Compensated Absences	14,545	10,378
Installment Purchase Obligations from Direct Borrowings	771	199
Educational Benefits Payable	1,733,998	287,677
Lottery Prizes Payable	116,934	11,157
Total Other Long-term Obligations	2,079,094	310,225
Total Business-type Activities	2,079,094	310,225
Total Primary Government	18,136,383	984,299

Continued on next page

Total Long-term Liabilities
June 30, 2021
(Continued from previous page)

(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)	955,729	35,899
Nongeneral Obligation Bonds:		
Higher Education Institutions - 9(d) (3) (5)	3,916,094	51,586
Higher Education Institutions - 9(d) from Direct Placements (3) (5)	190,280	2,067
Virginia College Building Authority (3)	5,101,393	344,475
Virginia Port Authority - 9(d) (3) (6)	495,646	17,940
Virginia Housing Development Authority - 9(d) (3) (5)	4,128,164	93,099
Virginia Housing Development Authority from Direct Placements - 9(d) (3) (5)	230,420	7,170
Virginia Resources Authority - 9(d) (3) (7)	3,397,129	197,257
Virginia Public School Authority - 9(d) (3) (5)	3,509,142	261,760
Virginia Public School Authority from Direct Placements - 9(d) (3) (5)	95,156	3,910
Hampton Roads Sanitation District Commission (3) (5)	835,006	88,419
Virginia Biotechnology Research Partnership Authority (3)	4,903	4,903
Foundations (5) (8)	1,010,663	39,152
Total Nongeneral Obligation Bonds	22,913,996	1,111,738
Other Long-term Obligations:		
Net Pension Liability (9)	3,339,060	—
Net OPEB Liability (10)	816,451	276
Total OPEB Liability (11)	303,688	15,817
Compensated Absences	390,615	272,397
Capital Lease Obligations (12)	2,348,604	4,532
Notes Payable (5)	1,740,276	126,084
Notes Payable from Direct Borrowings (5)	69,381	2,947
Installment Purchase Obligations from Direct Borrowings	96,340	11,140
Trust and Annuity Obligations (5) (13)	99,320	—
Other Liabilities (5)	665,009	268,328
Total Other Long-term Obligations (Excluding Foundations)	9,868,744	701,521
Other Long-term Obligations (Foundations): (5) (8)		
Compensated Absences	26,474	16,588
Capital Lease Obligations	1,434	513
Notes Payable	272,165	20,408
Trust and Annuity Obligations (13)	83,135	2,242
Other Liabilities	366,938	22,974
Total Other Long-term Obligations - Foundations	750,146	62,725
Total Other Long-term Obligations	10,618,890	764,246
Total Component Units	34,488,615	1,911,883
Total Long-term Liabilities	$ 52,624,998	$ 2,896,182

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 $1.2 billion.
3. Amounts are net of any unamortized discounts and premiums.
4. This debt includes $1.1 billion that is not supported by taxes.
5. This debt is not supported by taxes.
6. This debt includes $272.8 million for bonds that is not supported by taxes.
7. This debt is not supported by taxes; however, $914.4 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, Virginia Port Authority and Virginia Resources Authority of $39.1 million, $9.6 million and $62,206, 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 $2.5 million, $618,000, $278,496, $89,789, and $65,282, 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 $59.7 million and Virginia Port Authority of $1.1 million. This debt is not supported by taxes.
12. This includes $14.5 million that is supported by taxes.
13. 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 $3.7 billion of Transportation Facilities Section 9(d) debt. The Section 9(d) debt includes $2.6 billion of Section 9(d) revenue bonds and $1.1 billion of Grant Anticipation Revenue Notes (GARVEES) in addition to the outstanding Section 9(d) revenue bonds. Section 9(c) principal and interest requirements for the current year totaled $3.0 million. There are no Section 9(c) bonds outstanding at June 30, 2021. Section 9(d) principal and interest requirements for the current year totaled $369.1 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 Oak Grove Connector (Chesapeake), and costs of certain transportation projects in the Commonwealth. The GARVEES were issued to finance various Federal Aid Transportation projects throughout the Commonwealth. The interest rates for these bonds range from 1.0 percent to 5.4 percent and the issuance dates range from October 10, 2002 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 $48.5 million for Build America Bonds (BABs) issued. The BABs are applicable to Commonwealth of Virginia Transportation Series 2010A Capital Project Revenue Bonds. 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 Oak Grove and 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*
2022	$ 202,440,226	$ 150,602,203	$ 353,042,429
2023	211,105,351	140,771,232	351,876,583
2024	219,895,602	130,611,126	350,506,728
2025	212,898,739	119,953,057	332,851,796
2026	222,854,277	109,464,906	332,319,183
2027-2031	1,029,271,299	389,458,627	1,418,729,926
2032-2036	844,375,000	168,909,379	1,013,284,379
2037-2041	339,040,000	43,817,274	382,857,274
2042-2046	62,080,000	2,965,625	65,045,625
Less:			
Unamortized Discount	(66,760)	—	(66,760)
Add:			
Accretion on Capital Appreciation Bonds	25,067,889	—	25,067,889
Unamortized Premium	378,942,531	—	378,942,531
Total	$ 3,747,904,154	$ 1,256,553,429	$ 5,004,457,583

Fairfax Economic Development Authority Obligations

In fiscal year 2006, the Fairfax County Economic Development Authority (EDA) issued Section 9(d) revenue bonds to pay for the Commonwealth’s (VDOT) costs of the planning, design and construction of a transportation infrastructure and related public safety operations complex to be developed on the contiguous sites in the county commonly referred to as “Camp 30” for the joint use of VDOT and the county. In fiscal year 2014, Fairfax County EDA issued a series of revenue refunding bonds, which refunded Series 2006 revenue bonds. The Commonwealth's obligation is set out in a payment agreement between Fairfax County EDA and the Commonwealth of Virginia, Department of Transportation, in which the Commonwealth agrees to make payments equal to the debt service from amounts appropriated by the General Assembly. The interest rates for these bonds range from 1.0 percent to 5.0 percent and the issue date was March 26, 2014. The principal and interest requirements for the current year totaled $7.8 million. The following schedule details the annual funding requirements necessary to repay these bonds.

FAIRFAX COUNTY ECONOMIC DEVELOPMENT AUTHORITY
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2022	$ 6,715,000	$ 335,750	$ 7,050,750
Add:			
Unamortized Premium	827,353	—	827,353
Total	$ 7,542,353	$ 335,750	$ 7,878,103

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, Series 2019B 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 2019B bonds were issued to advance refund outstanding 2009D Refunding bonds. The Series 2019C bonds were issued to advance refund outstanding 2009E bonds. Principal and interest requirements for the current year totaled $59.1 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
2022	$ 45,775,000	$ 11,100,915	$ 56,875,915
2023	46,950,000	8,978,916	55,928,916
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
2027-2031	43,395,000	2,794,948	46,189,948
Add:			
Unamortized Premium	31,030,991	—	31,030,991
Total	$ 278,220,991	$ 37,756,371	$ 315,977,362

Parking Facilities Bonds

Section 9(c) general obligation bonds consist of Parking Facilities Bonds, Series 2012A Refunding, Series 2016B Refunding, and Series 2019B 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 Series 2019B bonds were issued to advance refund outstanding 2009D Refunding 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 August 14, 2019. 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
2022	$ 840,000	$ 261,560	$ 1,101,560
2023	906,256	223,652	1,129,908
2024	952,789	178,339	1,131,128
2025	575,000	130,700	705,700
2026	605,000	101,950	706,950
2027-2031	1,965,000	138,900	2,103,900
Add:			
Unamortized Premium	796,102	—	796,102
Total	$ 6,640,147	$ 1,035,101	$ 7,675,248

Virginia Public Building Authority

Virginia Public Building Authority Section 9(d) bonds consist of 2009A, 2009C (Taxable), 2010B-2 (Taxable Build America Bonds), 2010B-3 Refunding, 2011A, 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, and 2021B Refunding (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 April 22, 2009, to March 31, 2021.

Current year principal and interest requirements for all VPBA bonds totaled $285.0 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 $16.7 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
2022	$ 178,075,000	$ 127,236,858	$ 305,311,858
2023	198,645,000	122,064,618	320,709,618
2024	205,885,000	112,495,069	318,380,069
2025	215,825,000	102,440,819	318,265,819
2026	209,450,000	92,319,214	301,769,214
2027-2031	936,560,000	324,697,208	1,261,257,208
2032-2036	656,085,000	149,924,626	806,009,626
2037-2041	426,380,000	38,019,877	464,399,877
2042-2046	38,105,000	381,050	38,486,050
Add:			
Unamortized Premium	407,620,726	—	407,620,726
Total	$ 3,472,630,726	$ 1,069,579,339	$ 4,542,210,065

Hampton Roads Transportation Accountability Commission

Hampton Roads Transportation Accountability Commission bonds consists of Senior Lien Revenue Bonds, Series 2018A, Intermediate Lien Revenue Bonds, Series 2019A, and Senior Lien Revenue Bonds, Series 2020A. 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 interest rates for these bond series range from 4.5 percent to 5.8 percent and the issue dates range from February 14, 2018 to October 22, 2020. Current year interest requirements totaled $66.1 million. The following schedule details the annual funding requirements necessary to repay these bonds.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2022	$ —	$ 74,800,025	$ 74,800,025
2023	414,345,000	64,441,400	478,786,400
2024	—	54,082,775	54,082,775
2025	—	54,082,775	54,082,775
2026	4,745,000	54,082,775	58,827,775
2027-2031	62,825,000	263,186,875	326,011,875
2032-2036	90,130,000	243,573,500	333,703,500
2037-2041	114,205,000	219,352,075	333,557,075
2042-2046	143,275,000	189,902,925	333,177,925
2047-2051	180,265,000	153,051,250	333,316,250
2052-2056	227,955,000	105,644,625	333,599,625
2057-2061	291,215,000	38,680,900	329,895,900
Add:			
Unamortized Premium	219,268,754	—	219,268,754
Total	$ 1,748,228,754	$ 1,514,881,900	$ 3,263,110,654

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	$ 3,512,199
College and university debt backed exclusively by pledged revenues of an institution	594,175
Total Higher Education Institution 9(d) debt	$ 4,106,374

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 June 29, 2021. 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 $184.8 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) have Direct Placement Bond Series and these 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
2022	$ 35,898,677	$ 31,030,452	$ 66,929,129
2023	65,573,744	29,390,342	94,964,086
2024	70,042,211	26,744,168	96,786,379
2025	71,390,000	24,102,689	95,492,689
2026	72,580,000	21,446,233	94,026,233
2027-2031	314,465,000	68,249,643	382,714,643
2032-2036	197,530,000	23,185,673	220,715,673
2037-2041	60,380,000	3,552,148	63,932,148
Add:			
Unamortized Premium	67,868,881	—	67,868,881
Total	$ 955,728,513	$ 227,701,348	$ 1,183,429,861

9(d) HIGHER EDUCATION INSTITUTION BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest (1)	Total
2022	$ 51,586,299	$ 145,011,359	$ 196,597,658
2023	19,841,388	143,399,285	163,240,673
2024	54,271,931	141,922,090	196,194,021
2025	20,202,937	140,545,224	160,748,161
2026	21,842,578	139,744,412	161,586,990
2027-2031	178,575,138	683,070,684	861,645,822
2032-2036	159,053,507	653,180,231	812,233,738
2037-2041	684,170,000	585,884,869	1,270,054,869
2042-2046	575,420,000	409,342,382	984,762,382
2047-2051	1,288,560,000	261,598,362	1,550,158,362
2052-2056	100,000,000	129,657,500	229,657,500
2057-2061	—	119,157,500	119,157,500
2062-2066	—	119,157,500	119,157,500
2067-2071	—	119,157,500	119,157,500
2072-2076	—	119,157,500	119,157,500
2077-2081	—	119,157,500	119,157,500
2082-2086	—	119,157,500	119,157,500
2087-2091	—	119,157,500	119,157,500
2092-2096	—	119,157,500	119,157,500
2097-2101	—	119,157,500	119,157,500
2102-2106	—	119,157,500	119,157,500
2107-2111	—	119,157,500	119,157,500
2112-2116	—	119,157,500	119,157,500
2117-2121	650,000,000	58,336,250	708,336,250
Add:			
Unamortized Premium	112,569,899	—	112,569,899
Total	$ 3,916,093,677	$ 4,921,582,648	$ 8,837,676,325

Note (1): The future interest requirements exclude any net Payments associated with hedging derivative instruments. See Note 15 for more details on hedging derivative instruments.

9(d) HIGHER EDUCATION INSTITUTION DIRECT PLACEMENT BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2022	$ 2,067,328	$ 1,837,253	$ 3,904,581
2023	5,499,767	1,813,800	7,313,567
2024	5,658,666	1,737,278	7,395,944
2025	9,888,232	1,659,063	11,547,295
2026	10,258,478	1,520,729	11,779,207
2027-2031	56,580,774	5,374,726	61,955,500
2032-2036	69,511,563	1,758,655	71,270,218
2037-2041	30,815,000	90,686	30,905,686
Total	$ 190,279,808	$ 15,792,190	$ 206,071,998

9(d) VIRGINIA COLLEGE BUILDING AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2022	$ 344,475,000	$ 179,158,519	$ 523,633,519
2023	335,470,000	171,410,988	506,880,988
2024	331,655,000	156,082,785	487,737,785
2025	320,310,000	140,922,822	461,232,822
2026	318,970,000	126,437,055	445,407,055
2027-2031	1,457,675,000	430,623,002	1,888,298,002
2032-2036	1,044,795,000	164,570,632	1,209,365,632
2037-2041	390,590,000	30,863,296	421,453,296
Add:			
Unamortized Premium	557,452,935	—	557,452,935
Total	$ 5,101,392,935	$ 1,400,069,099	$ 6,501,462,034

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
2022	$ 39,151,572
2023	44,208,837
2024	37,741,739
2025	38,317,211
2026	50,605,374
Thereafter	800,638,703
Total	$ 1,010,663,436

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 0.3 percent to 5.0 percent, and the issuance dates range from January 25, 2012, to August 4, 2020. 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
2022	$ 17,940,000	$ 17,864,226	$ 35,804,226
2023	18,270,000	17,336,187	35,606,187
2024	18,225,000	16,747,018	34,972,018
2025	18,860,000	16,096,186	34,956,186
2026	19,530,000	15,403,922	34,933,922
2027-2031	110,245,000	65,944,531	176,189,531
2032-2036	97,770,000	47,696,455	145,466,455
2037-2041	102,445,000	27,861,932	130,306,932
2042-2046	76,600,000	9,286,615	85,886,615
Add:			
Unamortized Premium	15,761,294	—	15,761,294
Total	$ 495,646,294	$ 234,237,072	$ 729,883,366

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 6.5 percent and the issuance dates range from December 17, 2002, to June 24, 2021. 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
2022	$ 93,098,517	$ 133,562,980	$ 226,661,497
2023	99,225,000	131,433,270	230,658,270
2024	111,125,000	129,170,569	240,295,569
2025	120,725,000	126,937,688	247,662,688
2026	91,110,000	124,575,859	215,685,859
2027-2031	493,895,000	584,028,467	1,077,923,467
2032-2036	563,887,145	501,153,313	1,065,040,458
2037-2041	741,555,559	389,867,946	1,131,423,505
2042-2046	762,351,267	235,635,726	997,986,993
2047-2051	697,117,923	122,406,310	819,524,233
2052-2056	355,120,000	30,069,272	385,189,272
Less: Unamortized Discount	(1,046,610)	—	(1,046,610)
Total	$ 4,128,163,801	$ 2,508,841,400	$ 6,637,005,201

9(d) VIRGINIA HOUSING DEVELOPMENT AUTHORITY DIRECT PLACEMENT BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2022	$ 7,170,000	$ 8,962,088	$ 16,132,088
2023	7,415,000	8,679,066	16,094,066
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
2027-2031	45,480,000	33,758,374	79,238,374
2032-2036	53,885,000	24,129,615	78,014,615
2037-2041	63,890,000	12,711,750	76,601,750
2042-2046	28,770,000	1,423,109	30,193,109
Total	$ 230,420,000	$ 113,903,904	$ 344,323,904

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 24, 2021. 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
2022	$ 197,257,050	$ 119,293,221	$ 316,550,271
2023	194,174,860	110,665,208	304,840,068
2024	186,034,097	102,300,816	288,334,913
2025	195,134,805	94,192,641	289,327,446
2026	201,557,035	85,785,148	287,342,183
2027-2031	944,664,580	309,262,085	1,253,926,665
2032-2036	648,820,652	157,832,707	806,653,359
2037-2041	412,782,581	68,454,408	481,236,989
2042-2046	155,525,000	19,013,518	174,538,518
2047-2051	39,235,000	2,829,508	42,064,508
2052-2056	2,020,000	81,600	2,101,600
Less: Unaccreted Capital Appreciation Bonds	(5,292,555)	—	(5,292,555)
Add: Unamortized Premium	225,216,364	—	225,216,364
Total	$ 3,397,129,469	$ 1,069,710,860	$ 4,466,840,329

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 October 27, 2009, to May 11, 2021. 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 $105.5 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*
2022	$ 261,760,000	$ 125,116,343	$ 386,876,343
2023	251,695,000	111,561,221	363,256,221
2024	242,480,000	100,577,623	343,057,623
2025	235,875,000	90,646,585	326,521,585
2026	230,420,000	80,984,457	311,404,457
2027-2031	1,253,980,000	251,255,906	1,505,235,906
2032-2036	584,575,000	89,372,423	673,947,423
2037-2041	258,365,000	23,723,638	282,088,638
2042-2046	42,505,000	6,394,136	48,899,136
2047-2051	25,000,000	1,385,763	26,385,763
Add:			
Unamortized Premium	122,486,802	—	122,486,802
Total	$ 3,509,141,802	$ 881,018,095	$ 4,390,159,897

9(d) VIRGINIA PUBLIC SCHOOL AUTHORITY DIRECT PLACEMENT BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2022	$ 3,910,000	$ 2,480,498	$ 6,390,498
2023	3,960,000	2,368,350	6,328,350
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
2027-2031	21,365,000	8,319,506	29,684,506
2032-2036	25,250,000	5,168,190	30,418,190
2037-2041	24,685,000	1,780,609	26,465,609
Total	$ 95,156,000	$ 26,535,353	$ 121,691,353

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 1.2 percent to 5.9 percent. The following schedule details the annual funding requirements necessary to amortize these bonds. The fiscal year 2022 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*
2022	$ 88,419,000	$ 25,889,000	$ 114,308,000
2023	39,613,000	24,941,000	64,554,000
2024	43,067,000	23,305,000	66,372,000
2025	44,518,000	21,765,000	66,283,000
2026	45,233,000	20,168,000	65,401,000
2027-2031	210,110,000	80,051,000	290,161,000
2032-2036	195,049,000	44,837,000	239,886,000
2037-2041	120,930,000	13,984,000	134,914,000
2042-2046	31,130,000	2,259,000	33,389,000
2047-2051	395,000	40,000	435,000
Add:			
Unamortized Premium	16,542,000	—	16,542,000
Total	$ 835,006,000	$ 257,239,000	$ 1,092,245,000

Virginia Biotechnology Research Partnership Authority

The Virginia Biotechnology Research Partnership Authority (nonmajor) consists of Series 2009 Commonwealth of Virginia Lease Revenue bonds. Coupon interest rates range from 3.0 percent to 5.0 percent.

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2022	$ 4,640,000	$ 116,000	$ 4,756,000
Add:			
Unamortized Premium	263,187	—	263,187
Total	$ 4,903,187	$ 116,000	$ 5,019,187

Total principal outstanding as of June 30, 2021, on all component unit bonds amounted to $23.9 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	$ 292,940	$ —	$ (45,750)	$ 247,190
Parking Facilities Bonds	6,649	—	(805)	5,844
Transportation Facilities Bonds	2,815	—	(2,815)	—
Add: Unamortized Premium	39,196	—	(7,369)	31,827
Total General Obligation Bonds	341,600	—	(56,739)	284,861
Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Transportation Facilities Bonds	3,449,446	100,760	(206,246)	3,343,960
Virginia Public Building Authority Bonds	2,703,545	546,255	(184,790)	3,065,010
Hampton Roads Transportation Accountability Commission	914,345	614,615	—	1,528,960
Economic Development Authority Obligations	13,850	—	(7,135)	6,715
Add: Unamortized Premium	831,840	272,623	(97,804)	1,006,659
Accretion on Capital Appreciation Bonds	27,531	2,287	(4,749)	25,069
Less: Unamortized Discount	(72)	5	—	(67)
Installment Purchase Obligations from Direct Borrowings	132,774	19,600	(24,701)	127,673
Compensated Absences	324,364	229,094	(206,907)	346,551
Capital Lease Obligations	28,413	5,855	(6,500)	27,768
Net Pension Liability*	4,407,825	650,786	—	5,058,611
Net OPEB Liability* (5)	839,468	40,742	—	880,210
Total OPEB Liability* (5)	378,330	—	(64,291)	314,039
Pollution Remediation Obligations	9,475	10	(345)	9,140
Other	29,263	2,867	—	32,130
Total Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth	14,090,397	2,485,499	(803,468)	15,772,428
Total Governmental Activities	14,431,997	2,485,499	(860,207)	16,057,289
Business-type Activities:				
Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Compensated Absences	13,663	4,455	(3,573)	14,545
Net Pension Liability*	152,107	24,263	—	176,370
Net OPEB Liability* (5)	23,677	921	—	24,598
Total OPEB Liability* (5)	13,781	—	(1,903)	11,878
Installment Purchase Obligations from Direct Borrowings	964	—	(193)	771
Lottery Prizes Payable	119,871	3,636	(6,573)	116,934
Educational Benefits Payable	1,831,064	81,988	(179,054)	1,733,998
Total Business-type Activities	2,155,127	115,263	(191,296)	2,079,094
Total Primary Government	$ 16,587,124	$ 2,600,762	$ (1,051,503)	$ 18,136,383

*Net increase/decrease is shown.

Foundations (4)	Balance June 30	Due Within One Year
$ —	$ 247,190	$ 45,775
—	5,844	840
—	—	—
—	31,827	—
—	284,861	46,615
—	3,343,960	202,440
—	3,065,010	178,075
—	1,528,960	—
—	6,715	6,715
—	1,006,659	827
—	25,069	—
—	(67)	—
—	127,673	18,711
—	346,551	179,356
—	27,768	6,672
—	5,058,611	—
—	880,210	4,908
—	314,039	20,458
—	9,140	2,028
—	32,130	7,269
—	15,772,428	627,459
—	16,057,289	674,074
—	14,545	10,378
—	176,370	—
—	24,598	49
—	11,878	765
—	771	199
—	116,934	11,157
—	1,733,998	287,677
—	2,079,094	310,225
$ —	$ 18,136,383	$ 984,299

Continued on next page

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

(Dollars in Thousands) *(Continued)*

	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)	$ 886,837	$ 280,216	$ (211,324)	$ 955,729
Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Bonds (6)	19,623,252	4,404,907	(2,640,682)	21,387,477
Bonds from Direct Placements (6)	506,461	76,835	(67,440)	515,856
Installment Purchase Obligations from Direct Borrowings	83,385	24,422	(11,467)	96,340
Capital Lease Obligations	2,347,234	23,557	(22,187)	2,348,604
Notes Payable	1,840,173	571,424	(671,321)	1,740,276
Notes Payable from Direct Borrowings	167,215	—	(97,834)	69,381
Compensated Absences	363,109	363,282	(335,776)	390,615
Net Pension Liability*	2,924,721	414,339	—	3,339,060
Net OPEB Liability* (5)	816,706	—	(255)	816,451
Total OPEB Liability* (5)	352,250	—	(48,562)	303,688
Trust and Annuity Obligations	64,923	41,635	(7,238)	99,320
Other	272,820	661,717	(269,528)	665,009
Total Component Units	$ 30,249,086	$ 6,862,334	$ (4,383,614)	$ 32,727,806

*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, capital leases, 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): Other Liabilities has been restated by $22,417 (dollars in thousands) for a nonmajor component unit due to correction of a prior year error.

Note (4): Foundations represent FASB reporting entities defined in Note 1.B.

Note (5): 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 (6): Amounts are net of any unamortized discounts and premiums.

Foundations (4)	Balance June 30	Due Within One Year
$ —	$ 955,729	$ 35,899
1,010,663	22,398,140	1,098,591
—	515,856	13,147
—	96,340	11,140
1,434	2,350,038	5,045
272,165	2,012,441	146,492
—	69,381	2,947
26,474	417,089	288,985
—	3,339,060	—
—	816,451	276
—	303,688	15,817
83,135	182,455	2,242
366,938	1,031,947	291,302
$ 1,760,809	$ 34,488,615	$ 1,911,883

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, 2021, there were $767.0 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 $3.5 billion in bonds and notes outstanding considered defeased from the component units.

Primary Government

In March 2021, the Virginia Public Building Authority (VPBA) issued $11.0 million of Series 2021B Public Facilities Revenue Refunding Bonds with a true interest cost (TIC) of 1.4 percent to refund $11.6 million of certain outstanding bonds. The bonds that were refunded are Public Facilities Revenue Bonds, Series 2011B. Of the net proceeds from the sale of the Refunding Bonds of $11.0 million (after payment of underwriter's fees and other issuance costs) plus the remaining balance in Series 2011B of $794,307 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the remaining refunded bonds. Since the remaining balance represented existing resources, this amount is reflected as an expenditure in the accompanying financial statements. The debt defeasance resulted in an accounting loss of $143,708. It will, however, reduce total debt service payments over the next 11 years by $1.5 million resulting in an economic gain of $1.4 million discounted at the rate of 1.4 percent.

Component Units

For fiscal year 2021 the Virginia Public School Authority (VPSA) (major) issued $354.8 million of Series 2020B refunding bonds, 2020C refunding bonds, and 2021B refunding bonds. The net proceeds have been placed with an escrow agent to provide for all future debt service on the defeased bonds. This defeasance resulted in an accounting loss of $18.9 million. Total debt service payments over the next 12 years of Series 2020B refunding bonds will be reduced by $3.1 million. Present value savings of $3.0 million reflect the True Interest Cost of each component of the 2020B refunding at the discount rate. Total debt service payments over the next 22 years of Series 2020C refunding bonds will be reduced by $21.1 million. Present value savings of $19.3 million reflect the True Interest Cost of each component of the 2020C refunding at the discount rate. Total debt service payments over the next 19 years of Series 2021B refunding bonds will be reduced by $931,799. Present value savings of $763,027 reflect the True Interest Cost of each component of the 2021B refunding at the discount rate.

In July 2020, University of Virginia (nonmajor) issued $600.0 million of General Revenue Pledge and Refunding Bonds, Series 2020. A portion of the bonds were used to advance refund $75.6 million of General Revenue Bonds, Series 2015B. For additional information, see the University's separately issued financial statements.

In August 2020, the Virginia College Building Authority (VCBA) (major) issued $341.5 million of Series 2020B 21st Century Program refunding bonds. The bonds were issued to refund $279.3 million of its 2012A, 2012B, 2013A, and 2014A bonds (selected maturities only). The net proceeds from the sale of the refunding bonds of $299.2 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 $550,600. Total debt service payments over the next 14 years will be reduced by $32.3 million resulting in a present value savings of $28.5 million discounted at a rate of 1.9 percent.

In August 2020, the Virginia Port Authority (VPA) (non-major) issued $77.8 million of Commonwealth Port Fund Revenue Refunding Bonds, Series 2020A (Taxable) to advance refund $4.8 million in principal amount of the Authority's Commonwealth Port Fund Revenue Bonds, Series 2012C (Non-AMT) issued in the original par amounts of $4.8 million and to advance refund $58.7 million in principal amount of the Authority's Commonwealth Port Fund Revenue Bonds, Series 2015 (AMT) issued in the original par amounts of $58.7 million. The net proceeds from the issuance, along with the 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, 2021, $63.5 million of these defeased bonds were still outstanding. In addition, the Authority issued $19.8 million (par value) of Commonwealth Port Fund Revenue Refunding Bonds, Series 2020B (AMT) to advance refund $23.1 million in principal amount of the Authority's Commonwealth Port Fund Revenue Bonds, Series 2012B (Taxable) issued in the original par amounts of $45.2 million. The net proceeds from the issuance, along with the 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, 2021, $23.1 million of these defeased bonds were still outstanding.

In October 2020, the College of William and Mary (nonmajor) issued $137.5 million of General Revenue Pledge and Refunding Bonds, Series 2020B, to advance refund portions of the Commonwealth of Virginia General Obligation Bonds, Series 2010A-2, 2013A, 2014A, 2015A, 2015B, 2018A, 2019A, 2019B that total $9.4 million, and to also advance refund selected maturities of the Virginia College Building Authority Educational Facilities Revenue Refunding Bonds Series 2012A, 2012B and 2013A that total $43.4 million. For additional information, see the College's separately issued financial statements.

In November 2020, the Commonwealth issued $118.1 million of General Obligation Refunding Bonds, Series 2020B, for the purpose of refunding certain outstanding maturities ("Refunding Bonds"), pursuant to Sections 9(c) of Article X of the Constitution. Bonds were issued with a true interest cost (TIC) of 1.2 percent to refund $114.3 million of outstanding Commonwealth of Virginia General Obligation Refunding Bonds, Series 2011A (the "Refunded Bonds"). The net proceeds from the sale of the Refunding Bonds of $119.1 million (after payment of underwriter's fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the Refunded Bonds. The debt defeasance resulted in an accounting gain of $5.2 million. It will reduce total debt service payments over the next 16 years by $21.5 million resulting in an economic gain of $20.2 million discounted at the rate of 1.5 percent.

In January 2021, Virginia Polytechnic Institute and State University (nonmajor) issued $35.0 million of General Revenue Pledge Refunding Bonds, Series 2021. These bonds were used to advance refund selected maturities of the Virginia College Building Authority's Educational Facilities Revenue Refunding Bonds, Series 2010B, 2012B, and 2016A that total $30.9 million, and also to pay $40,000 of interest on existing Series 2015B.

In February 2021, VCBA (major) issued $29.3 million of Series 2021A Pooled refunding bonds. The bonds were issued to refund $31.5 million of its 2010A (selected maturities only) and the 2010B bonds. The net proceeds from the sale of the refunding bonds of $32.6 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 $223,800. Total debt service payments over the next 23 years will be increased by $916,279 resulting in a present value savings of $699,508 discounted at 1.1 percent.

In February 2021, VCBA also issued $357.4 million of Series 2021B Federally Taxable Pooled refunding bonds. The bonds were issued to refund $327.7 million of its 2011A, 2012A, 2012B, 2013A, 2013B, 2014A, 2014B, 2015A, 2015B, 2016A, 2017A, 2018A, and 2019A bonds (selected maturities only). The net proceeds from the sale of the refunding bonds of $357.8 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 loss of $2.3 million. Total debt service payments over the next 26 years will be reduced by $6.8 million resulting in a present value savings of $20.3 million discounted at 1.7 percent.

In February 2021, the Virginia Commonwealth University (nonmajor) issued $10.7 million of General Revenue Pledge Refunding Bond Series 2021A to pay principal of $10.7 million on the General Revenue Pledge Bonds Series 2013B. This was a current refunding.

In May 2021, the Commonwealth issued $19.3 million of General Obligation Refunding Bonds, Series 2021A, for the purpose of refunding certain outstanding maturities, pursuant to Sections 9(c) of Article X of the Constitution. Bonds were issued with a true interest cost (TIC) of 1.5 percent to refund $21.0 million of outstanding Commonwealth of Virginia General Obligation Refunding Bonds, Series 2010A-2, maturity dates June 1, 2021 and June 1, 2022, Series 2013B, 2014A, 2015A, 2015B, 2016A, 2018A, 2019A, and 2019B, maturity date of June 1, 2021. The net proceeds from the sale of the Refunding Bonds of $21.5 million (after payment of underwriter's fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the Refunded Bonds. The debt defeasance resulted in an accounting gain of $1.0 million. It will increase total debt service payments over the next 20 years by $3.9 million resulting in an economic loss of $549,596 discounted at the rate of 1.3 percent.

In May 2021, the Commonwealth issued $18.7 million of General Obligation Refunding Bonds, Series 2021B (Federally Taxable), for the purpose of refunding certain outstanding maturities, pursuant to Sections 9(c) of Article X of the Constitution. Bonds were issued with a true interest cost (TIC) of 2.1 percent to refund $17.8 million of outstanding Commonwealth of Virginia General Obligation Refunding Bonds, Series 2013B, 2014A, 2015A, 2015B, 2016A, 2016B, 2018A, 2019A, and 2019B, maturity date June 1, 2022. The net proceeds from the sale of the Refunding Bonds of $19.1 million (after payment of underwriter's fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the Refunded Bonds. The debt defeasance resulted in an accounting gain of $313,300. It will increase total debt service payments over the next 21 years by $4.9 million resulting in an economic loss of $646,401 discounted at the rate of 2.0 percent.

In June 2021, the Virginia Commonwealth University Health System Authority (a blended component unit of Virginia Commonwealth University - nonmajor) issued General Revenue Refunding Bonds, Series 2021A and Series 2021B of $57.3 million and $8.8 million, respectively. The Series 2021A Bonds were to refund Series 2013A Bonds of $57.3 million. The Series 2021B Bonds were used to terminate the interest rate swap associated with the Series 2013A Bonds. These bonds represent a current refunding.

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 2021, 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 2021, a final arbitrage rebate calculation for VPSA's School Technology and Security Notes, Series IV identified an arbitrage rebate liability payment of $231,295 due to the Federal government in fiscal year 2021. The liability was paid in fiscal year 2021 by the VPSA. The Virginia Department of Education reimbursed the VPSA in fiscal year 2021.

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. Accordingly, as of June 30, 2021, the Virginia Resources Authority (major component unit) has recognized a liability of $3.3 million.

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 2021, 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.

Capital Leases

The Commonwealth leases buildings and equipment under various agreements that are accounted for as capital 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.

Gross minimum lease payments, together with the present value of the net minimum lease payments as of June 30, 2021, are shown in the following table (dollars in thousands).

	Governmental Activities	Business-Type Activities	Component Units (1)
2022	$ 9,491	$ —	$ 98,689
2023	4,161	—	101,068
2024	3,942	—	123,629
2025	3,531	—	121,504
2026	3,253	—	101,625
2027-2031	11,018	—	532,923
2032-2036	1,638	—	576,521
2037-2041	1,717	—	622,451
2042-2046	348	—	668,318
2047-2051	—	—	718,271
2052-2056	—	—	777,601
2057-2061	—	—	841,832
2062-2066	—	—	849,135
Total Gross Minimum Lease Payments	39,099	—	6,133,567
Less: Amount Representing Executory Costs	(4,842)	—	—
Net Minimum Lease Payments	34,257	—	6,133,567
Less: Amount Representing Interest	(6,489)	—	(3,784,963)
Present Value of Net Minimum Lease Payments	$ 27,768	$ —	$ 2,348,604

Note (1): The above amounts exclude capital lease obligations of foundations.

	Foundations (2)
2022	$ 513
2023	486
2024	379
2025	56
Net Minimum Lease Payments	1,434
Less: Amount Representing Interest	—
Present Value of Net Minimum Lease Payments	$ 1,434

Note (2): Foundations represent FASB reporting entities defined in Note 1.B.

As of June 30, 2021, assets purchased under capital leases were included in depreciable capital assets as follows (dollars in thousands). The amounts are net of accumulated depreciation where applicable. For a portion of these assets, ownership will pass to the Commonwealth at the end of the lease term.

	Buildings	Equipment	Infrastructure	Total
Governmental Activities:				
Gross Capital Assets	$ 167,319	$ 4,879	$ —	$ 172,198
Less: Accumulated Depreciation	(84,621)	(2,663)	—	(87,284)
Total Governmental Activities	$ 82,698	$ 2,216	$ —	$ 84,914
Business-Type Activities:				
Gross Capital Assets	$ —	$ —	$ —	$ —
Less: Accumulated Depreciation	—	—	—	—
Total Business-Type Activities	$ —	$ —	$ —	$ —
Component Units:				
Gross Capital Assets	$ 121,916	$ 1,759	$ 2,048,920	$ 2,172,595
Less: Accumulated Depreciation	(51,346)	(687)	(150,880)	(202,913)
Subtotal (excluding Foundations)	70,570	1,072	1,898,040	1,969,682
Foundations:	—	2,117	—	2,117
Gross Capital Assets Less: Accumulated Depreciation	—	(617)	—	(617)
Subtotal Foundations	—	1,500	—	1,500
Total Component Units (3)	$ 70,570	$ 2,572	$ 1,898,040	$ 1,971,182

Note (3): In addition to the above, land purchased under capital leases by the University of Virginia (nonmajor) is $8,095 (dollars in thousands).

Notes Payable

Notes Payable consist of several items as shown in the following schedule (dollars in thousands):

Primary Government	
Installment Notes from Direct Borrowings	$ 128,444
Total Primary Government	128,444
Component Units	
Virginia Public School Authority	185,545
Nonmajor Component Units	1,554,731
Nonmajor Component Units from Direct Borrowings	69,381
Installment Notes from Direct Borrowings	96,340
Subtotal (excluding Foundations)	1,905,997
Foundations:	
Notes Payable	272,165
Subtotal - Foundations	272,165
Total Component Units	2,178,162
Total Notes Payable	$ 2,306,606

The Virginia Public School Authority (major component unit) notes of $185.5 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 $440.3 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 $18.2 million. The final principal payment is due in fiscal year 2052.

The following higher education institutions (nonmajor component units) reported notes payables primarily for construction: Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – nonmajor component unit) $67.2 million and Virginia State University $144,475. In addition, the Virginia Port Authority (nonmajor component unit) reported notes payable of $2.0 million. For additional information pertaining to these direct borrowings, refer to the separately issued financial statements.

Various foundations (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, 2021, are shown in the following table (dollars in thousands).

Foundations' Notes Payable (Component Units) (1)

Maturity	Principal
2022	$ 20,408
2023	35,073
2024	14,167
2025	81,220
2026	13,310
Thereafter	107,987
Total	$ 272,165

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.

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 $224.8 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, 2021.

Installment Purchase Obligations from Direct Borrowings
Governmental Funds
June 30, 2021

Maturity	Principal	Interest	Total
2022	$ 18,710,573	$ 2,864,696	$ 21,575,269
2023	17,032,036	2,365,427	19,397,463
2024	16,428,517	1,974,648	18,403,165
2025	15,984,534	1,613,243	17,597,777
2026	14,464,062	1,262,214	15,726,276
2027-2031	33,705,357	3,109,342	36,814,699
2032-2036	11,346,163	588,691	11,934,854
2037-2041	1,832	4	1,836
Total	$ 127,673,074	$ 13,778,265	$ 141,451,339

Installment Purchase Obligations from Direct Borrowings
Business-type Activities
June 30, 2021

Maturity	Principal	Interest	Total
2022	$ 198,656	$ 16,330	$ 214,986
2023	203,880	11,106	214,986
2024	146,956	5,735	152,691
2025	87,177	3,219	90,396
2026	88,740	1,656	90,396
2027-2031	45,965	233	46,198
Total	$ 771,374	$ 38,279	$ 809,653

Installment Purchase Obligations from Direct Borrowings
Component Units
June 30, 2021

Maturity	Principal	Interest	Total
2022	$ 11,139,944	$ 2,262,092	$ 13,402,036
2023	10,153,182	1,978,835	12,132,017
2024	9,821,056	1,748,920	11,569,976
2025	8,718,047	1,526,737	10,244,784
2026	7,787,797	1,348,795	9,136,592
2027-2031	34,999,065	3,794,661	38,793,726
2032-2036	13,720,845	640,773	14,361,618
Total	$ 96,339,936	$ 13,300,813	$ 109,640,749

The foundations (component units) had no installment purchase obligations as of June 30, 2021.

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 2021 totaled $1.0 million. The remaining outstanding interest amount of $2.3 million is payable in annual installments on September 1 in the years 2021 to 2022. 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, 2021, are shown in the following table:

	Jackpot	Win For Life	Total
Due within one year	$ 5,650,948	$ 5,505,842	$ 11,156,790
Due in subsequent years	34,992,786	70,784,075	105,776,861
Total (current value)	40,643,734	76,289,917	116,933,651
Add: Interest to Maturity	10,936,266	27,085,083	38,021,349
Lottery Prizes Payable at Maturity	$ 51,580,000	$ 103,375,000	$ 154,955,000

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, 2021, educational benefits payable of $1.7 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 $120.5 million has been recorded to reflect the actuarially determined present value of future payments anticipated from contract holders.

28. OTHER REVENUE

The following table (dollars in thousands) summarizes Other Revenue for the fiscal year ended June 30, 2021.

	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	$ 5,976	$ 228,545	$ 6,354	$ 481	$ 19,404
Major Special Revenue Funds:					
Commonwealth Transportation	22,005	20,697	957,476	9,285	56
Federal Trust	—	3,218	199	—	—
Literary	—	33,437	—	—	—
Nonmajor Governmental Funds	132,122	52,905	75,816	7,648	96,279
Major Enterprise Funds:					
Virginia Lottery	—	—	—	—	—
Unemployment Compensation	—	18	—	—	—
Nonmajor Enterprise Funds	—	15,026	—	—	—
Internal Service Funds	—	—	—	—	—
Private Purpose Trust Funds	—	—	—	—	—
Pension and Other Employee Benefit Trust Funds	—	—	—	—	—
Custodial Funds - Other	—	—	—	—	—
Total Primary Government	$ 160,103	$ 353,846	$ 1,039,845	$ 17,414	$ 115,739

	Tobacco Master Settlement	Taxes	Other (1) (2)	Total Other Revenue
Primary Government:				
General	$ 100,515	$ —	$ 159,794	$ 521,069
Major Special Revenue Funds:				
Commonwealth Transportation	—	—	58,234	1,067,753
Federal Trust	—	—	510,722	514,139
Literary	—	—	—	33,437
Nonmajor Governmental Funds	—	—	355,434	720,204
Major Enterprise Funds:				
Virginia Lottery	—	—	508	508
Unemployment Compensation	—	—	—	18
Nonmajor Enterprise Funds	—	4,501	6,033	25,560
Internal Service Funds	—	—	103,057	103,057
Private Purpose Trust Funds	—	—	2	2
Pension and Other Employee Benefit Trust Funds	—	—	3,003	3,003
Custodial Funds - Other	—	—	14,445	14,445
Total Primary Government	$ 100,515	$ 4,501	$ 1,211,232	$ 3,003,195

Note (1): $116,216 (dollars in thousands) and $456,748 (dollars in thousands) are related to prior year expenditures refunded in the current fiscal year for the General Fund and Federal Trust, 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. $162,717 (dollars in thousands) is related to proceeds from unclaimed property in the Unclaimed Property Fund, $83,676 (dollars in thousands) is related to indirect costs, reimbursable employee benefits, law enforcement services and court collection fees in the Other Special Revenue Fund, $34,207 (dollars in thousands) is related to welfare activity receipts in the Health and Social Services Special Revenue Fund, and the remaining $74,834 (dollars in thousands) is related to other miscellaneous activities in the nonmajor governmental funds.

Note (2): Of this amount, $103,054 (dollars in thousands) represents a decline in the actuarial estimate of long-term claims payable liabilities for the Risk Management internal service fund.

29. 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, 2021, the Commonwealth participates in the following tax abatements 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 Title 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 counties of Charlotte, Gloucester, Halifax, Henry, Northampton, and Patrick; 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 of at least $150.0 million on or after January 1, 2009; and (iii) meet specified employment and salary requirements. On or after July 1, 2009, the data center or tenants must result in the creation of at least 50 new jobs paying at least one and one-half the prevailing average wage in the locality, or 25 new jobs paying at least one and one-half the prevailing average wage in the locality if the data center is located in a locality that has an unemployment rate for the preceding year of at least 150.0 percent of the average statewide unemployment rate or is located in an enterprise zone. Effective July 1, 2012, the exemption was extended to purchases and leases made by tenants of a data center that meets 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 (nonmajor component unit). The exemption is scheduled to sunset June 30, 2035. The amount of abated taxes for fiscal year 2021 is $124.5 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 and a taxpayer to 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 2021, $5.8 million of income tax was abated.

30. PRIZES AND CLAIMS

The following table summarizes Prizes and Claims Expense for the fiscal year ended June 30, 2021.

(Dollars in Thousands)

	Insurance Claims	Lottery Prize Expense	Total Prizes and Claims
Proprietary Funds:			
Major Enterprise Funds:			
Virginia Lottery	$ —	$ 2,196,506	$ 2,196,506
Unemployment Compensation	1,199,074	—	1,199,074
Nonmajor Enterprise Funds	477,617	—	477,617
Total Enterprise Funds	$ 1,676,691	$ 2,196,506	$ 3,873,197
Internal Service Funds	$ 1,540,522	$ —	$ 1,540,522

31. OTHER EXPENSES

The following table summarizes Other Expenses for the fiscal year ended June 30, 2021.

(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	$ —	$ 415	$ 9,543	$ 9,958
Nonmajor Enterprise Funds	104	5,286	776	6,166
Total Enterprise Funds	$ 104	$ 5,701	$ 10,319	$ 16,124
Internal Service Funds	$ 2,117	$ 3,358	$ 15,383	$ 20,858
Fiduciary Funds:				
Pension and Other Employee Benefit Trust Funds (2)	$ —	$ —	$ 3,767	$ 3,767
Custodial Funds - Other (2)	$ —	$ —	$ 95	$ 95

Note (1): $9,543 (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. $13,850 (dollars in thousands) can be attributed to expenses related to insurance program expenses in the Risk Management internal service fund and $478,154 can be attributed to Affordable Care Act related fees in the Health Care Fund internal service fund.

Note (2): Fiduciary expenses of $3,862 (dollars in thousands) are not included in the Government-wide Statement of Activities.

32. OTHER NON-OPERATING REVENUE/EXPENSES

The following table summarizes Other Non-Operating Revenue/Expenses for the fiscal year ended June 30, 2021.

(Dollars in Thousands)

	Gain/(Loss) on Sale of Capital Assets	Securities Lending	Coronavirus Aid, Relief, and Economic Security Act Receipts	Interest Expense	Other (1)	Total Other Non-Operating Revenue/ (Expenses)
Proprietary Funds:						
Major Enterprise Funds:						
Virginia Lottery	$ 1	$ (201)	$ —	$ —	$ —	$ (200)
Virginia College Savings Plan	—	(2)	—	—	—	(2)
Unemployment Compensation	—	—	255,817	—	—	255,817
Nonmajor Enterprise Funds	—	(42)	—	(21)	12,729	12,666
Total Enterprise Funds	$ 1	$ (245)	$ 255,817	$ (21)	$ 12,729	$ 268,281
Internal Service Funds	$ 1,450	$ (110)	$ —	$ (2,913)	$ 23	$ (1,550)

Note (1): Other Non-Operating Revenue/Expenses of the nonmajor enterprise funds are primarily comprised of amounts reported by Alcoholic Beverage Control.

33. SPECIAL ITEM

Effective July 1, 2020, the Innovation and Entrepreneurship Investment Authority (IEIA) (nonmajor component unit) ceased operations and was replaced with the Virginia Innovation Partnership Authority (VIPA) (nonmajor component unit). This change was pursuant to action taken during the 2020 Virginia General Assembly Session. In accordance with the enabling legislation, all IEIA operations were transferred to VIPA on July 1, 2020. The accompanying financial statements reflect the transfer of the June 30, 2020 IEIA net position of $24.3 million from IEIA to VIPA.

34. TRANSFERS

The following table summarizes Transfers In and Transfers Out for the fiscal year ended June 30, 2021 (dollars in thousands).

	Transfers In (Reported In):								
Transfers Out (Reported In):	**General**	**Commonwealth Transportation**	**Federal Trust**	**Literary**	**Nonmajor Governmental Funds**	**Unemployment Compensation**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Total Primary Government**
Primary Government									
General	$ —	$ 28,647	$ —	$ —	$ 385,962	$ —	$ —	$ 209	$ 414,818
Major Special Revenue Funds:									
Commonwealth Transportation	31,948	—	—	—	511,111	—	—	388	543,447
Federal Trust	—	5,113	—	—	1,242	30,727	1,033	—	38,115
Nonmajor Governmental Funds	54,893	459	1	85,000	69,325	—	—	—	209,678
Major Enterprise Funds:									
Virginia Lottery	766,733	—	—	10,241	—	—	—	—	776,974
Virginia College Savings Plan	351	—	—	—	—	—	—	—	351
Unemployment Compensation	—	—	34,246	—	—	—	—	—	34,246
Nonmajor Enterprise Funds	247,073	—	—	—	13,329	—	—	—	260,402
Internal Service Funds	250	—	—	—	8,737	—	—	—	8,987
Total Primary Government	$1,101,248	$ 34,219	$ 34,247	$ 95,241	$ 989,706	$ 30,727	$ 1,033	$ 597	$ 2,287,018

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.

During the fiscal year, the following significant transfer was made that does not occur on a routine basis or is inconsistent with the activities of the fund making the transfer.

- General Fund transfer of $2.8 million to the Department of Motor Vehicles as required by Chapter 552, 2021 Virginia Acts of Assembly Special Session I.

35. ENDOWMENTS

Donor restricted endowments reside primarily within the higher education institutions. The net appreciation available for expenditure is $2.6 billion as of June 30, 2021. Of this amount, $2.5 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.

36. CASH FLOWS – ADDITIONAL DETAILED INFORMATION

The following table (dollars in thousands) summarizes specific cash flows for the fiscal year ended June 30, 2021.

	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	$ (2,183,790)	$ —	$ —	$ —	$ (2,183,790)	$ —
Claims and Loss Control	—	—	(1,271,193)	(478,168)	(1,749,361)	(1,544,345)
Total	$ (2,183,790)	$ —	$ (1,271,193)	$ (478,168)	$ (3,933,151)	$ (1,544,345)
Other Operating Revenue:						
Other Operating Revenue	$ 512	$ —	$ 92	$ 9,944	$ 10,548	$ 42
Total	$ 512	$ —	$ 92	$ 9,944	$ 10,548	$ 42
Other Operating Expense:						
Other Operating Expenses (1)	$ —	$ (9,543)	$ —	$ (53,548)	$ (63,091)	$ (17,455)
Total	$ —	$ (9,543)	$ —	$ (53,548)	$ (63,091)	$ (17,455)
Other Noncapital Financing Receipt Activities:						
Advances/Contributions from the Commonwealth	$ —	$ —	$ —	$ 65,750	$ 65,750	$ 32,551
Receipts from Taxes	—	—	—	334,348	334,348	—
Coronavirus Aid, Relief, and Economic Security Act Receipts	—	—	322,264	—	322,264	—
Enterprise Subsidy Support	—	—	—	5,840	5,840	—
Interest	—	—	—	—	—	112
Total	$ —	$ —	$ 322,264	$ 405,938	$ 728,202	$ 32,663
Other Noncapital Financing Disbursement Activities:						
Repayments of Advances/Contributions from the Commonwealth	$ (25,000)	$ —	$ —	$ (33,129)	$ (58,129)	$ (10,438)
Total	$ (25,000)	$ —	$ —	$ (33,129)	$ (58,129)	$ (10,438)
Other Capital and Related Financing Receipt Activities:						
Interest	$ —	$ —	$ —	$ 47	$ 47	$ —
Total	$ —	$ —	$ —	$ 47	$ 47	$ —

Note (1): $9,543 (dollars in thousands) can be attributed to SOAR scholarship expenses, Access and Affordability program, and other scholarships and awards. Also, $13,850 (dollars in thousands) can be attributed to expenses related to insurance program expenses in the Risk Management internal service fund and $478,154 can be attributed to Affordable Care Act related fees in the Health Care Fund internal service fund.

37. 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. Moneys 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.

38. SERVICE CONCESSION ARRANGEMENTS

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, describes the criteria for when an arrangement is classified as a Service Concession Arrangement (SCA). The basic criteria are: 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 must retain some level of control over the asset; and the transferor must receive significant residual interest at the conclusion of the arrangement.

Primary Government

The Commonwealth of Virginia has five SCAs as of June 30, 2021: 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 $483.5 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) on 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 $747.5 million and deferred inflows of $939.6 million are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement.

On December 7, 2018, VDOT and Capital Beltway Express, LLC executed the Development Framework Agreement 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 2021, 495 NEXT is undergoing project development.

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 $868.8 million and deferred inflows of $849.1 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 for the MLK Freeway. After the Preliminary Field Inspection Plans were developed, VDOT took over to complete the project due to lower costs, estimated at $23.4 million. The design activities are well beyond Field Inspection Plans and submission of final plans for advertisement are projected to be in October 2022. 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 is currently conducting a Year Four VPPP study at a cost of $142,000.

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 $515.1 million and deferred inflows of $574.6 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 $14.6 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 $1.0 billion and deferred inflows of $1.0 billion, relating to the present value of the annual installment payments are included in the fund financial statements. Capital assets of $278.7 million and deferred inflows of $293.6 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 $49.8 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. At service commencement, the concessionaire will make payment of $232.0 million Final Permit Fee Buyout Payment as set forth in the second amended and restated Comprehensive Agreement. Deferred inflows of $63.9 million are included in the fund financial statements. As of June 2021, 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 $2.2 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. Construction work continued on the project during fiscal year 2021. The express lanes will open to traffic at the end of 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.

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 $536.5 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 fiscal year 2021, VDOT received an up-front payment of $21.3 million to be used for transit investments, and $21.2 million of deferred inflows are included in the fund financial statements.

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, 2021, the University has accrued $125.7 million in current and noncurrent receivables and a $179.4 million deferred inflow of resources related to the service concession arrangement.

39. INFORMATION TECHNOLOGY INFRASTRUCTURE

The Commonwealth is into its third or fourth contract year, depending on when services commenced, with all of its current IT 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. The Commonwealth has recently executed a new contract with NTT DATA (NTT) to transition existing messaging services by December 2021 from its current service provider, Tempus Nova, to NTT. 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 2021 associated with the new service providers were $221.0 million. The Commonwealth expects to spend an additional $578.0 million over the remaining life of these contracts with the current portfolio of suppliers.

40. 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 has paid the amount it believes is owed for fiscal years 2009-2014, and appealed a DHHS determination letter indicating that an additional amount is owed for this time period. While the DHHS Departmental Appeals Board upheld the DHHS determination, the Commonwealth is currently continuing the appeal process. The Commonwealth still disputes that this amount is owed and expects to recover this amount from the appeal settlement. Accordingly, this amount is not included in the accompanying financial statements.

Additionally, the DHHS has received the 2017 and 2016 payback schedules which are based on fiscal year 2016 and 2015 data, respectively. Further, the Commonwealth has computed payback schedules for 2021, 2020, 2019 and 2018 which are based on fiscal years 2020, 2019, 2018 and 2017 data, respectively. The Commonwealth has computed a liability of $47.5 million 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 financial statements.

The Virginia Tourism Authority (nonmajor component unit) had unclaimed awards totaling $3.1 million payable to awardees upon submission of proper claims for reimbursement for the Marketing Leverage 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, 2021 was $810,950.

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 $3.5 billion. The discretely presented component units have such debt of $5.1 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, 2021, the bailment inventory was valued at $71.5 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 $750,000, 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 $500,000 or less with subsequent ratification by the Board of Directors. The Board of Directors approves applications in excess of $500,000. 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, 2021, the loan guaranty program has guarantees outstanding of $5.1 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, 2021, the VSBFA recognized a nonexchange financial guarantee liability of $101,718. This is a decrease of $31,114 from the beginning balance of $132,832. There were no required payments made during fiscal year 2021. 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 March of 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 priority capital system upgrade projects over a 10-year period, which is included in the capital improvement and expansion 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, 2021, the HRSD has outstanding commitments for contracts in progress of approximately $583.0 million.

41. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

The GASB has issued Statement No. 87, *Leases,* which will redefine leases and significantly impact the Commonwealth's reporting disclosures when implemented in fiscal year 2022.

Additionally, the GASB has issued Statement No. 89, *Accounting for Accrued Interest Cost before the End of a Construction Period*, and Statement No. 92, *Omnibus 2020*, (paragraphs 6-10 and 12) which will also be implemented in fiscal year 2022. Statement No. 89 establishes guidance designed to enhance the relevance and comparability of information about capital assets and the costs of borrowing for a reporting period and simplifies accounting for interest costs incurred. Statement No. 92 provides guidance to enhance comparability in accounting and financial reporting for leases, pension plans, postemployment benefit arrangements, and a wide range of other accounting and financial reporting issues that have been identified during the implementation and application of certain other GASB statements. Management is evaluating the impact of Statement No. 89 and No. 92 on the Commonwealth's financial statements.

42. SUBSEQUENT EVENTS

In response to the COVID-19 pandemic, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to assist with the economic impact resulting from the pandemic. Part of the economic assistance provided by the CARES Act was the establishment of the Coronavirus Relief Fund (CRF), representing $150.0 billion to states, local governments, and other specifically identified governments. Payments from the CRF may only cover expenses that are (1) necessary expenditures due to the public health emergency resulting from COVID-19; (2) were not included in the government's most recently approved budget as of March 27, 2020; and (3) were incurred during the period March 1, 2020 through December 31, 2021.

While the Commonwealth received more than $3.0 billion in fiscal year 2020 and spent the majority in fiscal year 2021, the Commonwealth is evaluating allocations of CRF funding and related disbursements and identifying any unspent allocations. Any funds that do not meet eligibility requirements and remain unspent by the Commonwealth following the March 1, 2020 through December 31, 2021 period will be returned to the United States Treasury. However, Virginia has passed legislation requiring unspent allocations to be transferred to the Unemployment Insurance Trust Fund. Accordingly, there will be no unspent funds to be returned to the United States Treasury.

Additionally, the federal government passed the American Rescue Plan Act (ARP Act) to respond to the COVID-19 emergency and bring back jobs. Part of the assistance provided by the ARP Act was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF), representing $350.0 billion to states, local, territorial, and Tribal governments. The CSLFRF was launched to provide much-needed relief to support urgent COVID-19 response efforts to continue to decrease the spread of the virus and bring the pandemic under control; replace lost revenue for eligible state, local, territorial, and Tribal governments to strengthen support for vital public services and help retain jobs; support immediate economic stabilization for households and businesses; and address systemic public health and economic challenges that have contributed to the inequal impact of the pandemic. Recipients may use funds to cover costs incurred during the period beginning March 3, 2021, and ending December 31, 2024, for one or more authorized purposes.

The Commonwealth received more than $4.6 billion in fiscal year 2021, with an expected receipt of $316.9 million in fiscal year 2022. Of these funds, $633.8 million is allocated to Non-entitlement Units of Government, payable in two equal tranches. In August 2021, the Virginia General Assembly amended the 2021-2022 biennial budget and appropriated CSLFRF funding.

Primary Government

Debt

On August 18, 2021, the Commonwealth Transportation Board issued $81.0 million of Commonwealth of Virginia Interstate 81 Corridor Program Revenue Bonds (Senior Lien), Series 2021 to finance costs of certain eligible transportation projects contained in the I-81 Improvement Program.

On September 22, 2021, the Hampton Roads Transportation Accountability Commission (HRTAC) (nonmajor governmental fund) closed on loans pursuant to the Transportation Infrastructure Finance and Innovation Act for 1) a principal amount with the U.S. Department of Transportation not to exceed $818.0 million, 2) a Toll Revenue loan for a principal amount not to exceed $345.0 million; and, 3) a project loan for a principal amount not to exceed $500.8 million. No amounts have been drawn on these loans.

On September 23, 2021, HRTAC issued Senior Lien Bond Anticipation Notes, Series 2021A in the amount of $988.8 million with an interest rate of 5.0 percent and a final maturity date of July 1, 2026.

Other

On September 30, 2021, the Virginia Department of Transportation (VDOT) and global infrastructure and operator, Transurban executed a Second Amended and Restated Comprehensive Agreement related to the Route 495 Express Lanes Northern Extension (495 NEXT) project. Additionally, Transurban selected Lane Construction as the design-build contractor for the project.

The $600.0 million project will provide new travel options, reduce congestion, fund new transit services, and minimize cut-through traffic in residential communities. The project also includes construction of bicycle and pedestrian connections along the 495 NEXT corridor. The 495 NEXT project will extend the existing 495 Express Lanes north by two-and-a-half miles with new and improved connections at the Dulles Toll Road and the George Washington Memorial Parkway.

Financial close is expected to occur in December 2021, with construction starting in 2022. The new extended lanes are scheduled to open in 2025.

Component Units

Debt

In July 2021, the University of Virginia (nonmajor) issued $100.0 million tax-exempt General Revenue Pledge Bonds, Series 2021A. The bonds were issued with a coupon rate of 2.2 percent and are due on November 1, 2051. The proceeds of the bonds were used to finance the UVA Medical Center's 100.0 percent acquisition of the Novant joint operating company. In July 2021, the University also issued $300.0 million in taxable General Revenue Pledge and Refunding Bonds, Series 2021B. The bonds were issued with a coupon rate of 2.6 percent and are due on November 1, 2051. The proceeds will primarily be used to finance or refinance costs of capital projects at the University's academic facilities, working capital and general operating purposes, and refund the outstanding principal balance of the University's 2015B bonds originally issued to finance or refinance costs of capital projects at the University's academic facilities.

On July 1, 2021, the Virginia Housing Development Authority (VHDA) (major) redeemed Rental Housing Bond 2011 Series D-Taxable in the amount of $118.4 million.

On July 7, 2021, the VHDA issued Rental Housing Bond 2021 Series F-Non-AMT in the amount of $50.0 million.

On July 9, 2021, the VHDA redeemed Commonwealth Mortgage Bonds 2012 Series C-Non-AMT (Partial 1) in the amount of $13.0 million.

On July 20, 2021, the VHDA issued Rental Housing Bond 2021 Series G-Taxable in the amount of $30.0 million.

On August 2, 2021, the VHDA redeemed Commonwealth Mortgage Bonds 2012 Series C-Non-AMT (Partial 2) in the amount of $9.2 million.

On August 4, 2021, the Virginia Resources Authority (major) issued revenue bonds in the amount of $79.5 million. Interest rate range from 1.7 percent to 5.0 percent with a final maturity date of November 1, 2044.

On August 17, 2021, the VHDA issued Commonwealth Mortgage Bonds 2021 Series A-Taxable in the amount of $151.2 million.

On August 24, 2021, the VHDA issued Rental Housing Bond 2020 Series H-Taxable in the amount of $30.0 million.

In September 2021, the Hampton Roads Sanitation District Commission (nonmajor) closed on a Water Infrastructure Finance and Innovation Act loan of

$477.0 million at a rate of 2.0 percent that will mature in approximately 34 years.

On October 12, 2021, the VHDA issued Rental Housing Bond 2021 Series I-Non-AMT in the amount of $5.9 million.

On October 12, 2021, the VHDA redeemed Commonwealth Mortgage Bonds 2012 Series C-Non-AMT (Partial 3) in the amount of $11.1 million.

On October 12, 2021, Virginia Public School Authority (VPSA) (major) issued $48.1 million Special Obligation School Financing Bonds, Henrico County, Series 2021 to purchase certain general obligation local school bonds to finance capital projects for schools.

On October 21, 2021, the VPSA issued $58.9 million of its Special Obligation School Financing Bonds, Prince William County Series 2021A to purchase certain general obligation local school bonds to finance capital projects for schools.

On October 29, 2021, the Virginia Commonwealth University (nonmajor) Board of Visitors approved a $22.6 million dollar project to purchase land and construct a technology operations center. This project will be funded by a combination of tax-exempt commercial paper and long-term debt.

On November 9, 2021, the VPSA (major) issued $150.2 million of School Financing Bonds (1997 Resolution), Series 2021C to purchase certain general obligation local school bonds to finance capital projects for schools.

Other

On August 2, 2021, the Virginia Passenger Rail Authority (VPRA) (nonmajor) executed a design engineering contract with CSXT for services through the final design phase for the Alexandria Fourth Track project with an anticipated scope of $11.9 million.

On September 28, 2021, the VPRA Board approved an inaugural Investment Policy enabling the Authority to actively manage the available cash within the confines of the policy requirements. The policy complies with the Virginia Security for Public Deposits Act and the Investment of Public Funds Act (*Code of Virginia* section 2.2-4400 et seq. and section 2.2-4500 et seq., respectively).

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, 2021

(Dollars in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
Revenues:				
Taxes:				
Individual and Fiduciary Income	$ 16,159,100	$ 15,446,000	$ 17,303,666	$ 1,857,666
Sales and Use	4,319,900	4,300,900	4,624,549	323,649
Corporation Income	1,019,200	1,288,700	1,515,692	226,992
Motor Fuel	—	—	—	—
Motor Vehicle Sales and Use	—	—	—	—
Communications Sales and Use	350,000	348,000	314,768	(33,232)
Deeds, Contracts, Wills, and Suits	396,775	609,300	694,822	85,522
Premiums of Insurance Companies	420,100	314,900	363,105	48,205
Alcoholic Beverage Sales	260,400	274,300	296,059	21,759
Tobacco Products	265,680	278,100	286,632	8,532
Estate	—	—	810	810
Public Service Corporations	98,900	98,600	101,114	2,514
Other Taxes	36,266	34,011	46,116	12,105
Rights and Privileges	87,527	89,320	95,255	5,935
Sales of Property and Commodities	28,731	11,485	19,507	8,022
Assessments and Receipts for Support of Special Services	5,466	5,433	5,960	527
Institutional Revenue	59,026	55,011	32,283	(22,728)
Interest, Dividends, and Rents	114,206	93,425	94,461	1,036
Fines, Forfeitures, Court Fees, Penalties, and Escheats	223,907	232,817	225,120	(7,697)
Federal Grants and Contracts	9,093	9,093	9,693	600
Receipts from Cities, Counties, and Towns	10,523	8,017	6,597	(1,420)
Private Donations, Gifts and Contracts	290	317	481	164
Tobacco Master Settlement	49,735	87,410	100,515	13,105
Other	176,214	171,089	293,859	122,770
Total Revenues	24,091,039	23,756,228	26,431,064	2,674,836
Expenditures:				
Current:				
General Government	2,697,554	2,792,844	2,532,665	260,179
Education	10,373,626	10,427,918	9,968,154	459,764
Transportation	59	197	147	50
Resources and Economic Development	655,535	652,429	532,353	120,076
Individual and Family Services	8,014,408	7,241,258	7,051,802	189,456
Administration of Justice	3,149,912	3,127,411	3,000,321	127,090
Capital Outlay	11,280	11,239	2,898	8,341
Total Expenditures	24,902,374	24,253,296	23,088,340	1,164,956
Revenues Over (Under) Expenditures	(811,335)	(497,068)	3,342,724	3,839,792
Other Financing Sources (Uses):				
Transfers:				
Transfers In	915,020	1,005,483	1,052,608	47,125
Transfers Out	(416,714)	(407,173)	(414,818)	(7,645)
Bonds Issued	—	—	—	—
Premium on Debt Issuance	—	—	—	—
Total Other Financing Sources (Uses)	498,306	598,310	637,790	39,480
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(313,029)	101,242	3,980,514	3,879,272
Fund Balance, July 1	3,524,599	3,524,599	3,524,599	—
Fund Balance, June 30	$ 3,211,570	$ 3,625,841	$ 7,505,113	$ 3,879,272

See notes on page 203 in this section.

Special Revenue Funds			
Commonwealth Transportation Fund			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
$ —	$ —	$ —	$ —
1,848,803	1,636,100	1,808,362	172,262
—	—	—	—
1,295,900	1,637,300	1,362,840	(274,460)
995,600	934,200	1,119,204	185,004
—	—	—	—
45,300	105,000	110,055	5,055
181,382	181,382	181,382	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
103,325	141,698	155,405	13,707
758,702	694,043	738,856	44,813
550	82	3,419	3,337
21,507	29,700	21,989	(7,711)
—	—	—	—
26,977	43,998	36,575	(7,423)
15,028	14,512	21,070	6,558
1,159,066	1,185,529	900,101	(285,428)
1,299,956	1,474,793	910,976	(563,817)
25	25	13,976	13,951
—	—	—	—
29,527	78,304	52,637	(25,667)
7,781,648	8,156,666	7,436,847	(719,819)
108,027	108,027	45,320	62,707
2,380	2,380	2,329	51
8,235,201	8,030,681	6,666,274	1,364,407
43,008	42,735	35,895	6,840
—	—	—	—
10,684	10,684	10,684	—
32,768	89,440	22,383	67,057
8,432,068	8,283,947	6,782,885	1,501,062
(650,420)	(127,281)	653,962	781,243
22,788	22,788	34,219	11,431
(515,537)	(521,571)	(530,138)	(8,567)
100,760	100,760	100,760	—
27,044	27,044	27,044	—
(364,945)	(370,979)	(368,115)	2,864
(1,015,365)	(498,260)	285,847	784,107
4,049,920	4,049,920	4,049,920	—
$ 3,034,555	$ 3,551,660	$ 4,335,767	$ 784,107

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, 2021

(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	—	—	28	28
Sales of Property and Commodities	—	—	3,623	3,623
Assessments and Receipts for Support of Special Services	—	—	—	—
Institutional Revenue	—	—	477	477
Interest, Dividends, and Rents	2,324	608	9,652	9,044
Fines, Forfeitures, Court Fees, Penalties, and Escheats	549	4,011	3,218	(793)
Federal Grants and Contracts	13,606,704	26,818,208	26,658,849	(159,359)
Receipts from Cities, Counties, and Towns	—	—	199	199
Private Donations, Gifts and Contracts	—	—	—	—
Tobacco Master Settlement	—	—	—	—
Other	240,735	290,760	494,213	203,453
Total Revenues	13,850,312	27,113,587	27,170,259	56,672
Expenditures:				
Current:				
General Government	153,916	1,852,123	1,883,483	(31,360)
Education	1,142,385	1,781,227	1,616,116	165,111
Transportation	34,944	31,540	19,956	11,584
Resources and Economic Development	236,886	433,745	379,062	54,683
Individual and Family Services	12,053,889	22,735,178	23,137,047	(401,869)
Administration of Justice	106,642	147,872	103,017	44,855
Capital Outlay	121,650	131,902	29,067	102,835
Total Expenditures	13,850,312	27,113,587	27,167,748	(54,161)
Revenues Over (Under) Expenditures	—	—	2,511	2,511
Other Financing Sources (Uses):				
Transfers:				
Transfers In	—	—	34,542	34,542
Transfers Out	—	—	(37,053)	(37,053)
Bonds Issued	—	—	—	—
Premium on Debt Issuance	—	—	—	—
Total Other Financing Sources (Uses)	—	—	(2,511)	(2,511)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	—	—	—	—
Fund Balance, July 1	—	—	—	—
Fund Balance, June 30	$ —	$ —	$ —	$ —

See notes on page 203 in this section.

Notes for Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds

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, 2021, 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	$ 7,505,113	$ 4,335,767	$ —
Adjustments from Budget to Modified Accrual:			
Net Accrued Revenues:			
Taxes	1,128,125	226,387	—
Tax Refunds	(481,451)	—	—
Other Revenue/Other Sources	155,060	180,698	2,048,462
Deferral of Up-front SCA payment	—	(21,250)	—
Medicaid Payable	(472,211)	—	(1,321,575)
Net Accrued Expenditures/Other Uses	(725,622)	(472,600)	(235,084)
Fund Reclassification - Budget to Modified Accrual	—	(683,250)	—
Fund Balance, Modified Accrual Basis	$ 7,109,014	$ 3,565,752	$ 491,803

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, 2021, except the Literary Fund which has no approved budget.

(Dollars in Thousands)	General Fund (8)	Commonwealth Transportation Fund	Federal Trust Fund (9)
Appropriations (1)	$ 24,902,374	$ 8,432,068	$ 13,850,312
Supplemental Appropriations:			
Reappropriations (2)	326,130	37,768	127,957
Subsequent Executive (3)	168,219	197,018	12,223,768
Subsequent Legislative (4)	(777,864)	25,244	1,074,955
Capital Outlay and Operating Reversions (5)	(11,177)	—	(8,872)
Transfers (6)	(355,574)	(427,055)	(35,042)
Capital Outlay Adjustment (7)	1,188	18,904	(119,491)
Appropriations, as adjusted	$ 24,253,296	$ 8,283,947	$ 27,113,587

1. Represents the budget appropriated through Chapter 1289, 2020 Acts of Assembly, as amended by Chapter 552, 2021 Acts of Assembly Special Session I.
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 $2.1 billion (General Fund) and $426.2 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 $388.9 million are excluded since they were not available for disbursement during the current fiscal year.
9. Appropriations do not include food stamp issuances of $2.3 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, 2021

(Dollars in Thousands)

	VRS State				
Change in the Net Pension Liability	**2021**	**2020**	**2019**	**2018**	**2017**
Total pension liability:					
Service cost	$ 406,776	$ 379,359	$ 375,965	$ 370,235	$ 369,779
Interest	1,666,047	1,627,637	1,606,772	1,562,819	1,533,764
Benefit changes	—	—	—	—	—
Difference between actual and expected experience	(12,440)	181,189	(327,289)	(85,975)	(245,642)
Assumption changes	—	663,566	—	76,965	—
Benefit payments	(1,427,873)	(1,360,833)	(1,296,803)	(1,234,388)	(1,195,198)
Refunds of contributions	(27,427)	(26,897)	(30,236)	(30,837)	(25,240)
Net change in total pension liability	605,083	1,464,021	328,409	658,819	437,463
Total pension liability - beginning	25,409,842	23,945,821	23,617,412	22,958,593	22,521,130
Total pension liability - ending (a)	$ 26,014,925	$ 25,409,842	$ 23,945,821	$ 23,617,412	$ 22,958,593
Plan fiduciary net position:					
Contributions - employer	$ 576,443	$ 545,584	$ 548,158	$ 535,424	$ 722,617
Contributions - member	210,896	201,481	201,920	201,391	200,184
Net investment income	361,061	1,211,722	1,302,241	1,963,811	277,166
Benefit payments	(1,427,873)	(1,360,833)	(1,296,803)	(1,234,388)	(1,195,198)
Refunds of contributions	(27,427)	(26,897)	(30,236)	(30,837)	(25,240)
Administrative expense	(12,603)	(12,374)	(11,481)	(11,612)	(10,140)
Other	(539)	(762)	28,502	(1,743)	(122)
Net change in plan fiduciary net position	(320,042)	557,921	742,301	1,422,046	(30,733)
Plan fiduciary net position - beginning	19,090,110	18,532,189	17,789,888	16,367,842	16,398,575
Plan fiduciary net position - ending (b)	18,770,068	19,090,110	18,532,189	17,789,888	16,367,842
Net pension liability - ending (a-b)	$ 7,244,857	$ 6,319,732	$ 5,413,632	$ 5,827,524	$ 6,590,751
Plan fiduciary net position as a percentage of the total pension liability (b/a)	72.2 %	75.1 %	77.4 %	75.3 %	71.3 %
Covered payroll (c)	$ 4,440,135	$ 4,197,484	$ 4,152,368	$ 4,020,893	$ 3,977,759
Net pension liability as a percentage of covered payroll ((a-b)/c)	163.2 %	150.6 %	130.4 %	144.9 %	165.7 %

(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 2021 net pension liability measurement date is June 30, 2020, as reported in Note 16.

See notes on page 218 in this section.

2016	2015
$ 375,149	$ 369,120
1,482,951	1,436,064
—	—
59,923	—
—	—
(1,136,102)	(1,081,866)
(27,724)	(25,036)
754,197	698,282
21,766,933	21,068,651
$ 22,521,130	$ 21,766,933
$ 480,657	$ 343,259
195,582	198,035
728,083	2,243,999
(1,136,102)	(1,081,866)
(27,724)	(25,036)
(10,302)	(12,341)
(154)	123
230,040	1,666,173
16,168,535	14,502,362
16,398,575	16,168,535
$ 6,122,555	$ 5,598,398
72.8 %	74.3 %
$ 3,878,632	$ 3,861,712
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, 2021

(Dollars in Thousands)

	VRS Teacher				
Change in the Net Pension Liability	**2021**	**2020**	**2019**	**2018**	**2017**
Total pension liability:					
Service cost	$ 938,143	$ 889,003	$ 885,510	$ 830,475	$ 828,856
Interest	3,269,776	3,184,697	3,099,338	3,016,207	2,931,065
Benefit changes	—	—	—	—	—
Difference between actual and expected experience	(404,985)	(174,815)	(440,308)	(642,745)	(391,881)
Assumption changes	—	1,472,649	—	218,559	—
Benefit payments	(2,448,204)	(2,331,038)	(2,241,927)	(2,147,781)	(2,081,069)
Refunds of contributions	(36,211)	(36,715)	(40,578)	(39,521)	(35,067)
Net change in total pension liability	1,318,519	3,003,781	1,262,035	1,235,194	1,251,904
Total pension liability - beginning	49,683,336	46,679,555	45,417,520	44,182,326	42,930,422
Total pension liability - ending (a)	$ 51,001,855	$ 49,683,336	$ 46,679,555	$ 45,417,520	$ 44,182,326
Plan fiduciary net position:					
Contributions - employer	$ 1,327,774	$ 1,280,964	$ 1,292,988	$ 1,137,976	$ 1,062,338
Contributions - member	418,909	403,258	391,490	392,730	380,314
Contributions - non-employer	—	—	—	—	—
Net investment income	689,010	2,311,028	2,421,157	3,632,291	516,704
Benefit payments	(2,448,204)	(2,331,038)	(2,241,927)	(2,147,781)	(2,081,069)
Refunds of contributions	(36,211)	(36,715)	(40,578)	(39,521)	(35,067)
Administrative expense	(23,649)	(22,843)	(20,945)	(21,123)	(18,859)
Other	(1,169)	(1,448)	(2,167)	(3,238)	(222)
Net change in plan fiduciary net position	(73,540)	1,603,206	1,800,018	2,951,334	(175,861)
Plan fiduciary net position - beginning	36,522,769	34,919,563	33,119,545	30,168,211	30,344,072
Plan fiduciary net position - ending (b)	36,449,229	36,522,769	34,919,563	33,119,545	30,168,211
Net pension liability - ending (a-b)	$ 14,552,626	$ 13,160,567	$ 11,759,992	$ 12,297,975	$ 14,014,115
Plan fiduciary net position as a percentage of the total pension liability (b/a)	71.5 %	73.5 %	74.8 %	72.9 %	68.3 %
Covered payroll (c)	$ 8,766,667	$ 8,387,503	$ 8,086,986	$ 7,891,783	$ 7,624,612
Net pension liability as a percentage of covered payroll ((a-b)/c)	166.0 %	156.9 %	145.4 %	155.8 %	183.8 %

See notes on page 218 in this section.

2016	2015
$ 828,901	$ 831,501
2,834,138	2,722,788
—	—
(212,089)	—
—	—
(1,980,353)	(1,874,636)
(36,058)	(36,103)
1,434,539	1,643,550
41,495,883	39,852,333
$ 42,930,422	$ 41,495,883
$ 1,074,366	$ 853,634
373,525	371,241
192,884	—
1,327,047	4,042,441
(1,980,353)	(1,874,636)
(36,058)	(36,103)
(18,238)	(22,036)
(284)	217
932,889	3,334,758
29,411,183	26,076,425
30,344,072	29,411,183
$ 12,586,350	$ 12,084,700
70.7 %	70.9 %
$ 7,434,932	$ 7,313,025
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, 2021

(Dollars in Thousands)

Change in the Net Pension Liability	VRS Political Subdivisions 2021	2020	2019	2018	2017
Total pension liability:					
Service cost	$ 603,766	$ 556,149	$ 544,762	$ 541,594	$ 535,322
Interest	1,593,594	1,535,532	1,472,680	1,422,753	1,362,892
Benefit changes	19,657	3,948	10,811	36,652	2,053
Difference between actual and expected experience	221,364	45,032	(43,177)	(205,649)	(87,268)
Assumption changes	—	691,407	—	(64,510)	—
Benefit payments	(1,157,505)	(1,082,791)	(1,010,021)	(941,856)	(893,585)
Refunds of contributions	(38,323)	(40,249)	(41,324)	(42,068)	(37,380)
Net change in total pension liability	1,242,553	1,709,028	933,731	746,916	882,034
Total pension liability - beginning	24,206,763	22,497,735	21,564,004	20,817,088	19,935,054
Total pension liability - ending (a)	$ 25,449,316	$ 24,206,763	$ 22,497,735	$ 21,564,004	$ 20,817,088
Plan fiduciary net position:					
Contributions - employer	$ 521,543	$ 499,293	$ 490,286	$ 477,563	$ 543,947
Contributions - member	258,408	248,421	241,339	238,636	231,934
Net investment income	405,051	1,345,759	1,415,454	2,113,973	300,995
Benefit payments	(1,157,505)	(1,082,791)	(1,010,021)	(941,856)	(893,585)
Refunds of contributions	(38,323)	(40,249)	(41,324)	(42,068)	(37,380)
Administrative expense	(13,842)	(13,369)	(12,236)	(12,220)	(10,696)
Other	(274)	(853)	(30,924)	(1,887)	(130)
Net change in plan fiduciary net position	(24,942)	956,211	1,052,574	1,832,141	135,085
Plan fiduciary net position - beginning	21,259,032	20,302,821	19,250,247	17,418,106	17,283,021
Plan fiduciary net position - ending (b)	21,234,090	21,259,032	20,302,821	19,250,247	17,418,106
Net pension liability - ending (a-b)	$ 4,215,226	$ 2,947,731	$ 2,194,914	$ 2,313,757	$ 3,398,982
Plan fiduciary net position as a percentage of the total pension liability (b/a)	83.4 %	87.8 %	90.2 %	89.3 %	83.7 %
Covered payroll (c)	$ 5,368,250	$ 5,118,622	$ 4,932,344	$ 4,765,842	$ 4,628,806
Net pension liability as a percentage of covered payroll ((a-b)/c)	78.5 %	57.6 %	44.5 %	48.5 %	73.4 %

See notes on page 218 in this section.

2016	2015
$ 530,945	$ 524,758
1,309,484	1,243,386
1,135	—
(185,419)	—
—	—
(819,201)	(754,706)
(36,898)	(36,876)
800,046	976,562
19,135,008	18,158,446
$ 19,935,054	$ 19,135,008
$ 533,877	$ 539,366
227,060	225,555
761,164	2,272,284
(819,201)	(754,706)
(36,898)	(36,876)
(10,358)	(12,153)
(162)	120
655,482	2,233,590
16,627,539	14,393,949
17,283,021	16,627,539
$ 2,652,033	$ 2,507,469
86.7 %	86.9 %
$ 4,513,335	$ 4,434,764
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, 2021

(Dollars in Thousands)

	SPORS				
Change in the Net Pension Liability	**2021**	**2020**	**2019**	**2018**	**2017**
Total pension liability:					
Service cost	$ 22,167	$ 20,079	$ 18,187	$ 18,880	$ 18,700
Interest	77,231	72,715	71,251	74,042	72,618
Benefit changes	—	—	—	—	—
Difference between actual and expected experience	4,466	45,330	(7,248)	(5,327)	(14,711)
Assumption changes	—	31,773	—	(68,707)	—
Benefit payments	(64,991)	(62,683)	(58,197)	(57,814)	(53,515)
Refunds of contributions	(552)	(805)	(867)	(630)	(584)
Net change in total pension liability	38,321	106,409	23,126	(39,556)	22,508
Total pension liability - beginning	1,176,937	1,070,528	1,047,402	1,086,958	1,064,450
Total pension liability - ending (a)	$ 1,215,258	$ 1,176,937	$ 1,070,528	$ 1,047,402	$ 1,086,958
Plan fiduciary net position:					
Contributions - employer	$ 32,497	$ 31,437	$ 35,806	$ 31,888	$ 33,655
Contributions - member	6,600	6,379	6,311	5,701	5,759
Net investment income	16,333	54,792	58,148	87,265	12,634
Benefit payments	(64,991)	(62,683)	(58,197)	(57,814)	(53,515)
Refunds of contributions	(552)	(805)	(867)	(630)	(584)
Administrative expense	(360)	(488)	(509)	(926)	(590)
Other	(38)	(61)	(63)	(99)	(23)
Net change in plan fiduciary net position	(10,511)	28,571	40,629	65,385	(2,664)
Plan fiduciary net position - beginning	865,273	836,702	796,073	730,688	733,352
Plan fiduciary net position - ending (b)	854,762	865,273	836,702	796,073	730,688
Net pension liability - ending (a-b)	$ 360,496	$ 311,664	$ 233,826	$ 251,329	$ 356,270
Plan fiduciary net position as a percentage of the total pension liability (b/a)	70.3 %	73.5 %	78.2 %	76.0 %	67.2 %
Covered payroll (c)	$ 130,759	$ 126,483	$ 124,003	$ 111,395	$ 114,395
Net pension liability as a percentage of covered payroll ((a-b)/c)	275.7 %	246.4 %	188.6 %	225.6 %	311.4 %

See notes on page 218 in this section.

2016	2015
$ 18,847	$ 18,341
70,350	67,978
—	—
(2,890)	—
—	—
(53,338)	(50,467)
(375)	(685)
32,594	35,167
1,031,856	996,689
$ 1,064,450	$ 1,031,856
$ 28,427	$ 42,683
5,680	5,646
32,466	98,682
(53,338)	(50,467)
(375)	(685)
(471)	(431)
(27)	—
12,362	95,428
720,990	625,562
733,352	720,990
$ 331,098	$ 310,866
68.9 %	69.9 %
$ 110,059	$ 112,010
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, 2021

(Dollars in Thousands)

Change in the Net Pension Liability	VaLORS 2021	2020	2019	2018	2017
Total pension liability:					
Service cost	$ 48,003	$ 44,526	$ 45,179	$ 47,189	$ 45,608
Interest	143,708	139,307	136,289	135,453	129,756
Benefit changes	—	—	—	—	—
Difference between actual and expected experience	22,645	11,067	(26,111)	(1,457)	4,997
Assumption changes	—	62,090	—	(63,457)	—
Benefit payments	(117,137)	(109,193)	(104,776)	(96,224)	(92,270)
Refunds of contributions	(4,893)	(4,933)	(5,604)	(4,938)	(4,524)
Net change in total pension liability	92,326	142,864	44,977	16,566	83,567
Total pension liability - beginning	2,190,025	2,047,161	2,002,184	1,985,618	1,902,051
Total pension liability - ending (a)	$ 2,282,351	$ 2,190,025	$ 2,047,161	$ 2,002,184	$ 1,985,618
Plan fiduciary net position:					
Contributions - employer	$ 79,914	$ 75,327	$ 73,793	$ 73,816	$ 79,392
Contributions - member	18,712	17,871	17,496	17,598	17,574
Net investment income	28,579	93,872	98,292	146,039	20,899
Benefit payments	(117,137)	(109,193)	(104,776)	(96,224)	(92,270)
Refunds of contributions	(4,893)	(4,933)	(5,604)	(4,938)	(4,524)
Administrative expense	(623)	(831)	(861)	(1,540)	(940)
Other	(73)	(103)	(247)	(310)	(38)
Net change in plan fiduciary net position	4,479	72,010	78,093	134,441	20,093
Plan fiduciary net position - beginning	1,495,990	1,423,980	1,345,887	1,211,446	1,191,353
Plan fiduciary net position - ending (b)	1,500,469	1,495,990	1,423,980	1,345,887	1,211,446
Net pension liability - ending (a-b)	$ 781,882	$ 694,035	$ 623,181	$ 656,297	$ 774,172
Plan fiduciary net position as a percentage of the total pension liability (b/a)	65.7 %	68.3 %	69.6 %	67.2 %	61.0 %
Covered payroll (c)	$ 369,996	$ 349,998	$ 345,531	$ 344,468	$ 345,504
Net pension liability as a percentage of covered payroll ((a-b)/c)	211.3 %	198.3 %	180.4 %	190.5 %	224.1 %

See notes on page 218 in this section.

2016	2015
$ 47,531	$ 46,504
124,579	119,040
—	—
(4,849)	—
—	—
(84,990)	(78,412)
(4,797)	(4,665)
77,474	82,467
1,824,577	1,742,110
$ 1,902,051	$ 1,824,577
$ 62,084	$ 67,483
17,081	17,908
52,312	156,786
(84,990)	(78,412)
(4,797)	(4,665)
(743)	(681)
(44)	—
40,903	158,419
1,150,450	992,031
1,191,353	1,150,450
$ 710,698	$ 674,127
62.6 %	63.1 %
$ 338,562	$ 352,492
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, 2021

(Dollars in Thousands)

	JRS				
Change in the Net Pension Liability	**2021**	**2020**	**2019**	**2018**	**2017**
Total pension liability:					
Service cost	$ 20,649	$ 18,767	$ 19,228	$ 22,144	$ 21,978
Interest	44,233	44,139	43,799	42,081	42,820
Benefit changes	—	—	—	—	(15,552)
Difference between actual and expected experience	(9,446)	(7,157)	(15,786)	(14,774)	(18,681)
Assumption changes	—	14,077	—	16,114	—
Benefit payments	(46,546)	(43,584)	(41,165)	(40,895)	(41,341)
Refunds of contributions	(12)	—	—	—	—
Net change in total pension liability	8,878	26,242	6,076	24,670	(10,776)
Total pension liability - beginning	678,593	652,351	646,275	621,605	632,381
Total pension liability - ending (a)	$ 687,471	$ 678,593	$ 652,351	$ 646,275	$ 621,605
Plan fiduciary net position:					
Contributions - employer	$ 24,819	$ 22,890	$ 28,096	$ 27,612	$ 41,502
Contributions - member	3,436	3,208	3,231	3,272	3,236
Net investment income	10,491	35,372	37,466	56,029	8,112
Benefit payments	(46,546)	(43,584)	(41,165)	(40,895)	(41,341)
Refunds of contributions	(12)	—	—	—	—
Administrative expense	(232)	(315)	(326)	(594)	(363)
Other	(42)	(39)	(42)	(64)	(15)
Net change in plan fiduciary net position	(8,086)	17,532	27,260	45,360	11,131
Plan fiduciary net position - beginning	557,541	540,009	512,749	467,389	456,258
Plan fiduciary net position - ending (b)	549,455	557,541	540,009	512,749	467,389
Net pension liability - ending (a-b)	$ 138,016	$ 121,052	$ 112,342	$ 133,526	$ 154,216
Plan fiduciary net position as a percentage of the total pension liability (b/a)	79.9 %	82.2 %	82.8 %	79.3 %	75.2 %
Covered payroll (c)	$ 74,769	$ 68,330	$ 68,245	$ 66,826	$ 66,621
Net pension liability as a percentage of covered payroll ((a-b)/c)	184.6 %	177.2 %	164.6 %	199.8 %	231.5 %

See notes on page 218 in this section.

2016		2015	
$	23,254	$	24,024
	41,759		40,013
	—		—
	(9,107)		—
	—		—
	(40,205)		(37,984)
	—		—
	15,701		26,053
	616,680		590,627
$	632,381	$	616,680
$	31,503	$	27,727
	3,015		3,051
	20,051		60,833
	(40,205)		(37,984)
	—		—
	(283)		(268)
	(17)		—
	14,064		53,359
	442,194		388,835
	456,258		442,194
$	176,123	$	174,486
	72.1 %		71.7 %
$	61,092	$	61,020
	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					
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%
2013	485,577	325,452	160,125	3,715,205	8.76%
2012	309,930	117,696	192,234	3,663,475	3.21%
VIRGINIA RETIREMENT SYSTEM (VRS) - TEACHER					
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%
2013	1,203,856	837,028	366,828	7,178,629	11.66%
2012	903,655	443,078	460,577	6,999,653	6.33%
VIRGINIA RETIREMENT SYSTEM (VRS) - POLITICAL SUBDIVISIONS					
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%
2013	537,657	525,385	12,272	4,321,565	12.16%
2012	400,879	400,879	—	4,142,150	9.68%

See notes on page 218 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)									
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%
2013		34,535		26,193		8,342		105,872	24.74%
2012		26,250		11,441		14,809		102,701	11.14%
VIRGINIA LAW OFFICERS' RETIREMENT SYSTEM (VaLORS)									
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%
2013		66,463		50,392		16,071		340,489	14.80%
2012		55,306		24,481		30,825		347,181	7.05%
JUDICIAL RETIREMENT SYSTEM (JRS)									
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%
2013		32,185		27,028		5,157		59,481	45.44%
2012		27,631		18,907		8,724		59,053	32.02%

Notes for Pension Schedules

	VRS					
	State	**Teacher**	**Political Subdivisions**	**SPORS**	**VaLORS**	**JRS**
Valuation Date	June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020
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%	4.50%
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.*

As discussed in Note 16, 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, 2021

(Dollars in Thousands)

Change in the Net OPEB Liability	RHIC 2021	2020	2019	2018
Total OPEB liability:				
Service cost	$ 20,142	$ 19,446	$ 19,645	$ 19,231
Interest	67,288	68,023	66,883	66,641
Benefit changes	—	—	—	—
Difference between actual and expected experience	(5,702)	(13,402)	745	—
Assumption changes	—	22,700	—	(12,229)
Benefit payments	(70,440)	(72,857)	(69,117)	(71,256)
Refunds of contributions	—	—	—	—
Net change in total OPEB liability	11,288	23,910	18,156	2,387
Total OPEB liability - beginning	1,032,094	1,008,184	990,028	987,641
Total OPEB liability - ending (a)	$ 1,043,382	$ 1,032,094	$ 1,008,184	$ 990,028
Plan fiduciary net position:				
Contributions - employer	$ 84,850	$ 79,926	$ 79,416	$ 75,058
Contributions - member	—	—	—	—
Net investment income	2,186	6,189	5,706	7,706
Benefit payments	(70,440)	(72,857)	(69,117)	(71,256)
Third-party administrator charges	—	—	—	—
Administrative expense	(231)	(135)	(149)	(131)
Other	(10)	(8)	536	(546)
Net change in plan fiduciary net position	16,355	13,115	16,392	10,831
Plan fiduciary net position - beginning	109,023	95,908	79,516	68,685
Plan fiduciary net position - ending (b)	125,378	109,023	95,908	79,516
Net OPEB liability (asset) - ending (a-b)	$ 918,004	$ 923,071	$ 912,276	$ 910,512
Plan fiduciary net position as a percentage of the total OPEB liability (b/a)	12.0 %	10.6 %	9.5 %	8.0 %
Covered payroll (c)	$ 7,237,090	$ 6,844,807	$ 6,762,917	$ 6,489,069
Net OPEB liability (asset) as a percentage of covered payroll ((a-b)/c)	12.7 %	13.5 %	13.5 %	14.0 %

(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 2021 net OPEB liability measurement date is June 30, 2020, as reported in Note 18.

See notes on page 228 in this section.

Continued on next page

Schedule of Changes in Employers' Net Other Postemployment Benefit Liability (Asset) (1) (2)

(continued from previous page)

	VSDP			
Change in the Net OPEB Liability	**2021**	**2020**	**2019**	**2018**
Total OPEB liability:				
Service cost	$ 32,988	$ 29,232	$ 27,527	$ 27,884
Interest	18,774	15,788	15,503	15,810
Benefit changes	—	—	—	—
Difference between actual and expected experience	(46,473)	29,489	(11,237)	—
Assumption changes	—	4,180	—	(17,511)
Benefit payments	(27,804)	(24,376)	(31,073)	(30,056)
Refunds of contributions	—	—	—	—
Net change in total OPEB liability	(22,515)	54,313	720	(3,873)
Total OPEB liability - beginning	292,046	237,733	237,013	240,886
Total OPEB liability - ending (a)	$ 269,531	$ 292,046	$ 237,733	$ 237,013
Plan fiduciary net position:				
Contributions - employer	$ 26,994	$ 25,263	$ 27,260	$ 24,130
Contributions - member	—	—	—	—
Net investment income	9,445	30,494	32,073	48,206
Benefit payments	(27,804)	(24,376)	(31,073)	(30,056)
Third-party administrator charges	(6,611)	(6,431)	(6,637)	(7,001)
Administrative expense	(631)	(787)	(961)	(717)
Other	586	1,117	(35)	(54)
Net change in plan fiduciary net position	1,979	25,280	20,627	34,508
Plan fiduciary net position - beginning	488,241	462,961	442,334	407,826
Plan fiduciary net position - ending (b)	490,220	488,241	462,961	442,334
Net OPEB liability (asset) - ending (a-b)	$ (220,689)	$ (196,195)	$ (225,228)	$ (205,321)
Plan fiduciary net position as a percentage of the total OPEB liability (b/a)	181.9 %	167.2 %	194.7 %	186.6 %
Covered payroll (c)	$ 4,365,296	$ 4,077,627	$ 3,972,637	$ 3,799,590
Net OPEB liability (asset) as a percentage of covered payroll ((a-b)/c)	(5.1%)	(4.8%)	(5.7%)	(5.4%)

Schedule of the Commonwealth's Proportionate Share of the Net Other Postemployment Benefit Liability (1) (2)

Fiscal Year Ended June 30, 2021

(Dollars in Thousands)

	GLI			
	2021	**2020**	**2019**	**2018**
Commonwealth's proportion of the net OPEB liability	30.4 %	30.1 %	30.5 %	30.3 %
Commonwealth's proportionate share of the net OPEB liability	$507,458	$490,250	$463,787	$456,387
Commonwealth's covered payroll	$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
Commonwealth's proportionate share of the net OPEB liability as a percentage of its covered payroll / covered employee payroll	8.1 %	8.3 %	7.9 %	8.1 %
Plan fiduciary net position as a percentage of the total OPEB liability	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 2021 net OPEB liability measurement date is June 30, 2020, as reported in Note 18.

(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 228 in this section.

LODA			
2021	2020	2019	2018
60.1 %	59.9 %	59.9 %	60.9 %
$251,588	$214,981	$187,869	$160,064
N/A	N/A	N/A	N/A
$484,167	$460,426	$440,535	$431,978
52.0 %	46.7 %	42.6 %	37.1 %
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			
	2021	2020	2019	2018
Commonwealth's proportion of the net OPEB liability	100.0 %	100.0 %	100.0 %	100.0 %
Commonwealth's proportionate share of the net OPEB liability	$27,293	$26,877	$26,351	$25,766
Commonwealth's covered payroll	N/A	N/A	N/A	N/A
Commonwealth's covered employee payroll	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
Plan fiduciary net position as a percentage of the total OPEB liability	15.8 %	14.3 %	11.1 %	8.6 %

See notes on page 228 in this section.

Social Service Employees				Registrars			
2021	2020	2019	2018	2021	2020	2019	2018
100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$12,880	$12,457	$12,903	$12,725	$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
13.1 %	15.4 %	9.3 %	7.9 %	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			
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	1.1 %
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 %
2013	59,618	56,779	2,839	5,677,848	N/A	1.0 %
2012	60,222	7,686	52,536	5,681,295	N/A	0.1 %
			VIRGINIA SICKNESS AND DISABILITY PROGRAM (Also referred to Disability Insurance Trust Fund)			
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 %
2013	21,032	17,043	3,989	3,626,208	N/A	0.5 %
2012	30,285	1,096	29,189	4,037,955	N/A	0.0 %
			GROUP LIFE INSURANCE (1)			
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 %
2013	27,002	24,455	2,547	5,094,773	N/A	0.5 %
2012	22,039	15,527	6,512	5,008,786	N/A	0.3 %

(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 228 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)			
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			
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)			
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)			
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, 2020	June 30, 2020	June 30, 2020	June 30, 2020
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method (1)	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 (2)	6.8%	6.8%	6.8%	4.8%
Projected Salary Increases (3)				
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	4.5%	4.5%	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	5.4% to 4.8%
Year of Ultimate Trend Rate (Ages 65 and Older)	N/A	N/A	N/A	2029
Year of Ultimate Trend Rate (Under Age 65)	N/A	N/A	N/A	2024

(1) The amortization period of the Unfunded Actuarial Accrued Liability (UAAL) was a closed 30-year period for the June 30, 2013 balance and closed 20-year period for each subsequent year. The Line of Duty Act Program amortization period is 30 years for the UAAL.

(2) Includes inflation rate of 2.5 percent.

(3) 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.

As discussed in Note 18, 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, 2021

(Dollars in Thousands)

Change in the Total OPEB Liability	PMRH			
	2021	2020	2019	2018
Total OPEB liability:				
Service cost	$ 47,963	$ 72,737	$ 94,665	$ 116,627
Interest cost	25,009	40,941	49,279	47,346
Changes of benefit terms	—	—	—	—
Difference between expected and actual experience	(24,121)	(216,886)	(191,000)	(61,865)
Changes of assumptions	(130,004)	(182,206)	(211,762)	(326,082)
Benefit payments	(28,903)	(41,346)	(34,446)	(43,244)
Net change in total OPEB liability	(110,056)	(326,760)	(293,264)	(267,218)
Total OPEB liability - beginning	678,880	1,005,640	1,298,904	1,566,122
Total OPEB liability - ending (a)	$ 568,824	$ 678,880	$ 1,005,640	$ 1,298,904
Covered employee payroll (b)	$ 5,842,440	$ 5,616,229	$ 5,485,993	$ 5,229,024
Total OPEB liability as a percentage of covered employee payroll (a/b)	9.7 %	12.1 %	18.3 %	24.8 %

(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 2021 total OPEB liability measurement date is June 30, 2020, as reported in Note 18. 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, 2019 valuation based on recent experience:

- Spousal Coverage - reduced the rate from 25.0 percent to 20.0 percent.
- Retiree Participation - reduced the rate from 50.0 percent to 45.0 percent.

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect mortality improvement projection scale BB, including age over 65 in pre-retirement mortality base rates. No excise tax has been reflected due to the SECURE Act. Among the provisions was a repeal of three taxes and fees that were originally intended to help fund the Affordable Care Act (ACA): i) the excise tax on high-cost health plans (Cadillac tax); ii) the annual fee on health insurance providers; and iii) the medical device excise tax. The trend rates were updated based on economic conditions as of June 30, 2020. Additionally, the discount rate was decreased from 3.5 percent to 2.2 percent based on the Bond Buyers GO 20 Municipal Bond Index.

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	2012	2013	2014	2015
1. Required contribution and investment revenue:				
Earned	$ 5,019	$ 5,043	$ 8,500	$ 8,487
Ceded (a)	—	—	—	—
Net earned	5,019	5,043	8,500	8,487
2. Unallocated expenses	1,382	1,273	1,435	1,331
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	5,390	3,394	4,025	4,696
Ceded (a)	—	—	—	—
Net incurred	5,390	3,394	4,025	4,696
4. Net paid (cumulative) as of:				
End of policy year	1,677	335	367	922
One year later	4,468	3,401	3,210	3,270
Two years later	7,554	8,118	4,291	5,844
Three years later	8,137	8,278	5,002	8,280
Four years later	8,991	7,702	5,386	9,122
Five years later	9,034	7,747	6,509	9,270
Six years later	9,200	7,946	6,674	9,278
Seven years later	9,200	7,976	6,715	
Eight years later	9,200	8,006		
Nine years later	9,200			
5. Reestimated ceded claims and expenses (a)	—	—	—	—
6. Reestimated incurred claims and expenses:				
End of policy year	5,390	3,394	4,025	4,696
One year later	8,704	9,397	6,454	6,775
Two years later	9,107	9,939	6,979	8,961
Three years later	9,727	10,333	8,045	8,836
Four years later	9,368	8,213	6,771	9,312
Five years later	9,307	7,980	7,289	9,395
Six years later	9,206	8,057	7,377	9,341
Seven years later	9,206	8,095	7,111	
Eight years later	9,206	8,135		
Nine years later	9,206			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	3,816	4,741	3,086	4,645

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 236 in this section.

2016	2017	2018	2019	2020	2021
$ 8,733	$ 13,213	$ 13,232	$ 13,236	$ 14,327	$ 14,968
—	—	—	—	—	—
8,733	13,213	13,232	13,236	14,327	14,968
1,357	1,460	1,603	1,530	1,670	1,627
6,893	4,235	10,155	9,160	7,462	7,608
—	—	—	—	—	—
6,893	4,235	10,155	9,160	7,462	7,608
1,206	836	1,979	1,075	1,267	1,251
4,680	3,195	5,573	4,180	5,255	
6,557	4,203	8,027	6,140		
8,841	4,434	8,854			
9,230	4,590				
9,274					
—	—	—	—	—	—
6,893	4,235	10,155	9,160	7,462	7,608
10,307	4,820	11,598	10,725	9,348	
9,908	5,031	12,880	10,684		
9,764	5,100	13,220			
9,979	4,963				
9,976					
3,083	728	3,065	1,524	1,886	—

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	**2012**	**2013**	**2014**	**2015**
1. Required contribution and investment revenue:				
Earned	$ 259,135	$ 284,526	$ 320,678	$ 343,470
Ceded (a)	—	—	—	—
Net earned	259,135	284,526	320,678	343,470
2. Unallocated expenses	16,701	18,781	17,738	22,748
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	250,019	277,455	290,557	327,154
Ceded (a)	—	—	—	—
Net incurred	250,019	277,455	290,557	327,154
4. Net paid (cumulative) as of:				
End of policy year	235,058	267,256	291,711	329,099
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	250,019	277,455	290,557	327,154
One year later	250,019	277,455	290,557	327,154
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 236 in this section.

2016	2017	2018	2019	2020	2021
$ 392,778	$ 430,247	$ 464,631	$ 481,856	$ 494,233	$ 484,726
—	—	—	—	—	—
392,778	430,247	464,631	481,856	494,233	484,726
25,422	26,650	27,590	26,334	27,540	27,096
386,227	419,841	433,437	446,606	395,950	449,540
—	—	—	—	—	—
386,227	419,841	433,437	446,606	395,950	449,540
379,376	417,869	421,802	443,931	398,497	451,451
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					
—	—	—	—	—	—
386,227	419,841	433,437	446,606	395,950	449,540
386,227	419,841	433,437	446,606	395,950	
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	**2012**	**2013**	**2014**	**2015**
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 236 in this section.

2016	2017	2018	2019	2020	2021
N/A	N/A	$ 19,910	$ 17,790	$ 17,245	$ 18,941
N/A	N/A	—	—	—	—
N/A	N/A	19,910	17,790	17,245	18,941
N/A	N/A	832	594	679	718
N/A	N/A	17,210	16,786	15,715	18,699
N/A	N/A	—	—	—	—
N/A	N/A	17,210	16,786	15,715	18,699
N/A	N/A	14,779	17,302	15,737	18,376
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	17,210	16,786	15,715	18,699
N/A	N/A	17,210	16,786	15,715	
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 28, 2022

APPENDIX B
TABLE OF CONTENTS

INTRODUCTION

This financial and other information was provided by the Commonwealth of Virginia (the "Commonwealth"), its agencies, institutions and authorities. 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 is not true and correct in all material respects.

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 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 limited 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.

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 Constitutional provisions 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 forecast shortfall. The maximum balance in the Stabilization Fund can consist of an amount not to exceed 15 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 percent limitation, such as through interest or dividends, the Treasurer shall promptly transfer any such excess amounts to the General 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. The total amounts on deposit in the Stabilization Fund and the Reserve Fund may not in the aggregate exceed fifteen percent 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.

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, 2020, 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 statements.

Summary of General Fund Revenues, Expenditures and Changes in Fund Balance

The following tables summarize the Commonwealth's General Fund revenues, expenditures and fund balance on a cash basis for fiscal years 2017 through 2021 and compares the final budget numbers to actual.

The General Fund balance, as shown on page B-6, increased by $4.0 billion in fiscal year 2021, an increase of 112.9 percent from fiscal year 2020. Overall tax revenues increased by 14.9 percent from fiscal year 2020 to fiscal year 2021. Individual and Fiduciary Income tax revenues increased by 12.7 percent. Corporation Income tax collections increased by 49.8 percent from fiscal year 2020 to fiscal year 2021. State Sales and Use Taxes increased by 12.4 and 49.8 percent, respectively, from fiscal year 2020 to fiscal year 2021. Other taxes, Premiums of Insurance Companies and Public Service Corporations tax collections increased by 39.4, 0.7 and 4.2 percent, respectively, from fiscal year 2020 to fiscal year 2021. Tax revenue decreases occurred in the form of a 9.3 percent decrease in Communications Sales and Use tax collections. Overall revenue increased by 14.6 percent and non-tax revenues increased by 7.2 percent. Overall expenditures increased by 1.26 percent in fiscal year 2021, compared to a 3.16 percent increase in fiscal year 2020. General Government expenditures decreased by $340.0 million, or 11.8 percent, and Education expenditures increased by $442.1 million, or 4.6 percent. Capital Outlay expenditures decreased by $1.6 million, or 36.1 percent, and Individual and Family Services expenditures increased by $167.6 million, or 2.4 percent.

Of the $7.5 billion fund balance as of June 30, 2021, $639.6 million was restricted to the Stabilization Fund. The Stabilization Fund is segregated from the General Fund and can be used only for constitutionally authorized purposes. Virginia law directs that the Stabilization Fund be included as a component of the General Fund only for financial reporting purposes.

Under the provisions of Article X, Section 8 of the Constitution of Virginia, a deposit to the Stabilization Fund of $1.1 billion is required during fiscal year 2023 based on fiscal year 2021 revenue collections. As described below, pursuant to Chapter 552, 2021 Acts of Assembly, no additional deposit to the Stabilization Fund is required based on fiscal year 2021 revenue collections. The required deposits are reported as restricted components of fund balance. Pursuant to the constitutional amendment of Article X, Section 8, effective January 1, 2011, the amount on deposit cannot exceed 15 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, 2021, the Constitutional maximum is $3.2 billion. 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. These conditions were not met for fiscal year 2021.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

SUMMARY OF GENERAL FUND
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – CASH BASIS
(IN THOUSANDS)

	2017	2018	2019	2020	2021
Revenues:					
Taxes					
Individual and Fiduciary Income	$13,052,887	$14,105,766	$15,226,471	$15,351,592	$17,303,666
State Sales and Use	3,720,552	3,827,078	3,973,011	4,112,843	4,624,549
Corporation Income	826,961	861,897	943,391	1,011,650	1,515,692
Communications Sales and Use	395,733	384,162	361,023	347,101	314,768
Deeds, Contracts, Wills and Suits	403,459	403,236	394,062	493,389	694,822
Premiums of Insurance Companies	340,910	337,947	382,018	360,588	363,105
Alcoholic Beverage Sales	222,354	231,836	240,776	267,214	296,059
Tobacco Products	171,198	160,383	151,289	153,638	286,632
Estate	8,202	932	191	80	810
Public Service Corporations	95,084	98,672	98,890	97,039	101,114
Other Taxes	31,048	39,392	47,197	35,873	46,116
Total Taxes	$19,268,388	$20,451,301	$21,818,319	$22,231,007	$25,547,333
Rights and Privileges	85,919	90,780	93,225	94,695	95,255
Sales of Property and Commodities	31,515	62,597	25,021	39,463	19,507
Assessments and Receipts for Support of Special Services	4,008	5,230	5,808	5,813	5,960
Institutional Revenue	36,137	37,926	37,937	37,963	32,283
Interest, Dividends, Rents	61,130	72,083	103,670	136,821	94,461
Fines, Forfeitures, Court Fees, Penalties, and Escheats	222,600	209,869	224,783	214,750	225,120
Federal Grants and Contracts	6,720	6,796	10,573	8,029	9,693
Receipts from Cities, Counties, and Towns	18,360	11,084	11,216	8,469	6,597
Private Donations, Gifts and Contracts	476	540	965	904	481
Tobacco Master Settlement	49,019	58,267	56,487	54,134	100,515
Other	235,237	316,477	203,940	223,456	293,859
Total Revenues	$20,019,509	$21,322,950	$22,591,944	$23,055,504	$26,431,064
Expenditures:					
General Government	2,388,305	2,405,220	2,446,484	2,872,703	2,532,665
Education	8,450,900	8,740,117	9,109,073	9,526,097	9,968,154
Transportation	236	202	203	140	147
Resources and Economic Development	445,102	397,794	432,029	530,365	532,353
Individual and Family Services	6,551,237	6,904,011	7,208,024	6,884,183	7,051,802
Administration of Justice	2,740,411	2,848,951	2,904,663	2,983,904	3,000,321
Capital Outlay	44,488	4,658	2,575	4,535	2,898
Total Expenditures	$20,620,679	$21,300,953	$22,103,051	$22,801,927	$23,088,340
Revenues Over (Under) Expenditures	$ (601,170)	$ 21,997	$ 488,893	$ 253,577	$ 3,342,724
Other Financing Sources (Uses):					
Transfers In	904,255	869,785	938,306	911,229	1,052,608
Transfers Out	(441,670)	(444,678)	(414,827)	(439,543)	(414,818)
Total Other Financing Sources (Uses)	$462,585	$425,107	$523,479	471,686	637,790
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(138,585)	447,104	1,012,372	725,263	3,980,514
Fund Balance, July 1:					
Restricted	855,001	557,102	557,023	638,838	650,540
Committed	429,390	514,831	789,056	1,473,273	1,355,193
Assigned	194,054	267,927	440,885	687,225	1,518,866
Total Fund Balance, July 1	$ 1,478,445	$ 1,339,860	$ 1,786,964	$ 2,799,336	$ 3,524,599
Fund Balance, June 30:					
Restricted	557,102	557,023	638,838	650,540	1,783,359
Committed	514,831	789,056	1,473,273	1,355,193	2,469,243
Assigned	267,927	440,885	687,225	1,518,866	3,252,511
Total Fund Balance, June 30	$ 1,339,860	$ 1,786,964	$ 2,799,336	$ 3,524,599	$ 7,505,113

SUMMARY OF GENERAL FUND REVENUES,
EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND VARIANCE OF ACTUAL-BUDGETARY BASIS
(IN THOUSANDS)

	Fiscal Year Ended June 30,			
	2017		2018	
	Final Budget	Variance of Actual Favorable (Unfavorable)	Final Budget	Variance of Actual Favorable (Unfavorable)
Revenues:				
Taxes				
Individual and Fiduciary Income	$12,913,800	$ 139,087	$13,491,900	$ 613,866
State Sales and Use	3,752,210	(31,658)	3,837,300	(10,222)
Corporation Income	794,200	32,761	874,000	(12,103)
Communications Sales and Use	407,000	(11,267)	396,500	(12,338)
Public Service Corporations	97,800	(2,716)	98,000	672
Premiums of Insurance Companies	344,100	(3,190)	362,100	(24,153)
Other [1]	827,850	8,411	851,691	(15,912)
Total Taxes	$19,136,960	$ 131,428	$19,911,491	$ 539,810
Rights and Privileges	100,561	(14,642)	90,089	691
Institutional Revenue	45,508	(9,371)	41,278	(3,352)
Interest, Dividends, Rents and Other Investment Income	62,700	(1,570)	69,406	2,677
Tobacco Master Settlement	48,000	1,019	48,000	10,267
Other [2]	470,259	48,657	474,595	137,998
Total Revenues	$19,863,988	$ 155,521	$20,634,859	$ 688,091
Expenditures:				
General Government	2,474,935	86,630	2,524,715	119,495
Education	8,503,248	52,348	8,819,740	79,623
Transportation	263	27	233	31
Resources and Economic Development	494,179	49,077	471,601	73,807
Individual and Family Services	6,589,797	38,560	6,988,389	84,378
Administration of Justice	2,763,740	23,329	2,878,675	29,724
Capital Outlay	101,151	56,663	12,429	7,771
Total Expenditures	$20,927,313	$ 306,634	$21,695,782	$ 394,829
Revenues Over (Under) Expenditures	$(1,063,325)	$ 462,155	$ (1,060,923)	$ 1,082,920
Other Financing Sources (Uses):				
Transfers In	878,536	25,719	855,267	14,518
Transfers Out	(440,560)	(1,110)	(432,042)	(12,636)
Total Other Financing Sources (Uses)	$ 437,976	$ 24,609	$ 423,225	$ 1,882
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(625,349)	486,764	(637,698)	1,084,802
Fund Balance, July 1	1,478,445	-	1,339,860	-
Fund Balance, June 30	$ 853,096	$ 486,764	$ 702,162	$ 1,084,802

[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 Annual Comprehensive Financial Report 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 Receipts for Support of Special Services," "Fines, Forfeitures, Court Fees, Penalties, and Escheats," "Federal Grants and Contracts," "Receipts from Cities, Counties, and Towns", "Private Donations, Gifts, and Contracts" and "Other". The reason for this is consistency with the Annual Comprehensive Financial Report line Items.

Source: Department of Accounts.

SUMMARY OF GENERAL FUND REVENUES,
EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND VARIANCE OF ACTUAL-BUDGETARY BASIS
(IN THOUSANDS)

2019		2020		2021	
Final Budget	Variance of Actual Favorable (Unfavorable)	Final Budget	Variance of Actual Favorable (Unfavorable)	Final Budget	Variance of Actual Favorable (Unfavorable)
$14,421,600	$ 804,871	$15,419,400	$ (67,808)	$ 15,446,000	$ 1,857,666
3,981,000	(7,989)	4,266,100	(153,257)	4,300,900	323,649
1,012,200	(68,809)	1,031,500	(19,850)	1,288,700	226,992
368,000	(6,977)	350,000	(2,899)	348,000	(33,232)
98,700	190	98,900	(1,861)	98,600	2,514
395,300	(13,282)	394,100	(33,512)	314,900	48,205
802,329	31,186	910,841	39,353	1,195,711	128,728
$ 21,079,129	$ 739,190	$ 22,470,841	$ (239,834)	$ 22,992,811	$ 2,554,522
87,804	5,421	87,596	7,099	89,320	5,935
43,525	(5,588)	51,454	(13,491)	55,011	(22,728)
70,443	33,227	131,870	4,951	93,425	1,036
58,667	(2,180)	56,000	(1,866)	87,410	13,105
495,014	(12,708)	446,907	53,977	438,251	122,966
$ 21,834,582	$ 757,362	$ 23,244,668	$ (189,164)	$ 23,756,228	$ 2,674,836
2,591,762	145,278	3,103,116	230,413	2,792,844	260,179
9,212,771	103,698	9,722,175	196,078	10,427,918	459,764
256	53	189	49	197	50
518,768	86,739	636,191	105,826	652,429	120,076
7,338,134	130,110	7,345,513	461,330	7,241,258	189,456
2,938,324	33,661	3,065,651	81,747	3,127,411	127,090
11,127	8,552	15,814	11,279	11,239	8,341
$ 22,611,142	$ 508,091	$ 23,888,649	$ 1,086,722	$ 24,253,296	$ 1,164,956
$ (776,560)	$ 1,265,453	$ (643,981)	$ 897,558	$ (497,068)	$ 3,839,792
904,470	33,836	874,430	36,799	1,005,483	47,125
(408,301)	(6,526)	(442,031)	2,488	(407,173)	(7,645)
$ 496,169	$ 27,310	$ 432,399	$ 39,287	$ 598,310	$ 39,480
(280,391)	1,292,763	(211,582)	936,845	101,242	3,879,272
1,786,964	-	2,799,336	-	3,524,599	-
$ 1,506,573	$ 1,292,763	$ 2,587,754	$ 936,845	$ 3,625,841	$ 3,879,272

Source: Department of Accounts.

General Fund Revenues

Of total fiscal year 2021 tax revenue, 97.1 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: (67.7 percent of Total Taxes in fiscal year 2021) 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 2021:

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: (18.1 percent of Total Taxes in fiscal year 2021) 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. 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 and of the 2.5 percent sales tax 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: (6.0 percent of Total Taxes in fiscal year 2021) The Commonwealth imposes a 6 percent income tax on the net income of all corporations having income from sources in the Commonwealth, whether domestic or foreign, 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.

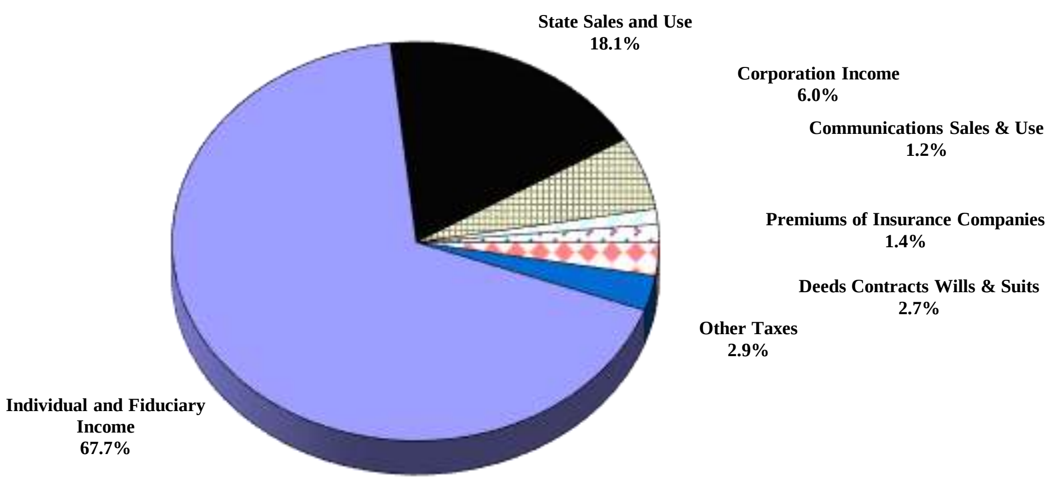
Communication Sales and Use Taxes: (1.2 percent of Total Taxes in fiscal year 2021) The Commonwealth collects communication sales and use taxes and disburses these amounts to localities.

Taxes on Deeds, Contracts, Wills and Suits: (2.7 percent of Total Taxes in fiscal year 2021) 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: (1.4 percent of Total Taxes in fiscal year 2021) 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.

The following pie chart summarizes general revenue fund tax revenue by source.

COMPOSITION OF GENERAL FUND TAX REVENUES BY SOURCE
Fiscal Year Ended June 30, 2021



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 2016 through 2021:

OUTSTANDING COLLECTIBLE TAX RECEIVABLES

Fiscal Year Ended June 30,	Amount[1]
2016………………………………………….	597,103,392
2017………………………………………….	612,943,746
2018………………………………………….	656,328,796
2019………………………………………….	711,396,203
2020………………………………………….	735,765,347
2021…..……………………………………….	645,283,906

[1] Amount 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, which is 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: (43.2 percent of Total Expenditures in fiscal year 2021) 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: (30.5 percent of Total Expenditures in fiscal year 2021) 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: (13.0 percent of Total Expenditures in fiscal year 2021) 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.

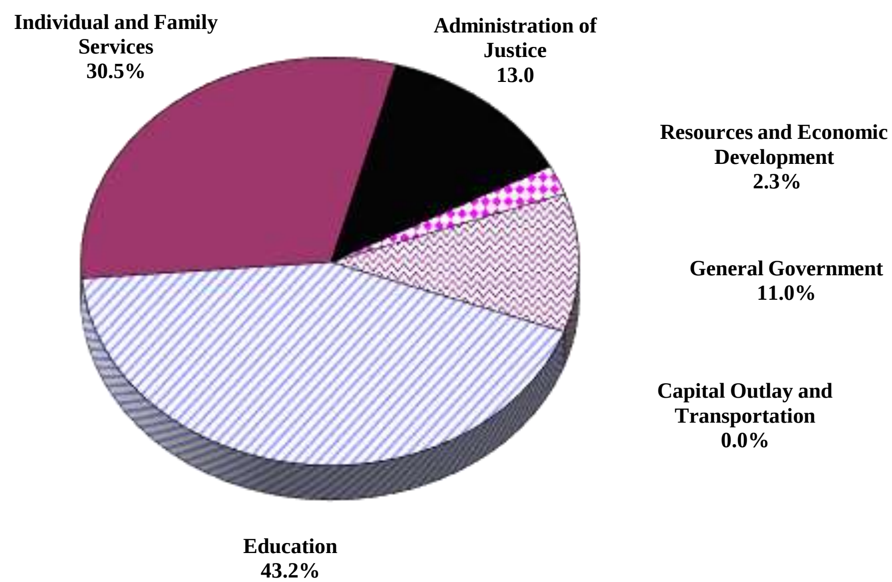
General Government: (11.0 percent of Total Expenditures in fiscal year 2021) General government expenditures support the general activities of state, regional and local levels of government. These activities include financial assistance to localities, enactment of legislative policy, intergovernmental 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: (2.3 percent of Total Expenditures in fiscal year 2021) 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: (0.01 percent of Total Expenditures in fiscal year 2021) 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.

The following pie chart summarizes the General Fund expenditures by source:

DISTRIBUTION OF GENERAL FUND EXPENDITURES BY SOURCE
Fiscal Year Ended June 30, 2021



Capital Outlay and Transpotation distribution of general fund expenditures is less than 0.01 percent.
Source: Department of Accounts.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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.

2017. General Fund revenues and other sources were less than expenditures and other uses by $138.6 million in fiscal year 2017. Total revenues increased by 3.4 percent and total expenditures increased by 3.4 percent. Transfers to the General Fund increased by 16.6 percent while transfers out decreased by 4.9 percent. Transfers to and from Component Units in fiscal year 2017 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, 2017 in these classifications.

2018. General Fund revenues and other sources were more than expenditures and other uses by $447.1 million in fiscal year 2018. Total revenues increased by 6.5 percent and total expenditures increased by 3.3 percent. Transfers to the General Fund decreased by 3.8 percent while transfers out increased by 0.7 percent. Transfers to and from Component Units in fiscal year 2018 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, 2018 in these classifications.

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.

Nongeneral Fund Revenues

Nongeneral 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 nongeneral 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.

Below 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)

	2017	2018	2019	2020	2021
Total revenues	$ 5,717,049	$ 6,287,368	$ 6,232,672	$ 6,385,623	$ 7,550,146
Total expenditures	5,838,226	6,146,679	5,578,326	5,628,548	6,851,125
Revenues over (under) expenditures	(121,177)	140,689	654,346	757,075	669,021
Other sources (uses) net	199,930	287,921	(98,906)	(412,740)	(378,186)
Revenue and other sources (uses) over (under) expenditures	78,753	428,610	555,440	344,335	320,835
Beginning fund balance (adjusted)	1,908,327	1,898,668	2,327,278	2,889,679	3,244,917
Ending fund balance	$ 1,987,080	$ 2,327,278	$ 2,882,718	$ 3,234,014	$ 3,565,752

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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus that is currently negatively impacting most, if not all, areas of the world, including the United States and the Commonwealth. Within the United States, the federal government and various state and local governments, as well as private entities and institutions, have implemented a variety of different efforts aimed at mitigating the spread of COVID-19 including, but not limited to, travel restrictions, voluntary and mandatory quarantines, vaccine mandates, mask-wearing guidelines, testing protocols, event postponement and cancellations, voluntary and mandatory work from home arrangements, and facility closures. These mitigation measures, as well as general concerns related to the global and national public health emergency and other contributing factors, have resulted in dislocations in the labor market and stress on the global and national economies. Measures to address the COVID-19 pandemic and the related economic and financial affects are expected to continue for an indeterminate period.

2021 Appropriation Act

On December 16, 2020, Governor Northam presented his proposed amendments to the 2020 Special Session Appropriation Act, impacting the remainder of the 2020-2022 biennium. The starting point for the Governor's introduced amended budget was Chapter 56 of the 2020 Acts of Assembly, Special Session I, which was enacted on November 18, 2020.

The Governor's introduced 2021 amended budget bill was considered by the 2021 Session of the General Assembly which convened on January 13, 2021. The General Assembly continued consideration of the Governor's introduced budget amendments into the 2021 Special Session I, which adjourned on March 1, 2021, offering recommendations for additional amendments to the bill. At the April 7, 2021 reconvened session, the Governor offered executive amendments that were considered and folded into the amended budget for the 2020-22 biennium. As a result of the adoption of all the Governor's proposed reconvened session amendment by the General Assembly, the 2021 Appropriation Act, also known as Chapter 552, 2021 Acts of Assembly, Special Session I, became effective on April 7, 2021.

General Fund appropriation changes in the 2021 Appropriation Act focused on the following:

- Responding to ongoing needs related to COVID-19 pandemic
- Restoration of priority programs
- Providing employee compensation and benefits
- Strengthening fiscal integrity through deposits to reserves
- Preservation of liquidity to operate government and deliver services

The top ten General Fund biennial spending amendments included in the 2021 Appropriation Act are as follows:

- Provide funding to the Revenue Reserve....................$900.0 million
- Provide No Loss funding to local school divisions....................$367.0 million
- Provide state and state-supported local employee salary increase....................$243.9 million
- Public School (K12) instructional and support positions salary increase....................$233.6 million
- Update sales tax revenue for public education....................$174.6 million
- Adjust maintenance reserve funding....................$137.8 million
- Provide additional general operating support to public higher education institutions....................$113.5 million
- Provide a payment to the Virginia Retirement System to reduce unfunded liabilities....................$100.0 million
- Increase Rates for Personal, Respite and Companion Care....................$63.7 million
- 2021 Transportation Initiative....................$55.0 million

The top ten amendments included in the 2021 Appropriation Act that involve downward adjustments in biennial General Fund spending are as follows:

- Update K12 Average Daily Membership projections based on actual Fall Membership....................($400.6 million)
- Capture enhanced Medicaid federal match savings....................($306.4 million)
- Adjust Medicaid utilization and inflation....................($227.4 million)
- Update Lottery proceeds for public education and the cost of Lottery-funded programs....................($102.4 million)
- Adjust Health Care Fund revenue and appropriation....................($98.5 million)
- Recognize debt service savings....................($49.8 million)
- Update the state cost for English as a Second Language based on data for verified English learners....................($40.0 million)

- Update COVID-19 Relief Payments .... ($30.9 million)
- Supplant GF for NGF for Child Care for School Age Children.. ($16.6 million)
- Virginia Preschool Initiative Enrollment Update .... ($15.9 million)

After General Fund resource changes, savings, and spending, the 2021 Appropriation Act results in an estimated $8.1 million general fund balance at the end of the biennium. The table on the following page summarizes the 2021 Appropriation Act.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

2021 Appropriation Act
(Chapter 552, 2021 Acts of Assembly, Special Session I)

	FY 2021	FY 2022	Total
GENERAL FUND			
Revenue			
Unrestricted Beginning Balance	$2,874,058,799	$ -	$2,874,058,799
Additions to balance	(1,278,580,333)	29,850,000	(1,248,730,333)
Official revenue estimate	22,320,832,509	22,899,142,814	45,219,975,323
Transfers	695,527,155	682,417,349	1,377,944,504
Total general fund resources available for appropriation	$24,611,838,130	$23,611,410,163	$48,223,248,293
Appropriations[1]			
Legislative	$106,445,170	$107,794,830	$214,240,000
Judicial	525,416,049	547,083,773	1,072,499,822
Executive	22,086,174,841	24,598,282,737	46,684,457,578
Independent Agencies	2,418,671	2,843,671	5,262,342
Sub-total operating expenses	$22,720,454,731	$25,256,005,011	$47,976,459,742
Capital Outlay	1,800,000	236,882,850	238,682,850
Total appropriations	$22,722,254,731	$25,492,887,861	$48,215,142,592
NONGENERAL FUNDS			
Revenue			
Balance June 30, 2020	$6,915,611,972	$ -	$6,915,611,972
Official revenue estimate	39,150,326,908	40,085,094,957	79,235,421,865
Lottery Proceeds Fund	708,231,123	690,903,334	1,399,134,457
Internal Service Fund	2,127,455,883	2,293,917,698	4,421,373,581
Bond proceeds	2,729,883,162	244,775,137	2,974,658,299
Total nongeneral fund revenue available for appropriation	$51,631,509,048	$43,314,691,126	$94,946,200,174
Appropriations			
Legislative	$4,025,499	$4,025,499	$8,050,998
Judicial	37,367,872	37,367,872	74,735,744
Executive Department	43,683,009,153	44,856,688,594	88,539,697,747
Independent Agencies	1,049,997,552	1,061,706,950	2,111,704,502
Sub-total operating expenses	$44,774,400,076	$45,959,788,915	$90,734,188,991
Capital Outlay	3,184,789,842	417,323,697	3,602,113,539
Total appropriations	$47,959,189,918	$46,377,112,612	$94,336,302,530

2022 Amendments to the 2021 Appropriation Act (HB/SB 29 Introduced)

On December 16, 2021, Governor Northam presented amendments to the 2021 Appropriation Act affecting appropriations for the remainder of the 2020-2022 biennium (House Bill 29 / Senate Bill 29). Thirty-three individual operating amendments increase general fund spending by $1.1 billion and 15 individual operating amendments decrease spending by $1.2 billion for a net operating spending reduction of $75.8 million for the remainder of fiscal year 2022. In addition, five capital outlay amendments increase general fund spending by $211.4 million.

The operating amendments that result in general fund appropriation reductions are predominately technical in nature. Two of the largest of these decreases include the following;

- $653.7 million for Medicaid utilization and inflation, and
- $132.8 million in Health Care Fund revenues that offset general fund Medicaid costs.

Increases in general fund operating appropriation in the Governor's amendments are the result of workload, caseload, or inflationary changes. In addition, the increase in general fund appropriation in fiscal year 2022 reflects the Commonwealth's commitment to improve cash reserves. The three largest increases in spending include the following;

- $563.9 million for a voluntary deposit to the Revenue Cash Reserve,
- $150 million to increase support for the Virginia Business-Ready Sites Program, and
- $115.8 million deposit to the Commonwealth Transportation Fund.

Increases in general fund capital outlay appropriation in the Governor's amendments are the result of emergent needs in various capital outlay projects and the two largest increases in capital spending include the following;

- $100 million for supplements for material cost volatility, and
- $80 million to provide additional funding to existing central supplement pool.

The 2022 amendments to the 2021 Appropriation Act assume a general fund balance at the end of the biennium of $4.167 billion.

The table on the following page summarizes House Bill 29/Senate Bill 29 introduced. (2022 Session)

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

2022 Session Amendments to the 2021 Appropriation Act
(House Bill 29 / Senate Bill 29 Introduced)

	FY 2021	FY 2022	Total
GENERAL FUND			
Revenue			
Unrestricted Beginning Balance	$2,874,058,799	$3,832,170,867	$6,706,229,666
Additions to balance	(1,278,580,333)	(2,606,657,808)	(3,885,238,141)
Official revenue estimate	22,320,832,509	25,931,700,000	48,252,532,509
Transfers	695,527,155	748,625,948	1,444,153,103
Total general fund resources available for appropriation	$24,611,838,130	$27,905,839,007	$52,517,677,137
Appropriations			
Legislative	$106,445,170	$107,794,830	$214,240,000
Judicial	525,416,049	547,083,773	1,072,499,822
Executive	22,086,174,841	24,522,480,342	46,608,655,183
Independent Agencies	2,418,671	2,843,671	5,262,342
Sub-total operating expenses	$22,720,454,731	$25,180,202,616	$47,900,657,347
Capital Outlay	1,800,000	448,318,850	450,118,850
Total appropriations	$22,722,254,731	$25,628,521,466	$48,350,776,197
NONGENERAL FUNDS			
Revenue			
Balance June 30, 2020	$6,915,611,972	$0	$6,915,611,972
Official revenue estimate	39,150,326,908	52,115,857,435	91,266,184,343
Lottery Proceeds Fund	708,231,123	843,361,811	1,551,592,934
Internal Service Fund	2,127,455,883	2,293,917,698	4,421,373,581
Bond proceeds	2,729,883,162	244,775,137	2,974,658,299
Total nongeneral fund revenue available for appropriation	$51,631,509,048	$55,497,912,081	$107,129,421,129
Appropriations			
Legislative	$4,025,499	$4,025,499	$8,050,998
Judicial	37,367,872	37,367,872	74,735,744
Executive Department	43,683,009,153	55,927,766,509	99,610,775,662
Independent Agencies	1,049,997,552	1,061,706,950	2,111,704,502
Sub-total operating expenses	$44,774,400,076	$57,030,866,830	$101,805,266,906
Capital Outlay	3,184,789,842	423,470,278	3,608,260,120
Total appropriations	$47,959,189,918	$57,454,337,108	$105,413,527,026

Source: Department of Planning and Budget.

2022 Introduced Budget

On December 16, 2021, Governor Northam presented the introduced Budget Bill for the 2022-2024 biennium that begins July 1, 2022 (House Bill/Senate Bill 30) (the "2022 Budget Bill").

Key features of the introduced 2022 Budget Bill include increasing reserve balances; maintaining fiscal liquidity; maintaining structural balance; investing in the public workforce; and funding mandates, commitments and core services.

More specifically, 610 individual operating amendments increase general fund spending by $10.5 billion and 32 individual operating amendments decrease spending by $850.6 million for a net operating spending increase of $9.7 billion for the 2022-2024 biennium. In addition, 56 capital outlay amendments increase general fund spending by $2.5 billion.

The top ten operating general fund spending increases in the introduced 2022 budget bill include the following:

- $1.1 billion for a mandatory deposit to the Revenue Stabilization Fund,
- $924.0 million for a one-time deposit to the Virginia Retirement System to reduce unfunded liabilities,
- $821.2 million to cover the cost of Medicaid utilization and inflation,
- $806.8 million for a cumulative ten percent salary increase for state employees and state-supported local employees other than K-12 instructional and support positions,
- $751.0 million for a cumulative ten percent salary increase for funded K-12 instructional and support positions,
- $500.0 million to support school construction, renovations, and modernization,
- $354.5 million to provide hold harmless payments to school divisions for base year rebenchmarking data affected by COVID-19,
- $331.6 million to update the state cost of Direct Aid to Public Education for the 2022-2024 biennium,
- $313.0 million to fulfill the mandatory deposit to the Water Quality Improvement Fund, and
- $294.2 million to increases Medicaid reimbursement rates for developmental disability waiver services.

Major general fund capital outlay increases in the introduced 2022 budget bill include the following:

- $1.4 billion to fund high priority projects for construction/renovation in various higher education and other agencies,
- $382 million to fund 33 infrastructure projects in various higher education and other agencies,
- $354 million to address maintenance needs that are critical to continued use of buildings, systems, or equipment,
- $303 million to provide supplemental funding for previously authorized capital project construction pools to address any shortfalls,
- $100 million to fund programs providing funding for local water-related infrastructure projects, and
- $97.1 million to fund equipment for previously authorized projects being completed in the 2022-2024 biennium and for the Tech Talent Investment Program.

The 2022 introduced budget assumes a general fund balance at the end of the 2022-2024 biennium of $149.4 million.

The table on the following page summarizes House Bill 30 / Senate Bill 30 introduced. (2022 Session)

2022 Introduced Budget
(House Bill 30 / Senate Bill 30 Introduced)

	FY 2023	FY 2024	Total
GENERAL FUND			
Revenue			
Unrestricted Beginning Balance	$4,166,900,940	$0	$4,166,900,940
Additions to balance	1,440,246,365	(500,000)	1,439,746,365
Official revenue estimate	25,786,744,000	28,077,424,800	53,864,168,800
Transfers	726,420,991	744,020,991	1,470,441,982
Total general fund resources available for appropriation	$32,120,312,296	$28,820,945,791	$60,941,258,087
Appropriations			
Legislative	$111,564,212	$111,564,212	$223,128,424
Judicial	$576,030,490	$576,221,069	$1,152,251,559
Executive	$29,373,759,352	$27,484,424,878	$56,858,184,230
Independent Agencies	$6,781,138	$6,781,138	$13,562,276
Sub-total operating expenses	$30,068,135,192	$28,178,991,297	$58,247,126,489
Capital Outlay	$1,783,045,935	$761,650,000	$2,544,695,935
Total appropriations	$31,851,181,127	$28,940,641,297	$60,791,822,424
NONGENERAL FUNDS			
Revenue			
Balance June 30, 2022	$8,383,240,878	$0	$8,383,240,878
Official revenue estimate	43,792,440,088	44,616,962,722	88,409,402,810
Lottery Proceeds Fund	764,671,715	764,671,715	1,529,343,430
Internal Service Fund	2,797,332,311	2,750,473,321	5,547,805,632
Bond proceeds	157,296,000	$0	157,296,000
Total nongeneral fund revenue available for appropriation	$55,894,980,992	$48,132,107,758	$104,027,088,750
Appropriations			
Legislative	$5,082,324	$5,082,324	$10,164,648
Judicial	$37,956,799	$37,956,799	$75,913,598
Executive Department	$48,516,197,382	$48,849,573,394	$97,365,770,776
Independent Agencies	$1,163,917,241	$1,169,238,091	$2,333,155,332
Sub-total operating expenses	$49,723,153,746	$50,061,850,608	$99,785,004,354
Capital Outlay	$924,285,221	$221,766,000	$1,146,051,221
Total appropriations	$50,647,438,967	$50,283,616,608	$100,931,055,575

Source: Department of Planning and Budget.

The General Assembly convened in regular session on January 12, 2022, to consider, among other things, the 2022 Budget Bill. The regular session is scheduled to adjourn on or about March 12, 2022. Once the General Assembly has approved or revised the 2022 Budget Bill, the Governor will review the bill and will either sign it, veto the entire bill or certain line items, or recommend amendments. If the Governor recommends amendments and/or vetoes the bill or any line items, the bill will return to the General Assembly for consideration and action during the reconvened session scheduled for April 2022.

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) shall 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, 2021, the debt limits pursuant to Article X, Section 9 of the Constitution of Virginia are as follows:

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

(Dollars in Thousands)	Fiscal Year Ended June 30,		
Tax Revenues Required for Computation	**2019**	**2020**	**2021**
Individual and Fiduciary Income [1]	$14,801,986	$15,351,603	$17,304,476
Corporation Income [2]	943,391	1,011,650	1,515,692
State Sales and Use [3]	3,972,960	4,112,861	4,624,545
Total	$19,718,337	$20,476,114	$23,444,713
Average tax revenues for the three fiscal years			$21,213,055
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 2020:			8,088,426
Less 9(a)(2) Bonds Outstanding:			0
Debt Issuance Margin for Section 9(a)(2) General Obligation Bonds			$8,088,426
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			24,394,712
Less 9(b) Bonds Outstanding at June 30, 2021:			
Public Facilities Bonds [5]		278,221	
Transportation Facilities Refunding Bonds [5]		0	
Bond Anticipation Notes		0	
Total 9(b) Bonds Outstanding at June 30, 2021:			278,221
Debt Issuance Margin for Section 9(b) General Obligation Bonds			24,116,792
Debt Authorization Limit:			
25% of 1.15 times average tax revenues for three fiscal years as calculated above			6,098,753
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):			6,098,753
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			24,395,013
Less 9(c) Bonds Outstanding at June 30, 2021:			
Parking Facilities [5]		6,640	
Transportation Facilities [5]		0	
Higher Educational Institutions [5]		955,729	
Bond Anticipation Notes		0	
Total 9(c) Bonds Outstanding at June 30, 2021:			962,369
Debt Issuance Margin for Section 9(c) General Obligation Bonds			$23,432,644

[1] Includes taxes imposed pursuant to Articles 2 and 9 of Chapter 3, Title 58.1 of the Code of Virginia. 2019 is adjusted for Tax Payer Relief Fund amount.

[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] 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, 2021 includes the unamortized portion of $278.2 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, 2021 includes various series of Higher Educational Institutions Bonds (including refunding bonds) issued from 2005 to 2018, one series of Transportation Facilities Bonds (refunding bonds) issued in 2016, and four series of Parking Facilities Bonds (including refunding bonds) issued between 2009 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.

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, 2021, $2.4 billion (unadjusted) 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. As of June 30, 2021, $2.4 billion had been issued under this authorization and is currently outstanding.

The Virginia Port Authority ("VPA") issues bonds secured by its share of the Transportation Trust Fund. As of June 30, 2021, $218.7 million of Commonwealth Port Fund ("CPF") Revenue Bonds were outstanding and there was no authorized but unissued CPF debt.

Leases and Contracts

Capital Leases. 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, 2021. These lease agreements are for various terms, and each lease contains a nonappropriation clause indicating that continuation of the lease is subject to funding by the General Assembly. The principal balance of all tax-supported capital leases outstanding was $42.2 million as of June 30, 2021.

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 nonappropriation 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 $224.0 million as of June 30, 2021.

Outstanding Tax-Supported Debt

The following table summarizes 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.

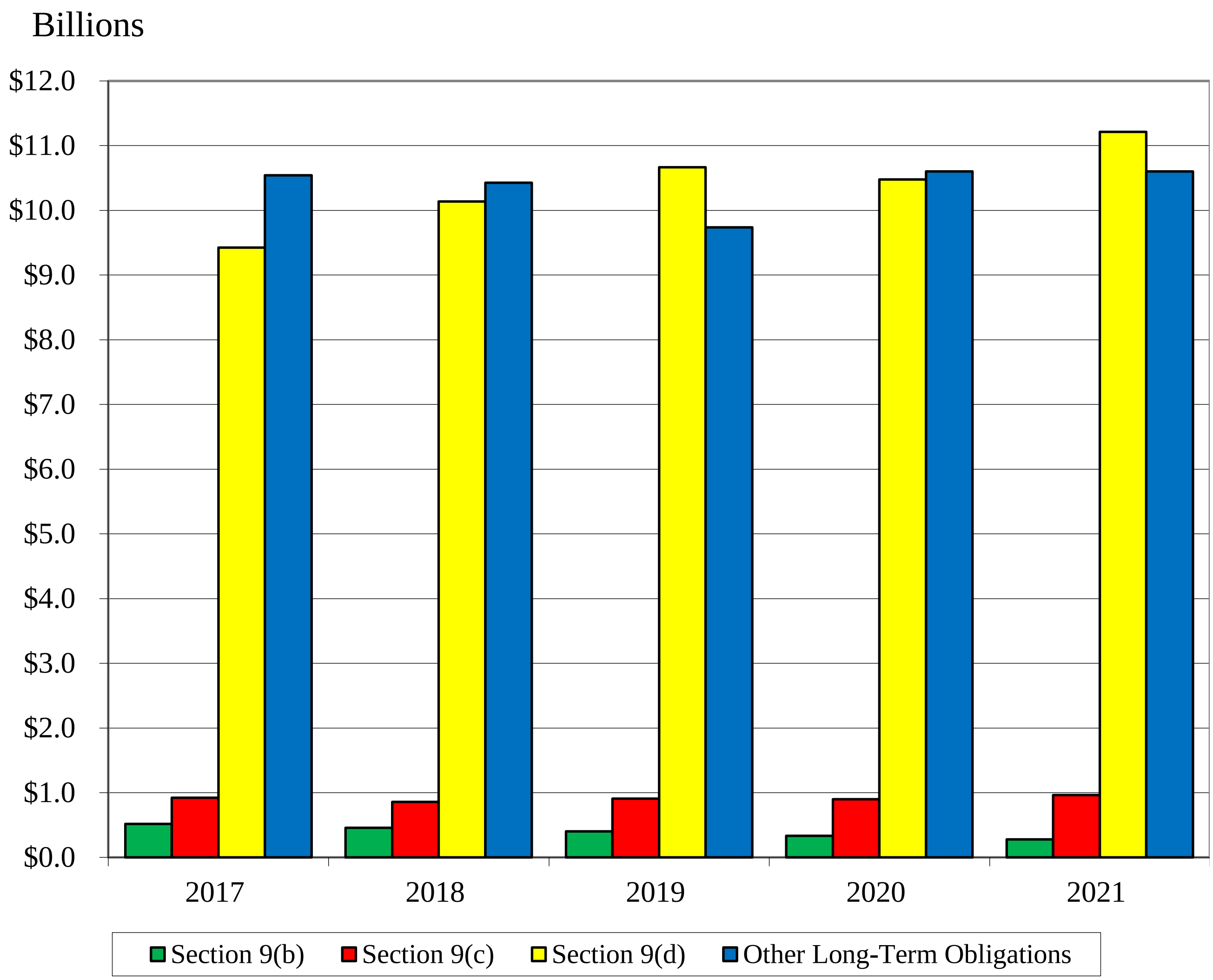
OUTSTANDING TAX-SUPPORTED DEBT
(in thousands)

	2017	2018	2019	2020	2021
General Obligation Debt:					
Section 9(a)	-	-	-	-	-
Section 9(b) [1]	$ 515,468	$ 457,764	$ 401,873	$ 330,934	$ 278,221
Section 9(c) [1]					
Higher Educational Institutions	897,018	836,874	893,106	886,837	956,525
Transportation Facilities	11,642	8,914	6,061	3,083	-
Parking Facilities	11,101	9,850	8,567	7,583	$5,844
Sub-Total 9(c) [1]	$ 919,761	$ 855,638	$ 907,734	$ 897,503	$ 962,369
Total General Obligation Debt [1]	$ 1,435,229	$ 1,313,402	$ 1,309,607	$ 1,228,437	$ 1,240,590
Section 9(d) Debt:					
Transportation [1]	$ 2,578,232	$ 2,875,112	$ 2,966,581	$ 2,813,942	$ 2,410,090
Virginia Public Building Authority [1]	2,674,563	2,663,808	2,863,660	3,028,198	3,472,631
Virginia Port Authority [1]	253,208	243,448	234,114	223,708	218,740
Virginia College Building Authority 21st Century/Equipment [1]	3,858,925	4,305,134	4,566,772	4,384,599	5,101,393
Virginia Biotechnology Research Partnership Authority [1]	22,727	18,561	14,220	9,669	4,640
Virginia Aviation Board [1]	-	-	-	-	-
Fairfax County Economic Development Authority [1]	37,895	30,783	23,366	15,624	6,715
Total Section 9(d) Debt	$ 9,425,550	$ 10,136,846	$ 10,668,713	$10,475,740	$11,214,209
Other Long-Term Obligations:					
Capital Leases	$ 117,913	$ 42,620	$ 38,392	$ 35,318	$ 35,318
Installment Purchase Obligations	139,680	166,705	170,190	216,159	216,159
Compensated Absences	601,092	631,282	666,786	687,473	687,473
Pension Liability	7,723,846	6,732,980	6,254,910	7,294,376	7,294,376
Total OPEB Liability	1,914,363	1,273,461	985,589	665,099	665,099
Net OPEB Liability	-	1,544,249	1,581,374	1,664,462	1,664,462
Other Liabilities and Notes Payable	43,117	37,911	40,752	38,738	38,738
Total Other Long-Term Obligations	$ 10,540,011	$ 10,429,208	$ 9,737,993	$ 10,601,625	$ 10,601,625
Total Tax-Supported Debt [4]	$ 21,400,790	$ 21,879,456	$ 21,716,313	$ 22,305,802	$ 23,056,424

[1] Net of unamortized discounts/premiums.

Source: Department of the Treasury; Department of Accounts.

OUTSTANDING TAX-SUPPORTED DEBT
As of June 30, 2017-2021



Source: Department of the Treasury; Department of Accounts.

Outstanding Tax-Supported Debt Service

The following table summarizes annual debt service on outstanding tax-supported debt as of June 30, 2021. The table does not include debt service requirements for capital lease and installment purchase obligations payable from the General Fund of the Commonwealth.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

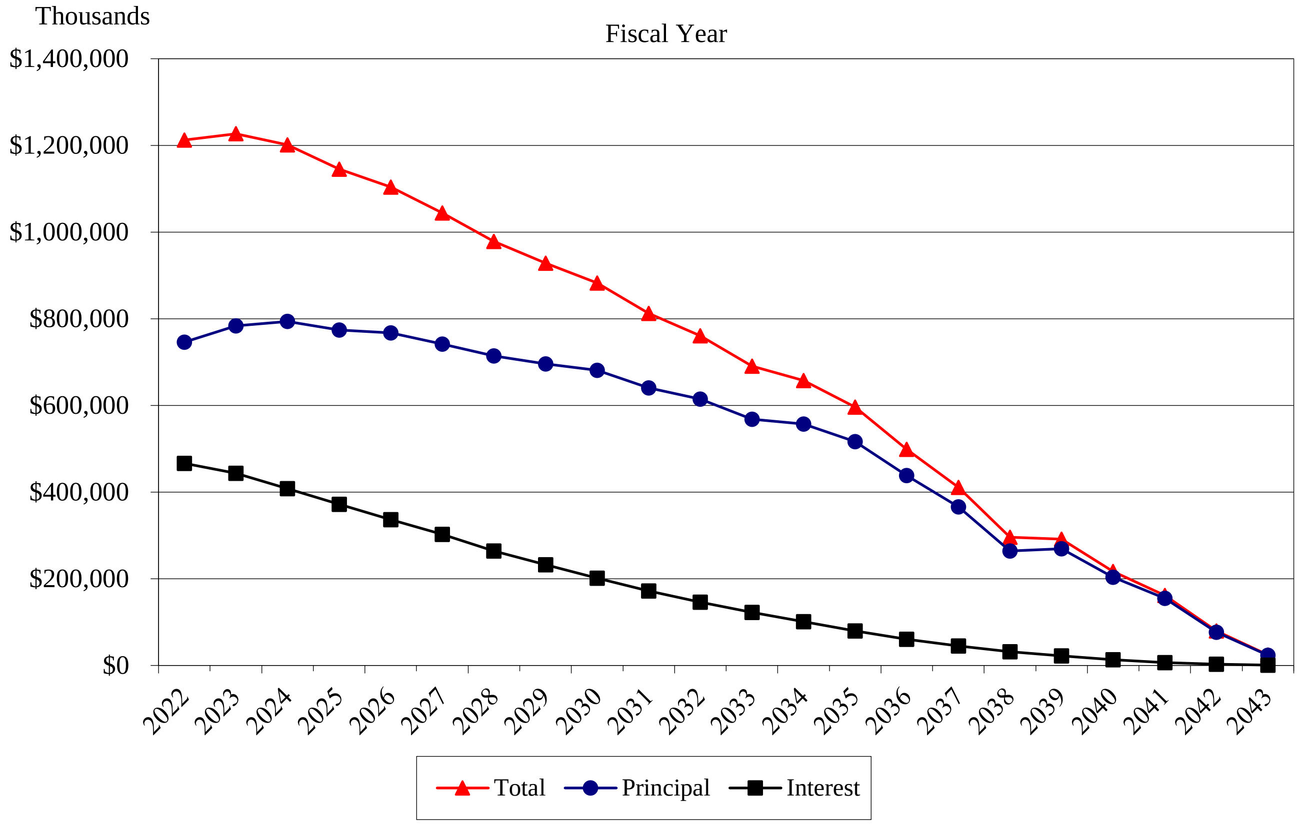
ANNUAL DEBT SERVICE REQUIREMENTS
Tax-Supported Debt Outstanding at June 30, 2021
($ in thousands)

Fiscal Year Ending June 30	General Obligation Debt Sections 9(a), 9(b) and 9c[1]			Other Tax-Supported Debt Section 9(d)			Total		
	Principal	**Interest**	**Total**	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2022	$ 82,514	$ 42,393	$ 124,907	$ 663,175	$ 424,003	$ 1,087,178	$ 745,689	$ 466,396	$ 1,212,085
2023	113,430	38,593	152,023	669,850	404,897	1,074,747	783,280	443,490	1,226,770
2024	115,385	33,753	149,138	678,321	374,052	1,052,373	793,706	407,805	1,201,510
2025	108,245	29,041	137,286	665,734	342,473	1,008,207	773,979	371,514	1,145,493
2026	103,585	24,792	128,377	663,669	311,802	975,471	767,254	336,594	1,103,848
2027	94,820	20,570	115,390	646,756	282,192	928,949	741,576	302,762	1,044,338
2028	80,445	16,623	97,068	633,960	247,732	881,692	714,405	264,355	978,760
2029	67,660	13,674	81,334	628,080	218,528	846,608	695,740	232,201	927,941
2030	60,450	11,178	71,628	620,745	190,448	811,193	681,195	201,626	882,821
2031	56,450	9,139	65,589	584,075	162,544	746,619	640,525	171,684	812,209
2032	47,045	7,339	54,384	567,825	138,474	706,299	614,870	145,813	760,683
2033	46,925	5,885	52,810	520,930	116,869	637,799	567,855	122,754	690,609
2034	41,460	4,441	45,901	515,580	96,283	611,863	557,040	100,724	657,764
2035	34,915	3,253	38,168	481,555	76,419	557,974	516,470	79,672	596,142
2036	27,185	2,268	29,453	411,210	58,080	469,290	438,395	60,348	498,743
2037	19,080	1,543	20,623	347,090	43,138	390,228	366,170	44,681	410,851
2038	16,095	1,052	17,147	247,790	30,568	278,358	263,885	31,620	295,505
2039	12,550	609	13,159	256,575	21,784	278,359	269,125	22,393	291,518
2040	10,725	301	11,026	193,035	13,013	206,048	203,760	13,314	217,074
2041	1,930	47	1,977	152,995	6,766	159,761	154,925	6,813	161,738
2042	-	-	-	76,710	2,562	79,272	76,710	2,562	79,272
2043	-	-	-	23,475	785	24,260	23,475	785	24,260
Subtotal	$ 1,140,894	$ 266,493	$ 1,407,386	$ 10,249,135	$ 3,563,413	$ 13,812,548	$ 11,390,029	$ 3,829,906	$15,219,935
Add Accretion on CAB's	-	-	-	-	-	-	-	-	-
Add Unamortized Premium	99,696	-	99,696	965,074	-	965,074	1,064,770	-	1,064,770
Less Unamortized Discount	-	-	-	-	-	-	-	-	-
Less Deferral on Debt Defeasance	-	-	-	-	-	-	-	-	-
TOTAL	$1,240,590	$266,493	$1,507,082	$11,214,209	$3,563,413	$14,777,622	$12,454,799	$3,829,906	$16,284,705

[1] Net of unamortized discounts/premiums.

Source: Department of the Treasury.

ANNUAL DEBT SERVICE REQUIREMENTS
TAX-SUPPORTED DEBT OUTSTANDING AT JUNE 30, 2021
(In thousands)



Source: Department of Treasury.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

RATIOS OF OUTSTANDING TAX-SUPPORTED DEBT TO POPULATION AND PERSONAL INCOME AT JUNE 30, 2021
(In thousands)

Fiscal Year	Population	Personal Income	Outstanding Debt	Tax-Supported Debt/Capita	Debt/Income
2015	8,366,767	$436,655,248	$19,750,033	2,360.53	4.5%
2016	8,414,380	$445,461,657	$20,877,208	2,481.13	4.7%
2017	8,470,020	$459,448,879	$21,400,790	2,526.65	4.7%
2018	8,517,685	$492,312,700	$21,879,456	2,568.71	4.4%
2019	8,556,642	$502,600,783	$21,716,313	2,537.95	4.3%
2020	8,590,563	$532,256,216	$22,305,802	2,596.55	4.2%
2021	8,642,274	$550,910,497	$23,056,424	2,667.87	4.2%

2015-2020 Population, Personal Income and Per Capita Summary estimates only. Source: Bureau of Economic Analysis (BEA) SA1-3 as of September 2021.

2021 Personal Income Summary estimates only. Source: Commonwealth of Virginia June 30, 2021 Annual Comprehensive Financial Report.

2021 Population estimates only. Source: U.S. Census Bureau, Data Release Date: December 2021.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Authorized and Unissued Tax-Supported Debt

As of June 30, 2021, 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, 2021
(In thousands)

Section 9(b) Debt:		
Higher Educational Institutions Bonds	$	-
Park and Recreational Facilities Bonds		-
Subtotal 9(b) Debt:	$	-
Section 9(c) Debt:		
Higher Educational Institutions Bonds		701,142
Parking Facility Bonds		226
Subtotal 9(c) Debt:	$	701,368
Section 9(d) Debt:		
Transportation Capital Projects Revenue Bonds	$	243,234
Northern Virginia Transportation District Program		24,700
U.S. Route 58 Corridor Development Program		595,700
Virginia Public Building Authority -- Projects		1,810,980
Virginia Public Building Authority -- Jails		63,673
Virginia College Building Authority -- 21st Century Projects		2,222,129
Virginia College Building Authority -- 21st Century Equipment		88,150
Virginia Port Authority		-
Subtotal 9(d) Debt:	$	5,048,566
Total	$	5,749,934

Source: Department of the 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,				
	2017	**2018**	**2019**	**2020**	**2021**
Virginia Resources Authority [1]	$928,088	$927,834	$926,540	$933,279	$914,377
Total	$928,088	$927,834	$926,540	$933,279	$914,377

[1] Net of unamortized discounts and premiums costs.

Source: Virginia Resources Authority

Other 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

OUTSTANDING OTHER DEBT
(In thousands)

	2017	2018	2019	2020	2021
Institutions of Higher Education [1]	$ 2,224,501	$ 2,817,992	$ 2,884,656	$ 3,420,479	$ 4,106,374
Virginia College Building Authority Public Higher Education Financing Program	1,554,955	1,579,275	1,674,580	1,522,505	1,442,450
Virginia College Building Authority Private College Program [1]	716,210	700,260	697,525	563,777	525,865
Virginia Housing Development Authority [1]	3,737,479	3,301,380	3,042,060	3,997,125	4,358,584
Virginia Public School Authority [1]	3,580,954	3,641,402	3,554,603	3,563,368	3,604,298
Virginia Port Authority	294,757	291,985	285,782	279,396	272,815
Commonwealth Transportation Board					
Federal Highway Reimbursement Anticipation Notes [1]	-	-	-	-	
Grant Anticipation Notes (GARVEES) [1]	992,214	1,153,617	1,151,850	1,059,387	1,086,897
Hampton Roads Sanitation District	846,783	891,442	891,629	835,479	835,006
Total	$13,947,853	$14,377,353	$14,182,685	$15,241,516	$16,232,289

[1] Net of unamortized discounts and premiums costs.

Source: Department of the Treasury.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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 has prepared 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 343,575 active Commonwealth employees, school teachers and covered employees of local governments as of June 30, 2021, as compared with 10,471 active members of SPORS, VaLORS, and JRS combined. In addition, the four plans combined had approximately 53,781 inactive vested 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,

	2020	**2021**
State Employees (VRS)……………………..	77,425	76,620
Teachers (VRS)…………………………..	150,073	157,406
Employees of Political Subdivisions (VRS)...	110,416	109,549
State Police Officers (SPORS)……………...	1,924	1,890
Virginia Law Officers (VaLORS)…………..	8,540	8,135
Judges (JRS)……………………………...	448	446
Total	348,826	354,046

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. 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 Plan 1 or ORP.	**Eligible Members** Members are eligible for Plan 2 if their membership date is from July 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. **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.	**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 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. ***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	**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.

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.		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. Distribution is not required by law until age 70½.
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.
Service Retirement Multiplier VRS Plan 1: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. SPORS, sheriffs and regional jail superintendents: The retirement multiplier is 1.85%. VaLORS: The retirement multiplier is 1.70% or 2.00%.	**Service Retirement Multiplier** VRS Plan 2: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. SPORS, sheriffs and regional jail superintendents: Same as Plan 1.	**Service Retirement Multiplier** *Defined Benefit Component*: VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. SPORS, sheriffs and regional jail superintendents: Not applicable.

• Members hired before July 1, 2001, have a 1.70% multiplier and are eligible for a hazardous duty supplement. They also had the option to elect the 2.00% multiplier and no supplement. • Members hired on or after July 1, 2001, have a 2.00% multiplier and no supplement. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer. JRS Plan 1: If appointed or elected to an original term prior to January 1, 2013, the retirement multiplier is 1.70%. If appointed or elected to an original term between January 1, 2013, and December 31, 2013, the retirement multiplier is 1.70% on non-JRS service earned, purchased or granted before the date of appointment or election to an original term, and 1.65% on JRS service earned, purchased or granted on or after the date of appointment or election to an original term.	VaLORS: The retirement multiplier is 2.00%. Political subdivision hazardous duty employees: Same as Plan 1. JRS Plan 2: Same as Plan 1.	VaLORS: Not applicable. Political subdivision hazardous duty employees: Not applicable. JRS: The retirement multiplier for the defined benefit component is 1.00%. The member will retain the applicable multiplier on any covered service outside JRS. *Defined Contribution Component:* Not applicable.
Normal Retirement Age VRS: Age 65. SPORS, VaLORS and political subdivision hazardous duty employees: Age 60. JRS: Age 65; mandatory retirement age is 73.	**Normal Retirement Age** VRS: Normal Social Security retirement age. SPORS, VaLORS and political subdivision hazardous duty employees: Same as Plan 1. JRS: Same as Plan 1.	**Normal Retirement Age** *Defined Benefit Component:* VRS: Same as Plan 2. SPORS, VaLORS and political subdivision hazardous duty employees: Not applicable. JRS: Same as Plan 1. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	**Earliest Unreduced Retirement Eligibility** VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.	**Earliest Unreduced Retirement Eligibility** *Defined Benefit Component:* VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

SPORS, VaLORS and political subdivision hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service. JRS: Age 65 with at least five years of creditable service or at age 60 with at least 30 years of creditable service. Service earned under JRS is weighted. The weighting factors for a judge appointed prior to July 1, 2010, are as follows: • 3.5 for JRS members appointed or elected to an original term before January 1, 1995. • 2.5 for JRS members appointed or elected to an original term on or after January 1, 1995, but before July 1, 2010. For members appointed or elected to an original term between July 1, 2010, and December 31, 2013, the weighting factors are: • 1.5 if appointed or elected to an original term before age 45. • 2.0 if appointed or elected to an original term between ages 45 and 54. • 2.5 if appointed or elected to an original term at age 55 or older.	SPORS, VaLORS and political subdivision hazardous duty employees: Same as Plan 1. JRS: Same as Plan 1. Service earned under JRS is weighted. The weighting factors under Plan 2 are: • 1.5 for JRS members appointed or elected to an original term before age 45. • 2.0 for JRS members appointed or elected to an original term between ages 45 and 54. • 2.5 for JRS members appointed or elected to an original term at age 55 or older.	SPORS, VaLORS and political subdivision hazardous duty employees: Not applicable. JRS: Same as Plan 2. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. SPORS, VaLORS and political subdivision hazardous duty employees: Age 50 with at least five years of creditable service. JRS: Age 55, with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility** VRS: Age 60 with at least five years (60 months) of creditable service. SPORS, VaLORS and political subdivision hazardous duty employees: Same as Plan 1. JRS: Same as Plan 1.	**Earliest Reduced Retirement Eligibility** *Defined Benefit Component:* VRS: Age 60 with at least five years (60 months) of creditable service. SPORS, VaLORS and political subdivision hazardous duty employees: Not applicable. JRS: Same as Plan 1. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	**Cost-of-Living Adjustment (COLA) in Retirement** *Defined Benefit Component:* Same as Plan 2. *Defined Contribution Component:* Not applicable.

increase (up to 4%) up to a maximum COLA of 5%. *Eligibility:* For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have fewer than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. *Exceptions to COLA Effective Dates:* The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires directly from short-term or long-term disability under the Virginia Local Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.	*Eligibility:* Same as Plan 1. *Exceptions to COLA Effective Dates:* Same as Plan 1.	*Eligibility:* Same as Plan 1 and Plan 2. *Exceptions to COLA Effective Dates:* The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires directly from short-term or long-term disability under the Virginia Local Disability Program (VLDP) or employer opt-out plan. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.
Disability Coverage For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and	**Disability Coverage** For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and	**Disability Coverage** Employees of political subdivisions and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid

Disability Program (VSDP) and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Program (VSDP) and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit, if offered by the employer. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** *Defined Benefit Component:* Same as Plan 1, with the following exception: Hybrid Retirement Plan members are ineligible for ported service. *Defined Contribution Component:* Not applicable.

Following is a summary of additions and deductions of the four retirement plans, including additions and deductions attributable to VRS members who are employees of local school boards and political subdivisions. **The political subdivisions have voluntarily joined the VRS, and the Commonwealth is responsible only for administration of the programs and not for contribution.**

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

PENSION TRUST FUNDS
ADDITIONS AND DEDUCTIONS
(Expressed in Thousands)

	Fiscal Years Ended June 30,				
	2017	**2018**	**2019**	**2020**	**2021**
Additions:					
Member Contributions	$ 916,718	$ 938,128	$ 981,624	$ 916,961	$ 910,989
Employer Contributions	2,325,678	2,527,786	2,529,719	2,562,990	2,800,317
Net Investment Income (net of investment expenses)	904,842	894,097	967,119	802,405	689,298
Other	1,798	1,076	2,299	1,723	1,860
Total Additions	4,149,036	4,361,087	4,480,761	4,284,079	4,402,464
Deductions:					
Benefits	4,518,958	4,752,889	4,990,124	5,262,256	5,522,199
Refunds	119,705	122,968	117,907	107,418	116,187
Administrative Expenses	48,015	47,334	50,220	51,309	53,676
Other	11,403	9,105	9,490	3,858	1,604
Total Deductions	4,698,081	4,932,296	5,167,741	5,424,841	5,693,666
Excess of Additions over Deductions [before net appreciation (depreciation) in fair value of investments]	(549,045)	(571,209)	(686,980)	(1,140,762)	(1,291,202)
Net appreciation (depreciation) in fair value of investments	7,109,992	4,459,899	4,115,572	708,120	20,813,997
Net adjustment to FY 2020 opening balance	-	-	-	(526,859)	-
Net Position - Restricted for Benefits at the End of the Year	$ 73,000,292	$ 76,888,982	$ 80,317,574	$ 79,358,073	$ 98,880,868

Opening balance adjustment for FY 2020 represented the removal of the Defined Contribution plan assets of the Hybrid Retirement Plan from the System's Pension Plan Assets as a result of implementing GASB Statement No. 84.
Source: Virginia Retirement System.

Each employer contributes an amount for any period equal to the sum of the normal cost and amortization of the unfunded actuarial accrued liability, if any. The Commonwealth's liability is determined, at a minimum, every two years by the System's Board of Trustees on the basis of studies by the consulting actuary. With respect to teachers, the Commonwealth pays a share of the employer contributions on the compensation of teachers who are employees of local school boards with the Commonwealth's portion determined by a formula that uses the student/teacher ratio, average teachers' salaries and the source of revenue used for salary. Employees contribute 5 percent of their creditable compensation unless the contribution is assumed by the employer as in the case of judges. Effective July 1, 2011, Commonwealth employees (except elected officials), state police officers, and state law enforcement and correctional officers other than state police officers began paying the 5% employee contribution. This contribution is handled as a pre-tax payroll deduction. Effective July 1, 2012, teacher and political subdivision employers were required to begin requiring their members to pay the 5% member contribution that was previously paid by the employer. The phase-in required the shift of a minimum of 1% each year with full implementation of the shift to member-paid for all employers by July 1, 2016.

Employer contributions are calculated under an entry age normal cost method, and the unfunded actuarial accrued liability is amortized as a level percentage of payroll within 30 years or less. The entry age normal cost method is designed to produce level normal costs over the working lifetime of the participating employees and to permit the amortization of any unfunded liability over a period of years. The unfunded liability arises because normal costs based on the current benefit provisions have not been in effect throughout the working lifetime of current employees and because of actuarial losses. Post-retirement benefit adjustments are pre-funded during the employees' working lifetime.

The Commonwealth's contribution rates for the 2021 fiscal year were determined in accordance with the actuarial valuation as of June 30, 2019. In calculating the Commonwealth's contribution rates during the June 30, 2019 actuarial valuation, the actuary assumed a 6.75 percent net investment yield compounded annually, a 2.50 percent inflation allowance in the salary scale, a 30-year closed amortization period for the legacy June 30, 2013 Unfunded Actuarial Accrued Liability (UAAL), a 20-year closed amortization period for the actuarial gains and losses and other changes in the UAAL due to benefit and actuarial assumption and method changes for each valuation subsequent to the June 30, 2013 valuation, and assets valued using a modified market basis.

For fiscal year 2021 the employer contribution rates for most employers remained unchanged from the prior fiscal year. Some political subdivision employers may have elected coverage changes that altered their rates; however, all employers contributed at least 100% of the actuarially determined rate. The member contribution rate remained at 5.00%.

The normal contribution and accrued liability cost rates (expressed as percentages of covered compensation) recommended by the actuaries are as follows:

RETIREMENT SYSTEMS CONTRIBUTIONS, ACCRUED LIABILITY AND SUPPLEMENTARY COSTS
(1997-1998 biennium through 2021 fiscal year) (1)

		State Employees	School Teachers	State Police	Virginia Law Officers (2)	Judges
Normal contribution rate:						
	1997-1998	2.73	3.51	9.39	-	15.12
	1998-1999	3.56	4.54	8.72	-	17.34
	1999-2000	4.18	5.09	10.52	4.18	18.74
	2000-2001	4.24	5.83	8.92	8.92	27.85
	2001-2002	4.00	6.03	7.45	7.91	26.11
	2002-2003	4.00	6.03	7.99	8.51	22.27
	2003-2004	4.00	6.03	7.99	8.51	22.27
	2004-2005	4.00	6.03	7.99	8.51	22.19
	2005-2006	4.00	6.03	7.99	8.51	22.19
	2006-2007	2.80	4.45	7.47	8.06	24.49
	2007-2008	2.80	4.45	8.35	8.06	24.49
	2008-2009	2.93	4.71	8.84	8.24	25.13
	2009-2010	2.93	4.71	8.84	8.24	25.13
	2010-2011	2.67	4.68	8.81	5.81	30.15
	2011-2012	2.67	4.68	8.81	5.81	30.15
	2012-2013	3.55	5.93	10.49	6.80	33.69
	2013-2014	3.55	5.93	10.49	6.80	33.69
	2014-2015	4.28	5.77	10.72	7.70	34.31
	2015-2016	4.28	5.77	10.72	7.70	34.31
	2017-2018	4.18	5.61	11.11	8.15	28.95
	2018-2020	5.48	6.66	12.64	10.53	25.09
	2020-2021	5.87	7.16	12.57	10.17	22.91

RETIREMENT SYSTEMS CONTRIBUTIONS, ACCRUED LIABILITY AND SUPPLEMENTARY COSTS
(1997-1998 biennium through 2021 fiscal year) (1) cont.

Accrued Liability rate:							
	1997-1998		2.08	3.77	3.99	-	13.98
	1998-1999		2.28	3.95	8.12	-	14.34
	1999-2000		1.85	3.95	8.68	1.85	15.51
	2000-2001		0.98	1.71	16.08	7.23	17.15
	2001-2002		0.24	(1.79)	17.55	17.09	18.89
	2002-2003		0.24	(1.79)	17.01	16.49	22.73
	2003-2004		0.24	(1.79)	17.01	16.49	22.73
	2004-2005		(0.11)	2.07	17.01	16.49	22.81
	2005-2006		(0.11)	2.07	17.01	16.49	22.81
	2006-2007		4.53	6.73	12.35	9.33	15.59
	2007-2008		4.53	6.73	14.34	9.33	15.59
	2008-2009		5.09	7.13	15.25	8.54	12.91
	2009-2010		5.09	7.13	15.25	8.54	12.91
	2010-2011		5.79	8.23	16.75	10.12	16.64
	2011-2012		5.79	8.23	16.75	10.12	16.64
	2012-2013		9.52	10.84	22.13	12.72	20.42
	2013-2014		9.52	10.84	22.13	12.72	20.42
	2014-2015		11.52	12.43	20.06	13.36	23.53
	2015-2016		11.52	11.87	20.06	13.36	21.24
	2017-2018		9.31	10.71	17.43	12.90	13.02
	2018-2020		8.04	9.02	12.24	11.08	9.30
	2020-2021		8.59	9.46	13.76	11.73	6.93
Total contribution rate:							
	1997-1998		4.81	7.28	13.38	-	29.10
	1998-1999		5.84	8.49	16.84	-	31.68
	1999-2000		6.03	9.04	19.20	6.03	34.25
	2000-2001		5.22	7.54	25.00	16.15	45.00
	2001-2002	(3)	4.24	4.24	25.00	25.00	45.00
	2002-2003	(4)	4.24	4.24	25.00	25.00	45.00
	2003-2004	(5)	4.24	4.24	25.00	25.00	45.00
	2004-2005	(6)	3.89	8.10	25.00	25.00	45.00
	2005-2006	(7)	3.89	8.10	25.00	25.00	45.00
	2006-2007	(8)	7.33	11.18	19.82	17.39	40.08
	2007-2008	(9)	7.33	11.18	22.69	17.39	40.08
	2008-2009	(10)	8.02	11.84	24.09	16.78	38.04
	2009-2010	(11)	8.02	11.84	24.09	16.78	38.04
	2010-2011	(12)	8.46	12.91	25.56	15.93	46.79
	2011-2012	(13)	8.46	12.91	25.56	15.93	46.79
	2012-2013	(14)	13.07	16.77	32.62	19.52	54.11
	2013-2014	(14)	13.07	16.77	32.62	19.52	54.11
	2014-2015	(15)	15.80	18.20	30.78	21.06	57.84
	2015-2016	(16)	15.80	17.64	30.78	21.06	55.55
	2017-2018	(17)	13.49	16.32	28.54	21.05	41.97
	2018-2020	(18)	13.52	15.68	24.88	21.61	34.39
	2020-2021	(18)	14.46	16.62	26.33	21.90	29.84

(1) Rates for FY 2000 reflect "carve-out" of a portion of the retirement rate for the Virginia Sickness and Disability Program.

(2) The Virginia Law Officers' Retirement System was established October 1, 1999.

(3) Contributions actually paid in FY 2002 were 2.12%, 3.60%, 12.50%, 8.07% and 22.50% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(4) Contributions actually paid in FY 2003 were 0.00%, 3.77%, 11.05%, 12.00% and 29.00% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(5) Contributions actually paid in FY 2004 were 3.77%, 3.77%, 12.79%, 13.95% and 32.03% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(6) Contributions actually paid in FY 2005 were 3.91%, 6.03%, 16.49%, 16.99% and 30.55% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(7) Contributions actually paid in FY 2006 were 3.91%, 6.62%, 16.49%, 16.99% and 30.55% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(8) Contributions actually paid in FY 2007 were 5.74%, 9.20%, 16.71%, 14.96% and 36.47% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(9) Contributions actually paid in FY 2008 were 6.15%, 10.30%, 20.76%, 15.86% and 38.01% for State, School Teachers, State Police, VaLORS, and Judges, respectively. State Police computed and paid rates reflect an increase of 2.87% resulting from an increase in the multiplier from 1.70% to 1.85%, effective July 1, 2007.

(10) Contributions actually paid in FY 2009 were 6.23%, 8.81%, 20.05%, 14.23% and 34.51% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(11) Contributions actually paid in FY 2010 were 6.26%, 8.81%, 20.05%, 14.23% and 34.51% for State, School Teachers, State Police, VaLORS, and Judges, respectively. In addition, these contributions were suspended for state employee groups for April, May and the first half of June 2010, and for school teachers for the entire fourth quarter of FY 2010.

(12) Contributions actually paid in FY 2011 were 2.13%, 3.93%, 7.76%, 5.12% and 28.81% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(13) Contributions actually paid in FY 2012 are 6.33% for School Teachers and 2.08%, 7.73%, 5.07% and 28.65% for State, State Police, VaLORS, and Judges, respectively for the period July 2011 through March 2012 and 6.58%, 21.16%, 13.09%, and 42.58% for State, State Police, VaLORS, and Judges, respectively for April, May and June 2012.

(14) Contributions actually paid in FY 2013 and FY 2014 were 8.76%, 11.66%, 24.74%, 14.80% and 45.44% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(15) Contributions actually paid in FY 2015 were 12.33%, 14.50%, 25.82%, 17.67% and 51.66% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(16) Contributions actually paid in July 2015 were 12.33%, 14.06%, 25.82%, 17.67% and 49.62% for State, School Teachers, State Police, VaLORS, and Judges, respectively.

Contributions actually paid in August 2015 were 13.28%, 14.06%, 26.83%, 18.34% and 49.82% for State, School Teachers, State Police, VaLORS, and Judges, respectively. Contributions actually paid in September 2015 through June 2016 were 14.22%, 14.06%, 27.83%, 19.00% and 50.02%, for State, School Teachers, State Police, VaLORS, and Judges, respectively.

(17) Contributions actually paid in FY 2017 were 14.66% for School Teachers. For FY 2018, Teacher contributions were paid at 100% of the actuarial requirements 16.32%. Other groups paid employer contributions at 100% of actuarial requirements for both FY 2017 and FY 2018.

(18) Contributions for all employer groups were 100% of the actuarially determined rate from the June 30, 2017 actuarial valuation.

Source: Virginia Retirement System.

Effective October 1, 1983, the Commonwealth assumed the 5 percent employee contribution previously paid by its employees who are members of the VRS, SPORS, VaLORS and JRS. The total contribution rate actually being paid by the Commonwealth for Commonwealth employees, state police officers, state law enforcement and correctional officers other than state police officers, and judges through the 2010 fiscal year is, therefore, higher by that amount than what is shown in the summary. Effective July 1, 2011, Commonwealth employees (except elected officials), state police officers, and state law enforcement and correctional officers other than state police officers began paying the 5% employee contribution through payroll deduction.

The latest valuations of the pension plans were performed by Cavanaugh Macdonald Consulting, LLC under the provisions of the new Government Accounting Standards Board (GASB) Statement No. 67 using June 30, 2019 data, rolled forward to June 30, 2020. The plan fiduciary net position as a percentage of the total pension liability was 72.15% for the VRS state plan, 71.47% for the VRS teacher plan, 83.44% for the aggregate total of the VRS political subdivision plans, 70.34% for SPORS, 65.74% for VaLORS and 79.92% 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, 2021.

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

	Actual allocation as of 06/30/2020	Target allocation range
Public Equity	37.1%	–32 - 42%
Credit Strategies	14.0	9 - 19%
Fixed Income	14.8	–13 - 21%
Real Assets	11.9	9 - 19%
Private Equity	15.6	–8 - 18%
MAPS – Multi-Asset Public Strategies	2.0	–2 - 4%
PIP – Private Investment Partnership	3.0	–1 - 4%
Total	100.0%	

Source: Virginia Retirement System.

As of June 30, 2021, the historical 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	27.5%	11.3%	10.7%	8.8%

Source: Virginia Retirement System.

The System's rate of return on investments during the fiscal year ended June 30, 2021, was 27.5% compared to a return of 1.4% for the fiscal year ending June 30, 2020. The increase was due primarily to the performance of the public and private equity investments in the portfolio.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY BY SYSTEM AND PLAN

AS OF JUNE 30, 2021

(DOLLARS IN THOUSANDS)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Employers' Net Position Liability/(Asset) (a-b)	Plan Fiduciary Net Pension as a % of the Total Pension Liability (b/a)	Covered Payroll (c)	Net Pension Liability/(Asset) as a % of the Covered Payroll (a-b)/(c)
Virginia Retirement System:						
State	$26,739,647	$23,112,417	$ 3,627,230	86.44 %	$ 4,399,969	82.44%
Teacher	53,381,141	45,617,878	7,763,263	85.46 %	8,843,887	87.78%
Political Subdivision *	27,309,666	26,558,350	751,316	97.25 %	5,403,267	13.90%
Total Virginia Retirement System	**107,430,454**	**95,288,645**	**12,141,809**		**18,647,123**	
State Police Officers' Retirement System	1,292,178	1,050,148	242,030	81.27 %	128,252	188.71%
Virginia Law Officers' Retirement System	2,390,609	1,868,924	521,685	78.18 %	348,650	149.63%
Judicial Retirement System	746,503	673,151	73,352	90.17 %	74,594	98.33%
Grand Total	**$111,859,744**	**$ 98,880,868**	**$ 12,978,876**		**$ 19,198,619**	

* Political subdivision data is from the consolidated report provided by Cavanaugh Macdonald Consulting, Inc.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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, 2021, this plan had 383 accounts and total assets of approximately $25,728,929.

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 42 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 maximum calendar year limit 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, 2021, $1.4 billion 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, 2021, the estimated liability related to normal operations totaled $1.9 billion. Of this amount, $472.2 million is reflected in the General Fund, $1.3 billion in the Federal Trust Special Revenue Fund and $152.5 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, 2021.

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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS

(DOLLARS IN THOUSANDS)

Change in the Net OPEB Liability	Disability Insurance Trust Fund 2021	Disability Insurance Trust Fund 2020	Disability Insurance Trust Fund 2019	Disability Insurance Trust Fund 2018	Disability Insurance Trust Fund 2017
Total OBEB liability:					
Service cost	$ 32,679	$ 32,988	$ 29,232	$ 27,527	$ 27,884
Interest	17,222	18,774	15,788	15,503	15,810
Changes in benefit terms	-	-	-	-	-
Difference between actual and expected experience	(22,057)	(46,473)	29,489	(11,237)	-
Changes of assumptions	(1,387)	-	4,180	-	(17,511)
Benefit payments	(28,790)	(27,804)	(24,376)	(31,073)	(30,056)
Net change in total OPEB liability	(2,333)	(22,515)	54,313	720	(3,873)
Total OPEB liability - beginning	**269,531**	**292,046**	**237,733**	**237,013**	**240,886**
Total OPEB liability - ending (a)	**$ 267,198**	**$ 269,531**	**$ 292,046**	**$ 237,733**	**$ 237,013**
Plan fiduciary net position:					
Contributions - employer	$ 26,542	$ 26,994	$ 25,263	$ 27,260	$ 24,130
Contributions - member	-	-	-	-	-
Net investment income	131,373	9,445	30,494	32,073	48,206
Benefit payments	(28,790)	(27,804)	(24,376)	(31,073)	(30,056)
Third Party Administrator charges	(7,137)	(6,611)	(6,431)	(6,637)	(7,001)
Administrative expense	(600)	(631)	(787)	(961)	(717)
Other	311	586	1,117	(35)	(54)
Net change in plan fiduciary net position	121,699	1,979	25,280	20,627	34,508
Plan fiduciary net position - beginning	**490,220**	**488,241**	**462,961**	**442,334**	**407,826**
Plan fiduciary net position - ending (b)	**$ 611,919**	**$ 490,220**	**$ 488,241**	**$ 462,961**	**$ 442,334**
Net OPEB liability - ending (a-b)	**$ (344,721)**	**$ (220,689)**	**$ (196,195)**	**$ (225,228)**	**$ (205,321)**
Plan fiduciary net position as a percentage of the total OPEB liability (b/a)	229.01%	181.88%	167.18%	194.74%	186.63%
Covered payroll (c)	$ 4,355,154	$ 4,365,296	$ 4,077,627	$ 3,972,637	$ 3,799,590
Net OPEB liability as a percentage of covered payroll ((a-b)/c)	(7.92)%	(5.06)%	(4.81)%	(5.67)%	(5.40)%

Note: This schedule should present 10 years of data, however, the information prior to FY 2017 is not available.

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(DOLLARS IN THOUSANDS)

	JRS							
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Total pension liability:								
Service cost	$ 19,335	$ 20,650	$ 18,767	$ 19,228	$ 22,144	$ 21,978	$ 23,254	$ 24,024
Interest	44,788	44,234	44,139	43,799	42,081	42,820	41,759	40,013
Benefit changes	-	-	-	-	-	(15,552)	-	-
Difference between actual and expected experience	(10,245)	(9,446)	(7,158)	(15,786)	(14,774)	(18,681)	(9,107)	-
Assumption changes	53,040	-	14,077	-	16,114	0	-	-
Benefit payments	(47,750)	(46,546)	(43,587)	(41,165)	(40,895)	(41,341)	(40,205)	(37,984)
Refunds of contributions	(135)	(12)	-	-	-	-	-	-
Net change in total pension liability	59,033	8,880	26,238	6,076	24,670	(10,776)	15,701	26,053
Total pension liability – beginning	**687,469**	**678,589**	**652,351**	**646,275**	**621,605**	**632,381**	**616,680**	**590,627**
Total pension liability – ending (a)	**$ 746,502**	**$ 687,469**	**$ 678,589**	**$ 652,351**	**$ 646,275**	**$ 621,605**	**$ 632,381**	**$616,680**
Plan fiduciary net position:								
Contributions – employer	$ 22,856	$ 24,819	$ 22,890	$ 28,096	$ 27,612	$ 41,502	$ 31,503	$ 27,727
Contributions – member	1,868	3,436	3,208	3,231	3,272	3,236	3,015	3,051
Contributions – employer special	-	-	-	-	-	-	-	-
Net investment income	147,200	10,491	35,372	37,466	56,029	8,112	20,051	60,833
Benefit payments	(47,750)	(46,546)	(43,584)	(41,165)	(40,895)	(41,341)	(40,205)	(37,984)
Refunds of contributions	(135)	(12)	-	-	-	-	-	-
Administrative expense	(343)	(232)	(315)	(326)	(594)	(363)	(283)	(268)
Other	-	(42)	(39)	(42)	(64)	(15)	(17)	-
Net change in plan fiduciary net position	123,696	(8,086)	17,532	27,260	45,360	11,131	14,064	53,359
Plan fiduciary net position – beginning	**549,455**	**557,541**	**540,009**	**512,749**	**467,389**	**456,258**	**442,194**	**388,835**
Plan fiduciary net position – ending (b)	**$ 673,151**	**$ 549,455**	**$ 557,541**	**$ 540,009**	**$ 512,749**	**$ 467,389**	**$ 456,258**	**$442,194**
Net pension liability – ending (a-b)	**$ 73,351**	**$ 138,014**	**$ 121,048**	**$ 112,342**	**$ 133,526**	**$ 154,216**	**$ 176,123**	**$ 174,486**
Plan fiduciary net position as a percentage of the total pension liability (b/a)	90.17 %	79.92 %	82.16 %	82.78 %	79.34 %	75.19 %	72.15 %	71.71 %
Covered payroll (c)	$ 74,594	$ 74,769	$ 68,330	$ 68,245	$ 66,826	$ 66,621	$ 61,092	$ 61,020
Net pension liability as a percentage of covered payroll ((a-b)/c)	98.33 %	184.59 %	177.15 %	164.62 %	199.81 %	231.48 %	288.29 %	285.95 %

Note: This schedule should present 10 years of data, however, the information prior to FY 2014 is not available.

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(DOLLARS IN THOUSANDS)

	VRS Political Subdivisions							
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Total pension liability:								
Service cost	$ 613,227	$ 603,766	$ 556,149	$ 544,762	$ 541,594	$ 535,322	$ 530,945	$ 524,758
Interest	1,674,640	1,593,594	1,535,532	1,472,680	1,422,753	1,362,892	1,309,484	1,243,386
Benefit changes	13,507	19,657	3,948	10,811	36,652	2,053	1,135	-
Difference between actual and expected experience	(164,872)	221,364	45,032	(43,177)	(205,649)	(87,268)	(185,419)	-
Assumption changes	1,003,382	-	691,407	-	(64,510)	-	-	-
Benefit payments	(1,237,074)	(1,157,505)	(1,082,791)	(1,010,021)	(941,856)	(893,585)	(819,201)	(754,706)
Refunds of contributions	(42,460)	(38,323)	(40,249)	(41,324)	(42,068)	(37,380)	(36,898)	(36,876)
Net change in total pension liability	1,860,350	1,242,553	1,709,028	933,731	746,916	882,034	800,046	976,562
Total pension liability – beginning	**25,449,316**	**24,206,763**	**22,497,735**	**21,564,004**	**20,817,088**	**19,935,054**	**19,135,008**	**18,158,446**
Total pension liability – ending (a)	**$27,309,666**	**$25,449,316**	**$24,206,763**	**$22,497,735**	**$21,564,004**	**$20,817,088**	**$19,935,054**	**$19,135,008**
Plan fiduciary net position:								
Contributions – employer	$ 579,989	$ 521,543	$ 499,293	$ 490,286	$ 477,563	$ 543,947	$ 533,877	$ 539,366
Contributions – member	258,562	258,408	248,421	241,339	238,636	231,934	227,060	225,555
Net investment income	5,779,327	405,051	1,345,759	1,415,454	2,113,973	300,995	761,164	2,272,284
Benefit payments	(1,237,074)	(1,157,505)	(1,082,791)	(1,010,021)	(941,856)	(893,585)	(819,201)	(754,706)
Refunds of contributions	(42,460)	(38,323)	(40,249)	(41,324)	(42,068)	(37,380)	(36,898)	(36,876)
Administrative expense	(14,412)	(13,842)	(13,369)	(12,236)	(12,220)	(10,696)	(10,358)	(12,153)
Other	328	(274)	(853)	(30,924)	(1,887)	(130)	(162)	120
Net change in plan fiduciary net position	5,324,260	(24,942)	956,211	1,052,574	1,832,141	135,085	655,482	2,233,590
Plan fiduciary net position – beginning	**21,234,090**	**21,259,032**	**20,302,821**	**19,250,247**	**17,418,106**	**17,283,021**	**16,627,539**	**14,393,949**
Plan fiduciary net position – ending (b)	**$26,558,350**	**$21,234,090**	**$21,259,032**	**$20,302,821**	**$19,250,247**	**$17,418,106**	**$17,283,021**	**$16,627,539**
Net pension liability – ending (a-b)	**$ 751,316**	**$ 4,215,226**	**$ 2,947,731**	**$ 2,194,914**	**$ 2,313,757**	**$ 3,398,982**	**$ 2,652,033**	**$ 2,507,469**
Plan fiduciary net position as a percentage of the total pension liability (b/a)	97.25%	83.44%	87.82%	90.24%	89.27%	83.67%	86.70%	86.90%
Covered payroll (c)	$ 5,403,267	$ 5,368,250	$ 5,118,622	$ 4,932,344	$ 4,765,842	$ 4,628,806	$ 4,513,335	$ 4,434,764
Net pension liability as a percentage of covered payroll ((a-b)/c)	13.90%	78.52%	57.59%	44.50%	48.55%	73.43%	58.76%	56.54%

Note: This schedule should present 10 years of data, however, the information prior to FY 2014 is not available.

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(DOLLARS IN THOUSANDS)

	SPORS							
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Total pension liability:								
Service cost	$ 22,042	$ 22,167	$ 20,079	$ 18,187	$ 18,880	$ 18,700	$ 18,847	$ 18,341
Interest	79,549	77,231	72,715	71,251	74,042	72,618	70,350	67,978
Benefit changes	-	-	-	-	-	-	-	-
Difference between actual and expected experience	(9,431)	4,466	45,330	(7,248)	(5,327)	(14,711)	(2,890)	-
Assumption changes	58,257	-	31,773	-	(68,707)	-	-	-
Benefit payments	(73,227)	(64,991)	(62,683)	(58,197)	(57,814)	(53,515)	(53,338)	(50,467)
Refunds of contributions	(271)	(552)	(805)	(867)	(630)	(584)	(375)	(685)
Net change in total pension liability	76,919	38,321	106,409	23,126	(39,556)	22,508	32,594	35,167
Total pension liability – beginning	**1,215,258**	**1,176,937**	**1,070,528**	**1,047,402**	**1,086,958**	**1,064,450**	**1,031,856**	**996,689**
Total pension liability – ending (a)	**$1,292,177**	**$1,215,258**	**$1,176,937**	**$1,070,528**	**$1,047,402**	**$ 1,086,958**	**$1,064,450**	**$ 1,031,856**
Plan fiduciary net position:								
Contributions – employer	$ 33,788	$ 32,497	$ 31,437	$ 35,806	$ 31,888	$ 31,536	$ 28,427	$ 27,683
Contributions – member	6,489	6,600	6,379	6,311	5,701	5,759	5,680	5,646
Contributions – employer special	-	-	-	-	-	2,119	-	15,000
Net investment income	229,138	16,333	54,792	58,148	87,265	12,634	32,466	98,682
Benefit payments	(73,227)	(64,991)	(62,683)	(58,197)	(57,814)	(53,515)	(53,338)	(50,467)
Refunds of contributions	(271)	(552)	(805)	(867)	(630)	(584)	(375)	(685)
Administrative expense	(531)	(360)	(488)	(509)	(926)	(590)	(471)	(431)
Other	-	(38)	(61)	(63)	(99)	(23)	(27)	-
Net change in plan fiduciary net position	195,386	(10,511)	28,571	40,629	65,385	(2,664)	12,362	95,428
Plan fiduciary net position – beginning	**854,762**	**865,273**	**836,702**	**796,073**	**730,688**	**733,352**	**720,990**	**625,562**
Plan fiduciary net position – ending (b)	**$1,050,148**	**$ 854,762**	**$ 865,273**	**$ 836,702**	**$ 796,073**	**$ 730,688**	**$ 733,352**	**$ 720,990**
Net pension liability – ending (a-b)	**$ 242,029**	**$ 360,496**	**$ 311,664**	**$ 233,826**	**$ 251,329**	**$ 356,270**	**$ 331,098**	**$ 310,866**
Plan fiduciary net position as a percentage of the total pension liability (b/a)	81.27 %	70.34 %	73.52 %	78.16 %	76.00 %	67.22 %	68.89 %	69.87 %
Covered payroll (c)	$ 128,252	$ 130,759	$ 126,483	$ 124,003	$ 111,395	$ 114,395	$ 110,059	$ 112,010
Net pension liability as a percentage of covered payroll ((a-b)/c)	188.71 %	275.69 %	246.41 %	188.56 %	225.62 %	311.44 %	300.84 %	277.53 %

Note: This schedule should present 10 years of data, however, the information prior to FY 2014 is not available.

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(DOLLARS IN THOUSANDS)

	VRS State							
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Total pension liability:								
Service cost	$ 404,703	$ 406,776	$ 379,359	$ 375,965	$ 370,235	$ 369,779	$ 375,149	$ 369,120
Interest	1,704,842	1,666,047	1,627,637	1,606,772	1,562,819	1,533,764	1,482,951	1,436,064
Benefit changes	-	-	-	-	-	-	-	-
Difference between actual and expected experience	(281,382)	(12,440)	181,189	(327,289)	(85,975)	(245,642)	59,923	-
Assumption changes	412,575	-	663,566	-	76,965	-	-	-
Benefit payments	(1,486,951)	(1,427,873)	(1,360,833)	(1,296,803)	(1,234,388)	(1,195,198)	(1,136,102)	(1,081,866)
Refunds of contributions	(29,065)	(27,427)	(26,897)	(30,236)	(30,837)	(25,240)	(27,724)	(25,036)
Net change in total pension liability	724,722	605,083	1,464,021	328,409	658,819	437,463	754,197	698,282
Total pension liability – beginning	**26,014,925**	**25,409,842**	**23,945,821**	**23,617,412**	**22,958,593**	**22,521,130**	**21,766,933**	**21,068,651**
Total pension liability – ending (a)	**$26,739,647**	**$26,014,925**	**$25,409,842**	**$23,945,821**	**$23,617,412**	**$22,958,593**	**$22,521,130**	**$21,766,933**
Plan fiduciary net position:								
Contributions – employer	$ 609,778	$ 576,443	$ 545,584	$ 548,158	$ 535,424	$ 560,211	$ 480,657	$ 343,259
Contributions – member	207,065	210,896	201,481	201,920	201,391	200,184	195,582	198,035
Contributions – employer special	-	-	-	-	-	162,406	-	-
Net investment income	5,055,163	361,061	1,211,722	1,302,241	1,963,811	277,166	728,083	2,243,999
Benefit payments	(1,486,951)	(1,427,873)	(1,360,833)	(1,296,803)	(1,234,388)	(1,195,198)	(1,136,102)	(1,081,866)
Refunds of contributions	(29,065)	(27,427)	(26,897)	(30,236)	(30,837)	(25,240)	(27,724)	(25,036)
Administrative expense	(12,904)	(12,603)	(12,374)	(11,481)	(11,612)	(10,140)	(10,302)	(12,341)
Other	(737)	(539)	(762)	28,502	(1,743)	(122)	(154)	123
Net change in plan fiduciary net position	4,342,349	(320,042)	557,921	742,301	1,422,046	(30,733)	230,040	1,666,173
Plan fiduciary net position – beginning	**18,770,068**	**19,090,110**	**18,532,189**	**17,789,888**	**16,367,842**	**16,398,575**	**16,168,535**	**14,502,362**
Plan fiduciary net position – ending (b)	**$23,112,417**	**$18,770,068**	**$19,090,110**	**$18,532,189**	**$17,789,888**	**$16,367,842**	**$16,398,575**	**$16,168,535**
Net pension liability – ending (a-b)	**$ 3,627,230**	**$ 7,244,857**	**$ 6,319,732**	**$ 5,413,632**	**$ 5,827,524**	**$ 6,590,751**	**$ 6,122,555**	**$ 5,598,398**
Plan fiduciary net position as a percentage of the total pension liability (b/a)	86.44 %	72.15 %	75.13 %	77.39 %	75.33 %	71.29 %	72.81 %	74.28 %
Covered payroll (c)	$ 4,399,969	$ 4,440,135	$ 4,197,484	$ 4,152,368	$ 4,020,893	$ 3,977,759	$ 3,878,632	$ 3,861,712
Net pension liability as a percentage of covered payroll ((a-b)/c)	82.44 %	163.17 %	150.56 %	130.37 %	144.93 %	165.69 %	157.85 %	144.97 %

Note: This schedule should present 10 years of data, however, the information prior to FY 2014 is not available.

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(DOLLARS IN THOUSANDS)

	VRS Teacher							
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Total pension liability:								
Service cost	$ 948,915	$ 938,143	$ 889,003	$ 885,510	$ 830,475	$ 828,856	$ 828,901	$ 831,501
Interest	3,355,158	3,269,776	3,184,697	3,099,338	3,016,207	2,931,065	2,834,138	2,722,788
Benefit changes	-	-	-	-	-	-	-	-
Difference between actual and expected experience	(178,349)	(404,985)	(174,815)	(440,308)	(642,745)	(391,881)	(212,089)	-
Assumption changes	845,179	-	1,472,649	-	218,559	-	-	-
Benefit payments	(2,553,153)	(2,448,204)	(2,331,038)	(2,241,927)	(2,147,781)	(2,081,069)	(1,980,353)	(1,874,636)
Refunds of contributions	(38,464)	(36,211)	(36,715)	(40,578)	(39,521)	(35,067)	(36,058)	(36,103)
Net change in total pension liability	2,379,286	1,318,519	3,003,781	1,262,035	1,235,194	1,251,904	1,434,539	1,643,550
Total pension liability – beginning	**51,001,855**	**49,683,336**	**46,679,555**	**45,417,520**	**44,182,326**	**42,930,422**	**41,495,883**	**39,852,333**
Total pension liability – ending (a)	**$53,381,141**	**$51,001,855**	**$49,683,336**	**$46,679,555**	**$45,417,520**	**$44,182,326**	**$42,930,422**	**$41,495,883**
Plan fiduciary net position:								
Contributions – employer	$ 1,416,135	$ 1,327,774	$ 1,280,964	$ 1,292,988	$ 1,137,976	$ 1,062,338	$ 1,074,366	$ 853,634
Contributions – member	419,415	418,909	403,258	391,490	392,730	380,314	373,525	371,241
Contributions – non-employer	61,344	-	-	-	-	-	192,884	-
Net investment income	9,887,249	689,010	2,311,028	2,421,157	3,632,291	516,704	1,327,047	4,042,441
Benefit payments	(2,553,153)	(2,448,204)	(2,331,038)	(2,241,927)	(2,147,781)	(2,081,069)	(1,980,353)	(1,874,636)
Refunds of contributions	(38,464)	(36,211)	(36,715)	(40,578)	(39,521)	(35,067)	(36,058)	(36,103)
Administrative expense	(24,543)	(23,649)	(22,843)	(20,945)	(21,123)	(18,859)	(18,238)	(22,036)
Other	666	(1,169)	(1,448)	(2,167)	(3,238)	(222)	(284)	217
Net change in plan fiduciary net position	9,168,649	(73,540)	1,603,206	1,800,018	2,951,334	(175,861)	932,889	3,334,758
Plan fiduciary net position – beginning	**36,449,229**	**36,522,769**	**34,919,563**	**33,119,545**	**30,168,211**	**30,344,072**	**29,411,183**	**26,076,425**
Plan fiduciary net position – ending (b)	**$45,617,878**	**$36,449,229**	**$36,522,769**	**$34,919,563**	**$33,119,545**	**$30,168,211**	**$30,344,072**	**$29,411,183**
Net pension liability – ending (a-b)	**$ 7,763,263**	**$14,552,626**	**$13,160,567**	**$11,759,992**	**$12,297,975**	**$14,014,115**	**$12,586,350**	**$12,084,700**
Plan fiduciary net position as a percentage of the total pension liability (b/a)	85.46 %	71.47 %	73.51 %	74.81 %	72.92 %	68.28 %	70.68 %	70.88 %
Covered payroll (c)	$ 8,843,887	$ 8,766,667	$ 8,387,503	$ 8,086,986	$ 7,891,783	$ 7,624,612	$ 7,434,932	$ 7,313,025
Net pension liability as a percentage of covered payroll ((a-b)/c)	87.78%	166.00%	156.91%	145.42%	155.83%	183.80%	169.29%	165.25%

Note: This schedule should present 10 years of data, however, the information prior to FY 2014 is not available.

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(DOLLARS IN THOUSANDS)

	VaLORS							
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Total pension liability:								
Service cost	$ 47,606	$ 48,003	$ 44,526	$ 45,179	$ 47,189	$ 45,608	$ 47,531	$ 46,504
Interest	149,677	143,708	139,307	136,289	135,453	129,756	124,579	119,040
Benefit changes	-	-	-	-	-	-	-	-
Difference between actual and expected experience	(25,405)	22,645	11,067	(26,111)	(1,457)	4,997	(4,849)	-
Assumption changes	66,216	-	62,090	-	(63,457)	-	-	-
Benefit payments	(124,045)	(117,137)	(109,193)	(104,776)	(96,224)	(92,270)	(84,990)	(78,412)
Refunds of contributions	(5,791)	(4,893)	(4,933)	(5,604)	(4,938)	(4,524)	(4,797)	(4,665)
Net change in total pension liability	108,258	92,326	142,864	44,977	16,566	83,567	77,474	82,467
Total pension liability – beginning	**2,282,351**	**2,190,025**	**2,047,161**	**2,002,184**	**1,985,618**	**1,902,051**	**1,824,577**	**1,742,110**
Total pension liability – ending (a)	**$2,390,609**	**$2,282,351**	**$2,190,025**	**$2,047,161**	**$2,002,184**	**$1,985,618**	**$1,902,051**	**$1,824,577**
Plan fiduciary net position:								
Contributions – employer	$ 76,415	$ 79,914	$ 75,327	$ 73,793	$ 73,816	$ 79,392	$ 62,084	$ 67,483
Contributions – member	17,602	18,712	17,871	17,496	17,598	17,574	17,081	17,908
Contributions – employer special	-	-	-	-	-	-	-	-
Net investment income	405,217	28,579	93,872	98,292	146,039	20,899	52,312	156,786
Benefit payments	(124,045)	(117,137)	(109,193)	(104,776)	(96,224)	(92,270)	(84,990)	(78,412)
Refunds of contributions	(5,791)	(4,893)	(4,933)	(5,604)	(4,938)	(4,524)	(4,797)	(4,665)
Administrative expense	(943)	(623)	(831)	(861)	(1,540)	(940)	(743)	(681)
Other	-	(73)	(103)	(247)	(310)	(38)	(44)	-
Net change in plan fiduciary net position	368,455	4,479	72,010	78,093	134,441	20,093	40,903	158,419
Plan fiduciary net position – beginning	**1,500,469**	**1,495,990**	**1,423,980**	**1,345,887**	**1,211,446**	**1,191,353**	**1,150,450**	**992,031**
Plan fiduciary net position – ending (b)	**$1,868,924**	**$1,500,469**	**$1,495,990**	**$1,423,980**	**$1,345,887**	**$1,211,446**	**$1,191,353**	**$1,150,450**
Net pension liability – ending (a-b)	**$ 521,685**	**$ 781,882**	**$ 694,035**	**$ 623,181**	**$ 656,297**	**$ 774,172**	**$ 710,698**	**$ 674,127**
Plan fiduciary net position as a percentage of the total pension liability (b/a)	78.18%	65.74%	68.31%	69.56%	67.22%	61.01%	62.64%	63.05%
Covered payroll (c)	$ 348,650	$ 369,996	$ 349,998	$ 345,531	$ 344,468	$ 345,504	$ 338,562	$ 352,492
Net pension liability as a percentage of covered payroll ((a-b)/c)	149.63%	211.32%	198.30%	180.35%	190.52%	224.07%	209.92%	191.25%

Note: This schedule should present 10 years of data, however, the information prior to FY 2014 is not available.

For the Fiscal Years Ended June 30, 2021 and 2020
DOLLAR IN THOUSANDS

	June 30, 2021 Total OPEB Liability	June 30, 2021 Plan Fiduciary Net Position	June 30, 2021 Net OPEB Liability	FY 2021 Employer Contributions	June 30, 2020 Total OPEB Liability	June 30, 2020 Plan Fiduciary Net Position	June 30, 2020 Net OPEB Liability	FY 2020 Employer Contributions
Group Life Insurance	$ 3 ,577,346	$ 2,413,074	$ 1,164,272	$ 111,797	$ 3,523,938	$ 1,855,102	$1,668,836	$ 107,252
Health Insurance Credit:								
State	1,052,400	207,860	844,540	81,191	1,043,383	125,378	918,005	84,850
Teacher	1,477,874	194,305	1,283,569	107,172	1,448,675	144,161	1,304,514	105,210
Political Subdivisions	82,024	33,234	48,790	5,239	77,490	24,466	53,024	2,553
State Funded - Constitutional Officers	33,578	6,668	26,910	2,666	32,405	5,112	27,293	2,526
State Funded - Social Services Employees	444,581	2,346	12,631	1,160	14,815	1,935	12,880	689
State funded - Registrars		168	435	54	595	126	469	44
Total Health Insurance Credit	611,919		2,216,875	197,482	2,617,363	301,178	2,316,185	195,872
Virginia Sickness and Disability Program	267,198		(344,721)	26,542	269,531	490,220	(220,689)	26,994
(VSDP)	5,590							
Virginia Local Disability Plan (VLDP):								
Teacher	4,884		(706)	3,166	3,687	2,887	800	2,426
Political Subdivisions	5,156	6,166	(1,010)	3,338	4,317	3,317	1,000	2,684
Total VLDP	10,040	11,756	(1,716)	6,504	8,004	6,204	1,800	5,110
Line of Duty	448,542	7,553	440,989	13,633	423,147	4,333	418,814	13,567
Grand Total VRS-Administered OPEB Plans	$ 6,964,582	$ 3,488,883	$ 3,475,699	$ 355,958	$ 6,841,983	$ 2,657,037	$ 4,184,946	$ 348,795
OPEB Member Contributions (GLI Only)	-	-	-	165,628	-	-	-	162,925
OPEB Special Employer Contributions (HIC State)	-	-	-	38,656	-	-	-	-
OPEB Non-Employer Contributions	-	-	-	-	-	-	-	-
Grand Total VRS-Administered OPEB Plans	$ 6,964,582	$ 3,488,883	$ 3,475,699	$ 560,242	$ 6,841,983	$ 2,657,037	$ 4,184,946	$ 511,720

Source:
VRS CAFR Statement of Changes in Fiduciary Net Position: Defined Benefit Pension Trust Funds and Other Employee Benefits Trust Funds
VRS CAFR Schedule of Employers' Net OPEB Liabilities by Program and Plan

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, 2021, 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, 2021.

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 employees 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.

This page intentionally left blank.

APPENDIX C

COMMONWEALTH OF VIRGINIA
DEMOGRAPHIC AND ECONOMIC INFORMATION

APPENDIX C
TABLE OF CONTENTS

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 is the largest geographical land of the state, and is characterized by low, rolling hills. The Blue Ridge Mountains, which lie to the west of the Piedmont region, are the main eastern mountain range of the Appalachian Mountains. The Appalachian Ridge and Valley Region stretch from southwest to northeast along Virginia's western border, and include 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 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 2021 estimated population was 8,642,274, 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 2021 population density was 218.9 persons per square mile, compared with 93.9 persons per square mile for the United States generally.

Population Trends

From 2012 to 2021, Virginia's population increased 5.6 percent versus 5.7 percent for the nation. Population trends since 2012 for the Commonwealth and the United States are shown in the following table:

POPULATION TREND

	Virginia		United States	
Year	Population	Increase Over Preceding Year	Population	Increase Over Preceding Year
2012	8,185,864	2.3%	313,993,272	1.7%
2013	8,260,405	0.9	316,234,505	0.7
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*	8,631,393	0.9	331,449,281	1.0
2021*	8,642,274	0.1	331,893,745	0.1

Source: U.S. Census Bureau.
**2021 estimates through July 1, 2021, Data Released Date: December 2021.*

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 2020, the population of the Commonwealth and of the United States in 2019 was distributed by age as follows:

AGE DISTRIBUTION
2019

Age	Virginia	United States
Under 5 years	5.86%	5.96%
5 through 19 years	18.48	18.90
20 through 44 years	33.72	33.28
45 through 64 years	25.62	25.38
65 years and older	16.31	16.47
	100.0%	100.0%

Source: Virginia 2020 Data: UVA Weldon Cooper U.S., Data Release Date: July 2020;
United States 2019 Data - U.S. Census Bureau, Data Release Date, June 2020; U.S. 2020 Age Data Not Yet Available.

GEOGRAPHIC DISTRIBUTION OF POPULATION

Like the nation as a whole, the Commonwealth has a high percentage of its citizens living in urban areas. Virtually all of the Commonwealth's population growth between 1950 and 1970 occurred in such 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. The entire metropolitan area had an estimated 2020 population of 6,324,629 of which, 4,279,379 live 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 2020 population of 1,779,824 and is an important center of manufacturing and tourism. The Richmond MSA is the third largest metropolitan area with an estimated 2020 population of 1,303,469. 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. It had an estimated 2020 population of 313,784. Also in the western part of the Commonwealth are the Lynchburg and Kingsport-Bristol-Bristol MSAs, which are both manufacturing centers, and had estimated 2020 populations of 264,386 and 308,183, respectively. The Kingsport-Bristol-Bristol population includes Tennessee portions of the MSA. Located at the foot of the Blue Ridge Mountains is the Charlottesville MSA, a community with an estimated 2020 population of 219,910 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 2020 population of 124,475.

In 2003, the federal Office of Management & Budget recognized three new Virginia MSAs -- Winchester, Harrisonburg and Blacksburg-Christiansburg-Radford. The Winchester MSA is located at the northernmost tip of Virginia and had an estimated 2020 population of 142,009. The Harrisonburg MSA, a community with an estimated 2020 population of 135,550, is located in western central Virginia. It is a major retail, service and manufacturing center in the Shenandoah Valley. With an estimated 2020 population of 167,244, 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 one of the nation's leading research institutions. Population figures for all eleven Commonwealth MSAs are shown below:

METROPOLITAN STATISTICAL AREA
POPULATION AND PER CAPITA INCOME

MSA	2020 Population	2020 Per Capita Income
Blacksburg-Christiansburg-Radford	167,244	$40,692
Charlottesville	219,910	69,853
Harrisonburg	135,550	43,232
Kingsport-Bristol-Bristol (1)	308,183	42,869
Lynchburg	264,386	43,529
Richmond	1,303,469	61,148
Roanoke	313,784	50,215
Staunton - Waynesboro	124,475	47,794
Virginia Beach-Norfolk-Newport News	1,779,824	53,310
Washington-Arlington-Alexandria (2)	6,324,629	76,771
Winchester	142,009	52,377

	2021 Population	2020 Per Capita Income
Commonwealth of Virginia	8,642,274	$61,958

(1) Kingsport-Bristol-Bristol MSA includes a portion of Tennessee.

(2) Washington-Arlington-Alexandria MSA includes Washington and a portion of Maryland.

Virginia 2020 MSA Population & MSA Per Capita Income Data Source: U.S. Census Bureau, Data Release Date: November 2021. Data for 2021 not yet available.

Virginia 2021 Population Data Release Date: December 2021, Source: U.S. Census Bureau.

Virginia 2020 Per Capita Income Data Release Date: November 2021. Data for 2021 Virginia Per Capita Income not yet available.

Source: U.S. Bureau of Economic Analysis.

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.

ECONOMIC FACTORS

Taxable Retail Sales

Over the past ten years, taxable retail sales in Virginia increased by $15.3 billion, or 17.2 percent. This growth is greater than the average rate of inflation for this same period, which was 18.2 percent. The following table illustrates the changes in taxable retail sales for calendar years 2011 through 2020:

Calendar Year	Taxable Retail Sales	% Change
2011	$89,070,341,371	3.1
2012	93,335,660,137	4.8
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 (1)	104,358,304,833	-3.2

Sources: Virginia Department of Taxation 2020 Annual Taxable Retail Sales Report; full report can be found at Virginia Tax Home page "Facts & Figures."

U.S. Rate of Inflation Source as of December 2020: usinflationcalculator.com.

Personal Income

According to the U.S. Bureau of Economic Analysis, estimated personal income for all Virginians in 2020 was over $535.7 billion. This results in a Commonwealth per capita income of $61,958, ranking twelfth among all fifty states and greater than the national average of $59,510.

From 2011 to 2020, the Commonwealth averaged an annual rate of growth of 3.3 percent in per capita income, which was slightly less than the national average annual rate of growth of 4.0 percent. Virginia and United States per capita personal income data are shown in the following table and graph:

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

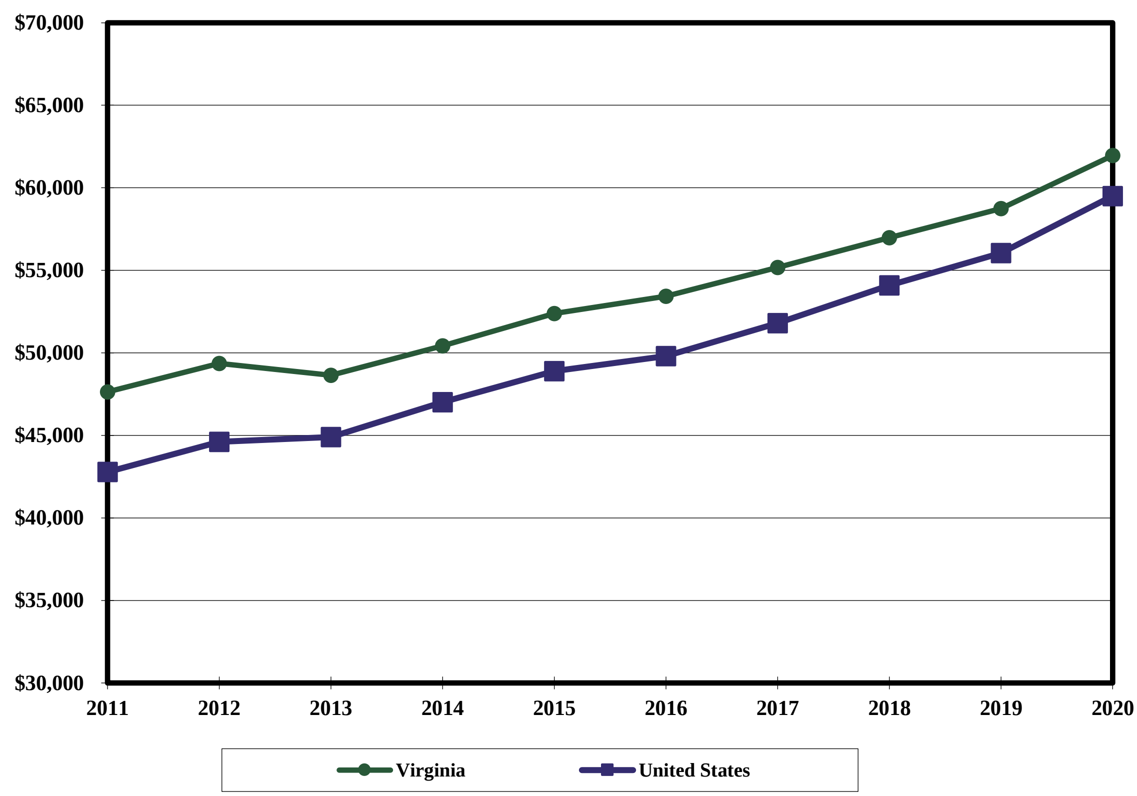
PERSONAL INCOME TRENDS

2011 - 2020

	Virginia		United States	
Year	**Per Capita Personal Income**	**Increase Over Preceding Year**	**Per Capita Personal Income**	**Increase Over Preceding Year**
2011	$47,638	6.2 %	$42,783	6.5 %
2012	49,366	3.6	44,614	4.3
2013	48,654	-1.4	44,894	0.6
2014	50,428	3.6	47,017	4.7
2015	52,379	3.9	48,891	4.0
2016	53,439	2.0	49,812	1.9
2017	55,181	3.3	51,811	4.0
2018	56,978	3.3	54,098	4.4
2019	58,738	3.1	56,047	3.6
2020	61,958	5.5	59,510	6.2

Source: Bureau of Economic Analysis revised estimates for 2011-2020, Data Release Date: September 2021.

PERSONAL INCOME TRENDS
2011 - 2020



In 2020, the sources of personal income in the Commonwealth and the comparable sources of personal income for the United States are shown in the following table and pie chart:

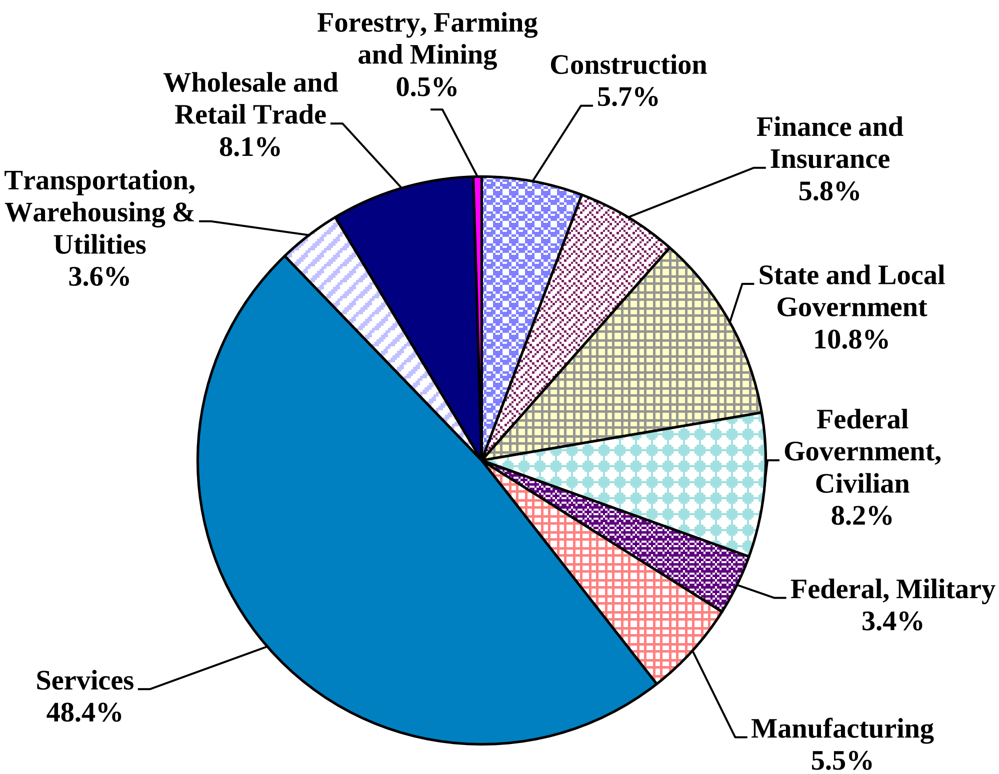
SOURCES OF PERSONAL INCOME
2020

	Virginia (in Millions)	Percentage of Personal Income Before Residence Adjustment: Virginia	Percentage of Personal Income Before Residence Adjustment: United States
Forestry, fisheries, related activities and other	$ 473	0.1%	0.3%
Construction	20,531	5.7	6.2
Farming	658	0.2	0.8
Finance and insurance	20,717	5.8	7.3
Government:			
State and local	38,651	10.8	11.9
Federal, civilian	29,379	8.2	2.8
Federal, military	12,347	3.4	1.1
Manufacturing	19,652	5.5	8.9
Mining	573	0.2	1.1
Services	173,270	48.4	44.4
Transportation, warehousing & utilities	12,816	3.6	4.8
Wholesale and retail trade	29,179	8.1	10.3
Subtotal	$ 358,246	100%	100%
Less:			
Contributions for government social insurance	(41,395)		
Plus:			
Dividends, interest and rent	100,175		
Transfer payments	95,437		
Personal income before residence adjustment	$ 512,463		
Residence adjustment [(1)]	19,793		
Total Personal Income	$ 532,256		

[(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 2020, Data Release Date, September 2021.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

DISTRIBUTION OF VIRGINIA NONAGRICULTURAL SOURCES OF GROSS PERSONAL INCOME BY MAJOR INDUSTRY
2020



Bureau of Economic Analysis estimates for 2020, September 2021. Source: Bureau of Economic Analysis.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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 BUILDING PERMITS ISSUED FOR RESIDENTIAL CONSTRUCTION IN VIRGINIA [1]

Year	Value of Construction in Current Dollars (in millions)	Percent Change from Preceding Year	Number of Permits Issued	Percent Change from Preceding Year
2011	$3,400	2.7%	23,271	8.7%
2012	4,027	18.4	27,275	17.2
2013	5,112	27.0	32,777	20.2
2014	4,564	(10.7)	28,673	(12.5)
2015	4,529	(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	(0.1)
2019	5,793	(0.6)	32,418	1.4
2020	6,342	9.5	33,813	4.3

[1] Excludes mobile homes.

U.S. Census 2020 Annual Report. Source: U.S. Census Bureau.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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 is 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	1,091,729,146,412	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

Source: Department of Taxation's 2021 Annual Report.

Employment

As of November 2021, up to 4.3 million residents of the Commonwealth were estimated to be in the civilian labor force, which includes agricultural and nonagricultural employment, the 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. The following table indicates the distribution by category of nonagricultural employment in the Commonwealth and the comparative distribution in the United States.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

DISTRIBUTION OF NONAGRICULTURAL EMPLOYMENT
2020

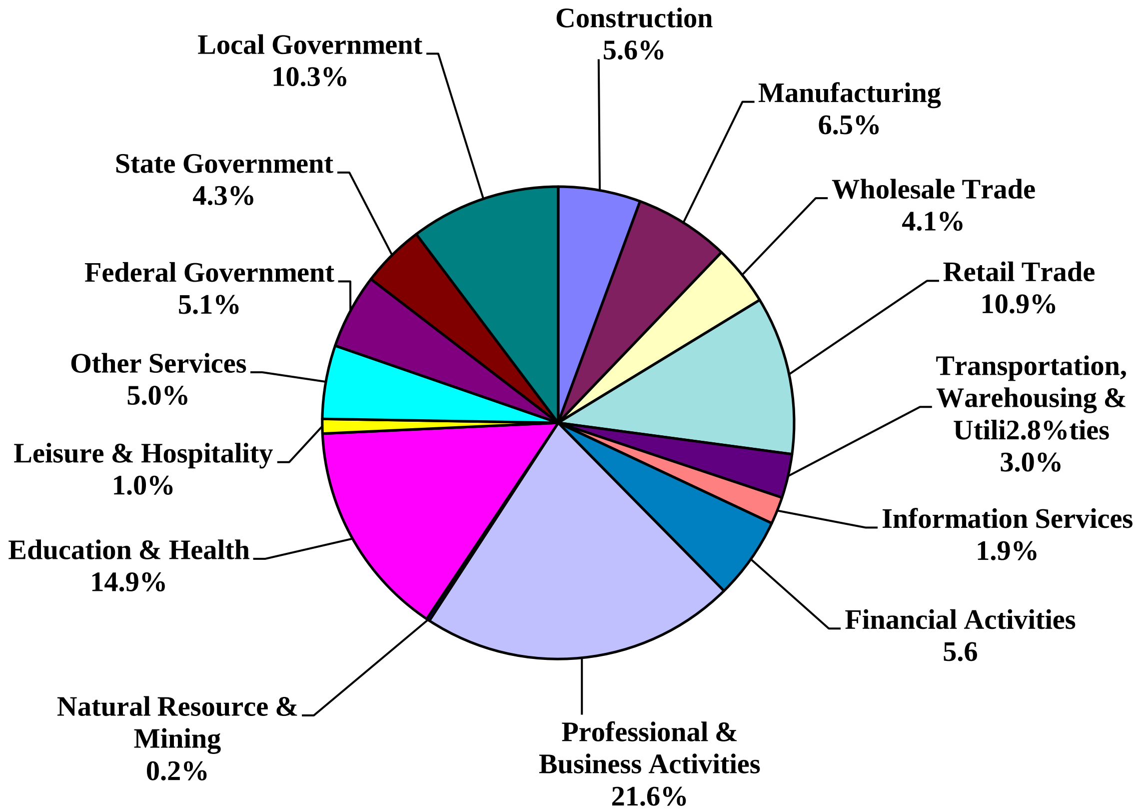
	Virginia	United States
Natural Resource & Mining	0.2%	0.4%
Construction	5.6	5.0
Manufacturing	6.5	8.3
Wholesale Trade	4.1	3.8
Retail Trade	10.9	10.2
Transportation, Warehousing & Utilities	3.0	4.3
Information Services	1.9	1.8
Financial Activities	5.6	7.8
Professional & Business Activities	21.6	14.1
Education & Health	14.9	15.7
Leisure & Hospitality	1.0	10.3
Other Services	5.0	3.8
Public Administration		
Federal Government	5.1	1.9
State Government	4.3	3.3
Local Government	10.3	9.2
	100.0%	100.0%

Source: Virginia Data is Preliminary November 2021 Data from The Bureau of Labor Statistics. Release Date: December 2021
National Data is Preliminary December 2021 Data from The Bureau of Labor Statistics. Release Date: January 2022

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

DISTRUBUTION OF NONAGRICULTURE EMPLOYMENT

2021



2021 Data as of November 2021. Data Release Date: December 2021.
Source: The Virginia Employment Commission

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

DISTRIBUTION OF VIRGINIA NONAGRICULTURAL EMPLOYMENT BY MAJOR INDUSTRY

	2017	2018	2019	2020	2021*	% Change 2017-2021
Natural Resource & Mining	7,800	8,400	8,200	6,800	7,900	**1.3%**
Construction	194,600	203,600	199,200	201,200	205,200	**5.4**
Manufacturing	235,500	244,600	248,800	233,000	237,300	**0.8**
Wholesale Trade	151,616	154,859	150,558	147,890	150,305	**(0.9)**
Retail Trade	397,168	405,663	394,397	387,408	393,734	**(0.9)**
Transportation & Warehousing, Utilities	110,416	112,778	109,646	107,703	109,461	**(0.9)**
Information Services	65,600	65,200	63,100	65,900	67,700	**3.2**
Financial Activities	207,100	211,100	211,200	208,900	204,200	**(1.4)**
Professional & Business Activities	725,300	753,900	761,300	757,200	785,400	**8.3**
Education & Health	552,500	548,300	555,700	524,700	540,600	**(2.2)**
Leisure & Hospitality	401,800	416,000	427,000	325,600	361,000	**(10.2)**
Other Services	204,000	207,100	202,100	180,400	183,000	**(10.3)**
Public Administration						
Federal Government	178,500	173,700	183,059	192,000	186,100	**4.3**
State Government	161,100	159,500	165,240	153,800	157,100	**(2.5)**
Local Government	373,500	364,000	377,100	363,500	373,600	**0.0**
Total	**3,966,500**	**4,028,700**	**4,056,599**	**3,856,000**	**3,962,600**	**(0.1)%**

Source: 2021 Data as of November 2021. Virginia Employment Commission, Data Release Date, December 2021.

The table above shows employment trends in the Commonwealth during the five years from 2017 to 2021. The most significant growth has occurred in the Construction and Federal Government sectors, while the largest declines were in the Leisure and Hospitality, Other Services and State Government sectors.

From 2020 to 2021, the largest growth rates occurred in the Natural Resources and Leisure & Hospitality sectors, which increased by 0.13 percent and 0.11, respectively.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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
2021

Rank	Name	Industry
1	Walmart	General Merchandise Stores
2	Huntington Ingalls/Newport News Shipbuilding	Transportation Equipment Manufacturing
3	Sentara Healthcare	Hospitals
4	Food Lion	Food and Beverage Stores
5	Inova Health System	Hospitals
6	Capital One Bank	Credit Intermediation and Related Activities
7	HCA Virginia Health System	Hospitals
8	Bon Secours Health System Inc	Hospitals
9	Amazon Fulfillment Services Inc	General Merchandise E-commerce
10	Target Corp	General Merchandise Stores

Source: Virginia Employment Commission Community Profile, Data Release Date: January 2022.

TOP TEN PUBLIC SECTOR EMPLOYERS
2021

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	U.S. Postal Service	Postal Service
5	County of Fairfax	Executive, Legislative and Other General Gov’t Support
6	U.S. Department of Homeland Security	Administration of Security
7	Loudoun County Schools	Educational Services
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, Data Release Date: January 2022.

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.

During 2021, Virginia experienced job growth in nine of the eleven metropolitan statistical areas (MSAs) reported on by the Virginia Employment Commission, including primarily Northern Virginia, Virginia Beach-Norfolk-Newport News, Blacksburg-Christiansburg-Radford, Winchester, Harrisonburg and Richmond. The largest increase of the eleven MSAs occurred in Blacksburg-Christiansburg-Radford at 6.1%, followed by Northern Virginia at 3.5%.

The following table shows the size of the Commonwealth's total civilian labor force from 2012 through 2021, the percentage unemployed during this period and the comparable national unemployment rate.

UNEMPLOYMENT TRENDS

Year	Virginia's Civilian Labor Force[(1)]	Unemployment in Virginia[(2)]	Unemployment in United States[(3)]
2012	4,209,532	5.9%	7.9%
2013	4,240,111	5.5	7.4
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

[(1)]2021 Virginia's Civilian Labor Force data as November 2021, Virginia Employment Commission, Data Report Release Date, December 2021.

[(2] 2021 Unemployment in Virginia as of November 2021, Virginia Employment Commission, Data Report Release Date, December 2021.

[(3)] 2021 Unemployment in United States as of November 2021, Virginia Employment Commission, Data Report Release Date, December 2021.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Other Economic Factors [1]

Utilities: Over the last decade, Virginia opened the door to electric utility deregulation; however, the competition has not materialized 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.

Virginia's electric rates remain competitive in relation to neighboring states. In 2020, the average cost per unit of electricity for the industrial sector was 6.43 cents in Virginia, compared to 6.93 cents for the national average. 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.

Electric power is available throughout the Commonwealth through the investor-owned utilities of Dominion Virginia Power (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 2014, Virginia's industrial sector accounted for nearly 20 percent of natural gas consumption in the state. Virginia's natural gas suppliers specialize in serving industrial customers and provide expert advice in engineering, construction and inspection.

With few exceptions, municipalities and several 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 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: 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 south western 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

[1] Information contained in this section was compiled from various Virginia state agencies and entities, including the Virginia Economic Development Partnership.

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, which was scheduled for completion in 2020, improved the existing 2,500-mile rail network enabling it to handle more freight traffic. The Crescent Corridor traverses 13 states from Louisiana to New Jersey and touches 26 percent of the nation's population and 26 percent of the nation's manufacturing output. The $3 billion project is now fully operational. 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. 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.

Virginia is served by 14 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 147 non-stop destinations around the world. Two of the nation’s largest airports, Dulles International and Ronald Reagan Washington National offer daily international non-stop flights to approximately 50 destinations. The commercial airports are supplemented by 57 general aviation airports licensed for public use throughout the Commonwealth. Washington Dulles International has been one of the fastest growing airports in the country.

The state’s central location on the East Coast is within a one day (10-hour) drive of 43% of the 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.

Virginia Commercial Space Flight Authority: In August 2021, the Virginia Commercial Space Flight Authority (Virginia Space), NASA Wallops Flight Facility launched the 16 successful cargo resupply missions to the International Space Station. The mission, named N-G16, launched from the Mid-Atlantic Regional Spaceport Pad OA located at NASA’s Wallops Flight Facility on the Eastern Shore of Virginia. 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 Virginia Commercial Space Flight Authority (VCSFA). The pad is located at the Mid-Atlantic Regional Spaceport (MARS) at NASA’s Wallops Flight Facility. The LC-2 consists of a pad made from more than 1,400 cubic yards of concrete, a 66-ton launch platform, and a 44-foot, 7.6-ton “strongback,” which lifts the rocket into a launch position. The site will be 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 its new Mid Atlantic Regional Spaceport Payload Processing Facility (MARS PPF) at Wallops Island, Virginia. The Commonwealth, through the VCSFA and in partnership with NASA, has invested heavily in the development of the MARS PFF. The MARS PFF facility is only one of four spaceports in the United States that is currently licensed to launch to orbit, and is only one of two on the east coast. 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 our 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.

Port Facilities: The Port of Virginia is largely responsible for the Commonwealth's strong ties with international commerce. As a 50 foot ice-free channel, the Port of Virginia offers the deepest shipping channels on the U.S. East Coast and is serviced by more than 30 international steamship lines. Norfolk Southern and CSX offer on-dock, double stack intermodal service to key inland markets in the Midwest, Ohio Valley and Southeast.

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. This dual-purpose project will extend the life of Craney Island as a dredged material management area and also provide land for the construction of a new marine terminal. This multi-phase project will 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.

Norfolk International Terminals (NIT), located in Hampton Roads Harbor on 567 acres along the Elizabeth and Lafayette Rivers, 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 2 million twenty-foot equivalent units (TEU). 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 the Virginia Port Authority (VPA) has the authorization to dredge to 55 feet when needed. Slightly down the river from NIT is VPA’s second largest terminal, 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. Located in Newport News, Virginia, the Newport News Marine Terminal 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.

In 2019, the VPA completed a $320 million 800-foot berth extension at Virginia International Gateway (VIG) container terminal in Portsmouth, Virginia. This project included a 20-year lease with VIG, formerly APM Terminals North America, which was executed in 2010. In late 2016, the VPA amended its lease with VIG extending the term to 2065 and allowing VPA to assume operations at the VIG facility. 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. 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. 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. The VPA generates an estimated $92 billion of economic impact annually throughout the Commonwealth of Virginia.

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.

Ports of Entry: Virginia also has five Port of Entry facilities and one Service Port facility to serve businesses: Front Royal, New River Valley Airport in Dublin, Norfolk-Newport News (Service Port), Richmond-Petersburg, Tri-Cities near Bristol in northeastern Tennessee and Washington-Dulles in Northern Virginia.

Telecommunications: 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 2018 Digital States Survey, the latest biennial survey, Virginia received a ranking of "A-".

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 of 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 companyies opportunities for co-location and cooperative relationships with Virginia universities, federal labs and other research consortia.

The Virginia BioTechnology Park in downtown Richmond is home to over 60 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. Members include early and mid-stage companies; multinational pharmaceutical, environmental and consumer product companies; national healthcare organizations managing the nation's solid organ transplant program; and a number of international 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 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. Results can then be applied directly to the factory floor, turning ideas into profit faster and more affordably than ever before.

Following the successful 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.

New and Expanding Companies: 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 will create 210 new jobs and environmental stewardship opportunities, while building a clean economy. Celadon Development Corporation'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., 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 in Richmond, Virginia. 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 signed an agreement to establish the first offshore wind turbine blade facility in the United States, propelling construction of the county'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. The company will lease more than 80 acres of the Commonwealth's Portsmouth Marine Terminal and will build a facility to produce turbine blades supplying offshore wind projects in North America. The facility will create an estimated total of 310 new jobs, of which roughly 50 will be service jobs to support the Coastal Virginia Offshore Wind Project. The project is expected to be completed by the year 2026.

Nestle Purina PetCare 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, headquartered in Salt Lake City, Utah, 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, creating an estimated 116 new jobs. Norfolk will be one of Breeze Airways' first four operations bases in the United States. The airline also plans to offer flights out of Richmond International Airport in the future.

Aditxt, a biotech innovation company focused on improving the health of the immune system, announced in May 2020 that it will establish its first high-capacity AditxtScore™ Center in the City of Richmond in the second half of 2021. Aditxt plans to create more than 300 new jobs and targets making an estimated capital investment of $31.5 million over three years to scale up its state-of-the-art immune monitoring center, including projected new jobs, laboratory equipment, and construction. The company will be located in Virginia Bio+Tech Park, a campus of Activation Capital, where the company is expected to occupy 25,000 square feet of Bio+Tech 8 with plans for future expansion.

In January 2021, the nonprofit pharmaceutical manufacturer, Civica, will invest $124.5 million to establish its first in-house pharmaceutical manufacturing operation in the City of Petersburg, creating 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. The Civica plant will manufacture vials and syringes of injectable medicines used for COVID-19 patient care, emergency rooms, surgeries, and the treatment of serious infections and hypertension, which will be shipped to hospitals across the country. More than 50 health systems are Civica members, representing approximately 1,350 hospitals and nearly one-third of licensed hospital beds in the nation.

DHL, Supply Chain, a global leader in contract logistics, has announced that it will invest $72 million to establish a state-of-the-art distribution operation for its Real Estate Solutions unit in Stafford County, Virginia Venture Business Park. The company is expected to build a 500,000 square foot high bay facility with highly mechanized equipment for material handling to serve the Mid-Atlantic region. This investment is expected to add 577 new jobs in the Commonwealth.

In July 2020, Bausch and Lomb selected the City of Lynchburg to invest approximately $35 million to expand its manufacturing facility and create approximately 79 new jobs over the next five years. The company has announced plans to purchase 13.1 acres of land and expand the current facility to 190,000 square feet, which will provide distribution capabilities for medical device products and contact lens products, and will be the company's main point of distribution in the United States. The company employs more than 195 workers throughout Virginia, with 153 currently reporting to its Lynchburg facility.

The Hershey Company announced in June 2020, that it will invest $135 million to expand its manufacturing operations in Augusta County. The company will increase production capacity at its existing facility in Stuarts Draft by 90,000 square feet and create approximately 110 new jobs. Hershey Chocolate of Virginia, Inc. has operated in Augusta County for more than 30 years and employs more than 1,000 people. This recent announcement follows the $104 million investment and 65 new jobs to expand production that was announced in May 2019.

ASGN, a Fortune 1000 IT provider, announced in June 2020 that it will invest a total of $12.4 million for the relocation of its corporate headquarters and expand operations from Calabasas, California to Henrico County and will add jobs in Virginia Beach, the City of Roanoke and other communities, creating an estimated total of 700 jobs.

S23 Holdings, LLC and its affiliates, which include East Coast Repair and Fabrication (ECR), an industry leader in the marine, industrial, and commercial sectors, announced in June 2020 the investment of $64.4 million to establish a corporate and industrial campus located in the City of Newport News for ship repair, manufacturing, and pier rehabilitation.

Microsoft Corp. announced in May 2020, that it will invest $64 million to establish a new software development and research & development regional hub, which will create approximately 1,500 new jobs. The company is expected to occupy a 400,000 square foot location that includes retail space in Fairfax County in 2021.

In February 2020, Navien, Inc. a leader in condensing technology for water heaters and boilers, announced that it will invest $77.5 million in James City County. This facility will be its first manufacturing and assembly operation in the United States and is expected to create 180 jobs.

Total Fiber Recovery (TFR) announced in February 2020 the investment of $49 million to establish its first recycled pulp production facility in the City of Chesapeake. TFR is expected to begin operations in 2021 and annually process 300,000 tons of mixed paper and other recycled fiber from the region's materials recovery facilities (MFRs). The company is expected to increase the region's capacity to process recycled fiber, a commodity limited by international restrictions, prompting historically low prices for recycled fiber and added costs to recycling communities.

Flowers Foods, one of the nation's largest producers of package baked foods, announced in January 2020 that it will invest $25 million to expand and transform its Lynchburg bakery into an organic facility. The company, which has operated for more than 40 years, will serve the Mid-Atlantic market.

In January 2020, Acesur, an international olive oil manufacturer, announced its investment of $11 million to establish its first U.S. production operation in the City of Suffolk. The new facility will handle the company's bulk oil imports from Argentina, Australia and Spain, operating under its subsidiary, Acesur USA LLC.

In March 2020, Amazon Inc. announced the launch of two new, state-of-the-art operations facilities in Hampton Roads, creating an estimated 1,500 new jobs. Amazon will establish a multi-story robotics fulfillment center in the City of Suffolk, creating approximately 1,000 new jobs, as well as a 650,000 square foot processing center in the City of Chesapeake, which will add an estimated 500 new jobs. Both operations are anticipated to launch in 2021. In November 2018, Amazon, Inc. announced that it will invest approximately $2.5 billion to establish a major new headquarters in Virginia that is expected to create more than 25,000 high paying jobs over 12 years. The headquarters will be housed in National Landing, which includes portions of Pentagon City and Crystal City in Arlington County, Virginia and Potomac Yard in the City of Alexandria, Virginia. Amazon's initial growth is expected to be focused in the Crystal City and Pentagon City portion of National Landing. In July 2019, Amazon Inc. announced the establishment of a new specialty fulfillment and last-mile delivery center on the Virginia Interstate 95 Logistics Center Site in the City of Richmond. Amazon launched its first Virginia fulfillment operations in 2013 and the new project will add 150 new jobs to Amazon existing workforce of more than 10,000 fulltime employees across the Commonwealth. Amazon currently operates 10 fulfillment and sortation centers, as well as delivery stations in Ashland, Chesapeake, Chester, Clear Brook, Petersburg, Richmond, Springfield and Sterling. The company also operates on Tech Hub, 13 Wholefoods Market store locations, and Prime Now Hubs in Richmond, Springfield, and Virginia Beach. Since 2010, Amazon has invested more than $34 billion in Virginia through its customer fulfillment and cloud infrastructure, as well as compensation to employees. With the announcement to establish the second Amazon Headquarters in July 2019, 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 foundation of the cooperative pitch for Amazon's headquarters was the Tech Talent Investment Program. 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.

Since September 2021, Virginia has announced capital investments of over $48.2 billion, which created over 91,500 new jobs.

Business Climate: In December 2021, Business Facilities Magazine awarded the Commonwealth of Virginia first place as the number one state of the year for Overall Business Climate. The Commonwealth's first place ranking results were founded on the work done by the local and statewide economic development councils to make the Commonwealth more attractive to prospective employers. Business Facilities Magazine is a national publication that has been the leading location source for corporate site selectors and economic development professionals for more than 50 years.

In July 2021, CNBC listed Virginia No. 1 for "America's Top States for Business in 2021". The Commonwealth has now earned the top spot five times in 2007, 2009, 2011 and 2019, more than any other state. The 2021 study also ranked the Commonwealth No. 2 for Education and No. 3 for Workforce. 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 2020, 277 Virginia Companies appeared on the Inc. 5000 list of the fastest growing private companies in the country.

In 2021, Site Selection Magazine awarded the Commonwealth fourth place for "the most competitive state-level economic development group" in the United States. Virginia was ranked first in the Atlantic Region for the "2018 Top State in Annual Workforce Development", and was ranked second in 2017 of the states in the region by Site Selection Magazine. The magazine based their analysis on the context in which each state's workforce development program is applied rather than the specific programs themselves.

The international news outlet, U.S. News, has completed its Best States survey and ranked Virginia seventh in 2021 and 2019, a thirteen spot jump from twentieth in 2018. The calculation rankings are of eight categories assigned weightings based on the average of three years of data from an annual national survey that asked a total of more than 50,000 people to prioritize each subject in their state. In addition to healthcare and education, the metrics consider a state's economy, infrastructure, fiscal stability, public safety, natural environment, and the opportunity it affords its residents. Virginia experienced the most significant improvements in its rankings from 2018 to 2019 in the categories of healthcare (from 29th to 18th), education (from 12th to 7th), economy (from 30th to 25th), and fiscal stability (from 14th to 8th).

Forbes.com released the "2019 Best States for Business Study" and ranked Virginia 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.

Virginia is headquarters to 39 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.

Virginia was ranked in *Area Development* magazine's 2021 and 2020 "Top States for Doing Business" annual survey. Overall, the Commonwealth placed eighth out of twenty states, a change from being ranked tenth in 2019 in the prestigious annual site consultants' survey, which debuted in 2010.

Education: 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 2020-21 academic year, an estimated 376,787 students were enrolled in the Commonwealth's 39 public colleges, community colleges and universities. Of these students, an estimated 150,761 attended 23 community colleges on 40 campuses within the Virginia Community College System. A total of 1,251,970 students attended public elementary and secondary schools. The following table illustrates enrollment levels for all educational levels for the last 10 academic years.

ENROLLMENT FOR PUBLIC AND PRIVATE INSTITUTIONS OF HIGHER EDUCATION AND PUBLIC PRIMARY AND SECONDARY SCHOOLS

Academic Year	Higher Education [1]			Public [2] Primary and Secondary
	Public	Private	Total	
2011-12	413,019	122,275	535,294	1,258,520
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	1,251,970

Source: [1] State Council for Higher Education in Virginia; [2] Virginia Department of Education, In 2021, Smart Asset ranked Virginia No. 1 in its best states for Higher Education, a change from the 2020 Smart Asset ranking of No.2 in its best state for Higher Education. This makes seven years in a row in which Virginia was ranked the best or second-best 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. The study also calculated the in-state attendance rate to assess whether states can effectively educate their own residents.

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 2020 was estimated to be $2.4 billion. The value of mined coal was estimated to be $830 million, about 30% lower than the revised value from the previous year. Oil and natural gas production was valued at $216 million, about 24% lower than the value reported in 2019. The US Geological Survey estimated the value of non-fuel mineral production in 2020 to be about $1.37 billion, ranking Virginia 21st among the 50 states. 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.

Virginia's forests provide more than $21 billion in annual economic benefits to the Commonwealth, and the forest industry provides employment for more than 107,900 Virginians. 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 one of the largest seafood production states on the East Coast. In addition, Virginia is the nation's third largest producer of marine products with total fish landings of over 362.5 million pounds in 2018. Its ports are rarely closed in the winter. Its 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. The Virginia Institute of Marine Science has reported the annual economic impact of Virginia's seafood industry to be over $500 million.

Agriculture: The agricultural industry has an economic impact of $70 billion annually and provides nearly 334,000 jobs in the Commonwealth. The industries of agriculture and forestry together have a total economic impact of almost $91 billion. Every job in agriculture and forestry supports 1.7 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 9.5 percent of the state's local gross domestic product.

A burgeoning wine industry is proving to be increasingly important to Virginia's economy. Released in October 2021, an economic impact study shows that Virginia's wine industry contributes more than $1.4 billion annually to Virginia's economy. Virginia is in the top six states in number of wineries and wine grape production. The report showed that the Virginia Wine industry employs over 8,218 in 330 wineries.

Tourism: Another of Virginia's most important economic assets is the travel and tourism industry. Tourism's economic contribution to Virginia in 2020 decreased to $17.5 billion, including employment in such travel-related businesses as lodging establishments, restaurants, museums, amusement parks, retail stores and gasoline service stations. Tourism is also a significant source of government revenues and was responsible for $1.4 billion in combined state and local tax revenues in 2020, a decline of

32.0% percent from 2019. Factors affecting the recent decreases included the shutdown orders and related mitigation strategies intended to slow the spread of COVID-19.

This page intentionally left blank.

PROPOSED FORMS OF BOND COUNSEL OPINIONS

APPENDIX D

Table of Contents

PROPOSED FORM OF BOND COUNSEL OPINION

Set forth below is the proposed form of the opinion of Kaufman & Canoles, a Professional Corporation, bond counsel, with respect to the 2022A Bonds. It is preliminary and subject to change prior to delivery of the 2022A Bonds.

April 26, 2022

Virginia Public Building Authority
101 North 14th Street
Richmond, Virginia 23219

Virginia Public Building Authority
$432,950,000 Public Facilities Revenue Bonds, Series 2022A

Ladies and Gentlemen:

We have examined applicable law, including the Virginia Public Building Authority Act of 1981 (Sections 2.2-2260 et seq. of the Code of Virginia of 1950, as amended) (the "Act"), and certified copies of proceedings and documents relating to the issuance and sale by the Virginia Public Building Authority (the "Authority") of its $432,950,000 Public Facilities Revenue Bonds, Series 2022A (the "Series 2022A Bonds" or the "Tax-Exempt Bonds"). Reference is made to the Tax-Exempt Bonds for information concerning their details, including payment and redemption provisions, their purpose and the proceedings pursuant to which they are issued.

The Tax-Exempt Bonds are issued under and are equally and ratably secured by a Master Indenture of Trust, dated as of April 15, 1997, as previously supplemented and amended (the "Master Indenture"), as further supplemented by a Fortieth Supplemental Indenture of Trust, dated as of April 1, 2022 (the "Supplemental Indenture," and together with the Master Indenture, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania, as successor trustee (the "Trustee"). Additional bonds may be issued on parity with the Tax-Exempt Bonds on terms provided in the Master Indenture.

The Authority and the Treasury Board of the Commonwealth of Virginia (the "Commonwealth") have entered into a Payment Agreement dated as of April 15, 1997 (the "Payment Agreement"), which provides, among other things, for the procedures for requesting appropriations of funds by the General Assembly of the Commonwealth (the "General Assembly") sufficient to pay debt service on the Tax-Exempt Bonds and on bonds previously and concurrently issued under the Master Indenture and paying such debt service to the Trustee.

Without undertaking to verify the same by independent investigation, we have relied upon representations of the Authority and the governmental entities that use or benefit from the projects financed with the Tax-Exempt Bonds (the "Users") as to certain facts relevant to both our opinion and the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Authority and the Commonwealth have covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Tax-Exempt Bonds, including the timely payment to the United States of any arbitrage rebate amounts with respect to the Tax-Exempt Bonds, all as set forth in the proceedings and documents relating to the issuance of and security for the Tax-Exempt Bonds (the "Covenants"). For purposes of this opinion, we have assumed (i) the signatures of all persons are genuine and authentic, (ii) all natural persons are legally competent, (iii) all documents reviewed by us are accurate and complete, (iv) each document delivered to us as an original is authentic, and (v) each document delivered to us as a copy conforms to the original document in all respects.

Based on the foregoing and subject to the qualifications hereinafter stated, we are of the opinion that, under existing law:

1. The Authority is a political subdivision of the Commonwealth duly created by the Act and has the requisite authority and power under the Act to issue and sell the Tax-Exempt Bonds.

2. The Tax-Exempt Bonds have been duly authorized, executed and delivered in accordance with the Act and the Indenture, constitute valid and binding limited obligations of the Authority, and are enforceable against the Authority in accordance with their terms, subject to the provisions of Paragraph 5. The Tax-Exempt Bonds are payable as to principal, premium, if any, and interest solely from the revenues, receipts and funds appropriated from time to time by the General Assembly therefor and paid to the Trustee in accordance with the Payment Agreement and from certain funds held under the Indenture, all as provided in the Indenture. The obligations to make payments of principal, premium, if any, and interest on the Tax-Exempt Bonds are subject to and dependent on annual and biennial appropriations by the General Assembly, which is not obligated to make such appropriations. The Tax-Exempt Bonds and the premium, if any, and the interest thereon do not constitute 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 any political subdivision thereof is pledged to the payment of the principal of, or premium, if any, or interest on the Tax-Exempt Bonds.

3. The Indenture has been duly authorized, executed and delivered by the Authority, and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes a valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms, subject to the provisions of Paragraph 5. The Supplemental Indenture is authorized or permitted by the Master Indenture and complies with the requirements of the Master Indenture. Execution of the Supplemental Indenture will not cause the interest on any bonds previously issued under the Master Indenture as tax-exempt bonds 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 opinion as to tax exemption delivered in connection with the issuance of any such bonds.

4. The Payment Agreement has been duly authorized, executed and delivered by the Authority, and constitutes a valid and binding obligation of the Authority, enforceable in accordance with its terms, subject to the provisions of Paragraph 5.

5. The obligations of the Authority under the Tax-Exempt Bonds, the Indenture and the Payment Agreement are subject to the provisions of applicable state and federal bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws, now or hereafter in effect, relating to or affecting the rights of creditors generally and to any judicially developed doctrines related thereto. Such obligations also are subject to usual equitable principles, which may limit the specific enforcement of certain remedies.

6. Interest on the Tax-Exempt Bonds (including any accrued original issue discount properly allocable to an owner of a Tax-Exempt Bond) (a) is not included in gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum income tax. The opinion in the preceding sentence is subject to the condition that there is compliance subsequent

to the issuance of the Tax-Exempt Bonds with all requirements of the Code that must be satisfied in order that interest thereon not be included in gross income for federal income tax purposes. Failure by the Authority or the Users to comply with the Covenants could cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue. We express no opinion regarding other federal tax consequences of the ownership of or receipt or accrual of interest on the Tax-Exempt Bonds.

7. In accordance with Section 2.2-2278 of the Act, the Tax-Exempt Bonds, their transfer and the income therefrom (including any profit made on the sale thereof) are exempt from taxation within the Commonwealth. We express no opinion regarding (i) other Commonwealth tax consequences arising with respect to the Tax-Exempt Bonds, or (ii) consequences arising with respect to the Tax-Exempt Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

Our services as bond counsel to the Authority have been limited to rendering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Tax-Exempt Bonds, including the tax status of interest thereon, as described herein. We express no opinion herein as to the financial resources of the Authority or the Commonwealth, their respective ability or willingness to provide for payment of the Tax-Exempt Bonds or the accuracy or completeness of any information, including the Authority's Preliminary Official Statement dated March 25, 2022, and its Official Statement dated April 5, 2022, that may have been relied upon by anyone in making the decision to purchase the Tax-Exempt Bonds. The opinions expressed herein are given as of the date hereof only, and we assume no obligation to update, revise or supplement this opinion 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, render any opinion as to any matter except as specifically set forth herein.

Very truly yours,

This page intentionally left blank.

PROPOSED FORM OF BOND COUNSEL OPINION

Set forth below is the proposed form of the opinion of Kaufman & Canoles, a Professional Corporation, bond counsel, with respect to the 2022B Bonds. It is preliminary and subject to change prior to delivery of the 2022B Bonds.

April 26, 2022

Virginia Public Building Authority
101 North 14th Street
Richmond, Virginia 23219

Virginia Public Building Authority
$20,055,000 Public Facilities Revenue Bonds, Series 2022B (Federally Taxable)

Ladies and Gentlemen:

We have examined applicable law, including the Virginia Public Building Authority Act of 1981 (Sections 2.2-2260 et seq. of the Code of Virginia of 1950, as amended) (the "Act"), and certified copies of proceedings and documents relating to the issuance and sale by the Virginia Public Building Authority (the "Authority") of its $20,055,000 Public Facilities Revenue Bonds, Series 2022B (Federally Taxable) (the "Series 2022B Bonds" or the "Taxable Bonds"). Reference is made to the Taxable Bonds for information concerning their details, including payment and redemption provisions, their purpose and the proceedings pursuant to which they are issued.

The Taxable Bonds are issued under and are equally and ratably secured by a Master Indenture of Trust, dated as of April 15, 1997, as previously supplemented and amended (the "Master Indenture"), as further supplemented by a Fortieth Supplemental Indenture of Trust, dated as of April 1, 2022 (the "Supplemental Indenture," and together with the Master Indenture, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania, as successor trustee (the "Trustee"). Additional bonds may be issued on parity with the Taxable Bonds on terms provided in the Master Indenture.

The Authority and the Treasury Board of the Commonwealth of Virginia (the "Commonwealth") have entered into a Payment Agreement dated as of April 15, 1997 (the "Payment Agreement"), which provides, among other things, for the procedures for requesting appropriations of funds by the General Assembly of the Commonwealth (the "General Assembly") sufficient to pay debt service on the Taxable Bonds and on bonds previously and concurrently issued under the Master Indenture and paying such debt service to the Trustee.

Without undertaking to verify the same by independent investigation, we have relied upon certifications by representatives of the Authority and the Commonwealth as to certain facts relevant to our opinion. For purposes of this opinion, we have assumed (i) the signatures of all persons are genuine and authentic, (ii) all natural persons are legally competent, (iii) all documents reviewed by us are accurate and complete, (iv) each document delivered to us as an original is authentic, and (v) each document delivered to us as a copy conforms to the original document in all respects.

Based on the foregoing and subject to the qualifications hereinafter stated, we are of the opinion that, under existing law:

1. The Authority is a political subdivision of the Commonwealth duly created by the Act and has the requisite authority and power under the Act to issue and sell the Taxable Bonds.

2. The Taxable Bonds have been duly authorized, executed and delivered in accordance with the Act and the Indenture, constitute valid and binding limited obligations of the Authority, and are enforceable against the Authority in accordance with their terms, subject to the provisions of Paragraph 5. The Taxable Bonds are payable as to principal, premium, if any, and interest solely from the revenues, receipts and funds appropriated from time to time by the General Assembly therefor and paid to the Trustee in accordance with the Payment Agreement and from certain funds held under the Indenture, all as provided in the Indenture. The obligations to make payments of principal, premium, if any, and interest on the Taxable Bonds are subject to and dependent on annual and biennial appropriations by the General Assembly, which is not obligated to make such appropriations. The Taxable Bonds and the premium, if any, and the interest thereon do not constitute 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 any political subdivision thereof is pledged to the payment of the principal of, or premium, if any, or interest on the Taxable Bonds.

3. The Indenture has been duly authorized, executed and delivered by the Authority, and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes a valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms, subject to the provisions of Paragraph 5. The Supplemental Indenture is authorized or permitted by the Master Indenture and complies with the requirements of the Master Indenture. Execution of the Supplemental Indenture will not cause the interest on any bonds previously issued under the Master Indenture as tax-exempt bonds 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 opinion as to tax exemption delivered in connection with the issuance of any such bonds.

4. The Payment Agreement has been duly authorized, executed and delivered by the Authority, and constitutes a valid and binding obligation of the Authority, enforceable in accordance with its terms, subject to the provisions of Paragraph 5.

5. The obligations of the Authority under the Taxable Bonds, the Indenture and the Payment Agreement are subject to the provisions of applicable state and federal bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws, now or hereafter in effect, relating to or affecting the rights of creditors generally and to any judicially developed doctrines related thereto. Such obligations also are subject to usual equitable principles, which may limit the specific enforcement of certain remedies.

6. Interest on the Taxable Bonds is includable in gross income for federal tax purposes. We express no opinion regarding other federal tax consequences of the ownership of or receipt or accrual of interest on the Taxable Bonds.

7. In accordance with Section 2.2-2278 of the Act, the Taxable Bonds, their transfer and the income therefrom (including any profit made on the sale thereof) are exempt from taxation within the Commonwealth. We express no opinion regarding (i) other Commonwealth tax consequences arising with respect to the Taxable Bonds, or (ii) consequences arising with respect to the Taxable Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

Our services as bond counsel to the Authority have been limited to rendering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Taxable Bonds, including the tax status of interest thereon, as described herein. We express no opinion herein as to the financial resources of the Authority or the Commonwealth, their respective ability or willingness to provide for payment of the Taxable Bonds or the accuracy or completeness of any information, including the Authority's Preliminary Official Statement dated March 25, 2022, and its Official Statement dated April 5, 2022, that may have been relied upon by anyone in making the decision to purchase the Taxable Bonds. The opinions expressed herein are given as of the date hereof only, and we assume no obligation to update, revise or supplement this opinion 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, render any opinion as to any matter except as specifically set forth herein.

Very truly yours,

This page intentionally left blank.

APPENDIX E

CONTINUING DISCLOSURE AGREEMENTS OF THE VIRGINIA PUBLIC BUILDING AUTHORITY AND THE COMMONWEALTH OF VIRGINIA

Table of Contents

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated April 26, 2022 (the "Disclosure Agreement"), is executed and delivered by the Virginia Public Building Authority (the "Authority") of the Commonwealth of Virginia (the "Commonwealth") in connection with the issuance by the Authority of its $432,950,000 Public Facilities Revenue Bonds, Series 2022A and $20,055,000 Public Facilities Revenue Bonds, Series 2022B (Federally Taxable) (collectively, the "2022 Bonds"). The 2022 Bonds are being issued pursuant to the provisions of the Master Indenture of Trust, dated as of April 15, 1997 (the "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 Fortieth Supplemental Indenture of Trust dated as of April 1, 2022 (the "Supplemental Indenture," and the Master Indenture as so amended and supplemented from time to time, the "Indenture"), between the Authority and the Trustee, relating to the 2022 Bonds. The proceeds of the 2022 Bonds are being used by the Authority to: (i) finance the acquisition, construction, improvement, rehabilitation, furnishing and equipping of various public facilities for use by or on behalf of the Commonwealth and its agencies, (ii) finance the Commonwealth's share of the costs of certain grants and of regional and local jail and juvenile detention facility projects, and (iii) pay costs of issuance of the Bonds. 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 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 2022 Bond.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriters" shall mean any of the original underwriters of the 2022 Bonds required to comply with the Rule in connection with the offering of such 2022 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 May 1 following the end of each Fiscal Year of the Authority, commencing May 1, 2023, 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 Commonwealth's 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 manner, an appropriate notice to the MSRB 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, a summary of information respecting appropriations made by the Virginia General Assembly to provide for the payment of debt service on the 2022 Bonds, all with a view toward assisting the Participating Underwriters in complying with the Rule.

Any information 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 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 MSRB 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 2022 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 2022 Bonds or other material events affecting the tax status of the 2022 Bonds;

(7) Modifications to rights of Holders of the 2022 Bonds, if material;

(8) 2022 Bond calls, if material, and tender offers;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the 2022 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 2022 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 2022 Bonds, (ii) the only open issue is when the 2022 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 2022 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 2022 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 the 2022 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 2022 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 2022 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 2022 Bonds. The Commonwealth has concurred in such determination and has covenanted and agreed to provide its Annual Reports, its annual financial statements and certain Event Notices.

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. 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.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

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 PUBLIC BUILDING AUTHORITY

By:____
Secretary/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 PUBLIC BUILDING AUTHORITY

in connection with
Virginia Public Building Authority's
$432,950,000 Public Facilities Revenue Bonds, Series 2022A
$20,055,000 Public Facilities Revenue Bonds, Series 2022B (Federally Taxable)

CUSIP Numbers: 928173 AA1 to AZ6

Dated Date of 2022 Bonds: April 26, 2022

NOTICE IS HEREBY GIVEN that the Virginia Public 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 April 26, 2022 (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:_______________

VIRGINIA PUBLIC BUILDING AUTHORITY

By: ____

Its: ____

This page intentionally left blank.

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated April 26, 2022 (this "Disclosure Agreement"), is executed and delivered by the Commonwealth of Virginia (the "Commonwealth") in connection with the issuance by the Virginia Public Building Authority (the "Authority") of its $432,950,000 Public Facilities Revenue Bonds, Series 2022A and $20,055,000 Public Facilities Revenue Bonds, Series 2022B (Federally Taxable) (collectively, the "2022 Bonds") pursuant to the provisions of the Master Indenture of Trust, dated as of April 15, 1997 (the "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 Fortieth Supplemental Indenture of Trust dated as of April 1, 2022 (the "Supplemental Indenture," and the Master Indenture as so amended and supplemented from time to time, the "Indenture"), between the Authority and the Trustee, relating to the 2022 Bonds. The proceeds of the 2022 Bonds are being used by the Authority to: (i) finance the acquisition, construction, improvement, rehabilitation, furnishing and equipping of various public facilities for use by or on behalf of the Commonwealth and its agencies, (ii) finance the Commonwealth's share of the costs of certain grants and of regional and local jail and juvenile detention facility projects, and (iii) pay costs of issuance of the Bonds. The Authority has advised the Commonwealth that it has determined that the Commonwealth constitutes an "obligated person" within the meaning of the Rule (as defined below) in respect of the 2022 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 Disclosure 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 2022 Bond.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriters" shall mean any of the original underwriters of the 2022 Bonds required to comply with the Rule in connection with the offering of such 2022 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, 2022 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 manner, an appropriate notice to the MSRB 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 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 in 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 of 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, 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 2022 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 Dissemination 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 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 2022 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 MSRB via EMMA, as described in 1934 Act Release No. 59062. Should the Securities and Exchange Commission approve any additional or subsequent internet-based electronic filing system for satisfying the continuing disclosure filing requirements of the Rule, any filings required under this Disclosure Agreement may be made by transmitting such filing to such system, as described in the applicable Securities and Exchange Commission regulation or release approving such filing system.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

Date: April ___, 2022

COMMONWEALTH OF VIRGINIA

By: ______________________________
State Treasurer

AGREED TO & ACKNOWLEDGED:

VIRGINIA PUBLIC BUILDING AUTHORITY

By: ______________________________
Assistant Secretary/Treasurer

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

in connection with
Virginia Public Building Authority's
$432,950,000 Public Facilities Revenue Bonds, Series 2022A
$20,055,000 Public Facilities Revenue Bonds, Series 2022B (Federally Taxable)

CUSIP Numbers: 928173 AA1 to AZ6

Dated Date of Series 2022 Bonds: April 26, 2022

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 the Fortieth Supplemental Indenture dated as of April 1, 2022, between the Virginia Public Building Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee. The Commonwealth anticipates that the Annual Report [Audited Annual Financial Statements] will be filed by _____.

Dated: ________

COMMONWEALTH OF VIRGINIA

By: ______________________________
State Treasurer

EXHIBIT B

CONTENT OF ANNUAL REPORT

General Fund. Information concerning revenues, sources of revenues, expenditures, categories of expenditures and balances of the General Fund of the Commonwealth for the preceding fiscal year.

Appropriation Act. A summary of the material budgetary aspects of the Appropriation Act for the current biennium.

Debt. Updated information respecting tax-supported and other outstanding debt of the Commonwealth including a historical summary of outstanding tax-supported debt; a summary of authorized but unissued tax-supported debt and a summary of annual debt service on outstanding tax-supported debt.

Retirement Plans. Updated information (to the extent not shown in the latest audited annual financial statements) respecting pension and retirement plans administered by the Commonwealth including a summary of membership, revenues, expenses and actuarial valuation(s) of such plans.

Litigation. A summary of material litigation pending against the Commonwealth.

Demographic Information. Updated demographic information respecting the Commonwealth such as its population and tax base.

Economic Information. Updated economic information respecting the Commonwealth such as income, employment, industry and infrastructure data.

In general, the foregoing will include information as of the end of the most recent fiscal year or as of the most recent practicable date. Where information for the fiscal year just ended is provided, it may be preliminary and unaudited. Where information has historically been provided for more than a single period, comparable information will in general be provided for the same number of periods where valid and available. Where comparative demographic or economic information for the Commonwealth and the United States as a whole is contemporaneously available and, in the judgment of the Commonwealth, informative, such information may be included. Where, in the judgment of the Commonwealth, an accompanying narrative is required to make data presented not misleading, such narrative will be provided.