PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 2, 2024

NEW ISSUE - FULL BOOK-ENTRY

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

In the opinion of McGuireWoods LLP, as bond counsel to the Virginia Public School Authority ("Bond Counsel"), *under current law and subject to the conditions described in "TAX MATTERS" herein, interest on the below referenced bonds (the "Series 2024B Bonds") (i) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not treated as a preference item in calculating the federal alternative minimum tax on individuals. Interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. Bond Counsel is further of the opinion that interest on the Series 2024B Bonds is exempt from income taxation by the Commonwealth of Virginia and any of its political subdivisions. See "TAX MATTERS" herein regarding certain other tax considerations.*

$82,560,000*
VIRGINIA PUBLIC SCHOOL AUTHORITY
SCHOOL FINANCING BONDS (1997 RESOLUTION)
SERIES 2024B

Dated: Date of Delivery | **Due: August 1, as shown on the inside cover**

This Official Statement has been prepared by the Virginia Public School Authority (the "Authority") to provide information on the above referenced bonds (the "Series 2024B Bonds"). Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series 2024B Bonds, a prospective investor should read this Official Statement in its entirety.

Purpose	The Series 2024B Bonds are being issued to purchase $82,560,000* in general obligation school bonds issued by certain Virginia localities to finance or refinance capital projects for their public schools. See the section **"PLAN OF FINANCE."**
Issued Pursuant to	1997 Resolution, adopted by the Authority on October 23, 1997, as amended and restated.
Denomination	$5,000 or multiples thereof.
Security	The Series 2024B Bonds are secured by principal and interest payments on the general obligation school bonds issued by certain Virginia localities, held by the Authority and pledged to the payment of the Series 2024B Bonds. The Series 2024B Bonds do not constitute a debt or a pledge of the faith and credit of the Commonwealth of Virginia. See the section **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."**
Redemption	The Series 2024B Bonds are subject to redemption as described on the inside cover.
Interest Payment Dates	February 1 and August 1, beginning August 1, 2025.
Registration	Fully registered book-entry only in the name of Cede & Co. (as nominee of The Depository Trust Company). See **APPENDIX H – BOOK-ENTRY ONLY SYSTEM.**
Bond Registrar/ Paying Agent	State Treasurer.
Financial Advisor	Davenport & Company LLC, Richmond, Virginia.
Bond Counsel	McGuireWoods LLP, Richmond, Virginia.
Issuer Contact	Director of Debt Management, Virginia Department of the Treasury, (804) 225-2142.
Delivery Date	On or about October 30, 2024. *

The Series 2024B Bonds will be awarded pursuant to electronic competitive bidding to be held via BiDCOMP/*PARITY*® on October 9, 2024,* unless postponed, as set forth in the Notice of Sale. See **APPENDIX I – NOTICE OF SALE**.

Dated: __________ _____, 2024

---

* Preliminary, subject to change.

$82,560,000*
VIRGINIA PUBLIC SCHOOL AUTHORITY
SCHOOL FINANCING BONDS (1997 RESOLUTION)
SERIES 2024B

(Base CUSIP† Number 92818H)

Maturity (August 1) *	Principal Amount*	Interest Rate	Yield	Price	CUSIP Suffix†
2025	$2,210,000	%	%	%	
2026	2,310,000				
2027	2,315,000				
2028	2,325,000				
2029	2,340,000				
2030	2,350,000				
2031	2,850,000				
2032	2,890,000				
2033	2,930,000				
2034	2,975,000				
2035	3,020,000				
2036	3,070,000				
2037	3,120,000				
2038	3,175,000				
2039	3,230,000				
2040	3,290,000				
2041	3,345,000				
2042	3,395,000				
2043	3,450,000				
2044	3,505,000				
2045	2,880,000				
2046	2,915,000				
2047	2,955,000				
2048	3,000,000				
2049	3,040,000				
2050	1,935,000				
2051	1,935,000				
2052	1,935,000				
2053	1,935,000				
2054	1,935,000				

OPTIONAL REDEMPTION

The Series 2024B Bonds due on or after August 1, 2035*, may be redeemed prior to their respective maturities at the option of the Authority, in whole or in part, on any date beginning August 1, 2034*, at a redemption price of par, together with interest accrued to the date fixed for redemption.

MANDATORY REDEMPTION

As provided in the Notice of Sale, consecutive annual principal amounts of the Series 2024B Bonds may be combined into one or more term bonds. In the event that the successful bidder specifies a term bond or term bonds, the mandatory sinking fund redemption provisions will be included in the final Official Statement. See **APPENDIX I – NOTICE OF SALE.**

---

* Preliminary, subject to change.
† See the last paragraph on page (i) regarding the use of CUSIP numbers in this Official Statement.

STATE OFFICIALS

GOVERNOR
GLENN YOUNGKIN

LIEUTENANT GOVERNOR
WINSOME EARLE-SEARS

ATTORNEY GENERAL
JASON S. MIYARES

SECRETARY OF FINANCE
STEPHEN E. CUMMINGS

TREASURER
DAVID L. RICHARDSON

COMPTROLLER
SCOTT L. ADAMS

SUPERINTENDENT
OF PUBLIC INSTRUCTION
DR. LISA COONS

VIRGINIA PUBLIC SCHOOL AUTHORITY BOARD OF COMMISSIONERS

CHAIR
JOHN R. RILEY, JR.

VICE CHAIRMAN
MICHAEL NGUYEN

TREASURER & SECRETARY
DAVID L. RICHARDSON

MARIA J. PERROTTE

HON. CARDELL C. PATILLO JR.

SCOTT L. ADAMS

KAREN SPENCE

DR. LISA COONS

AUTHORITY STAFF

AUTHORITY ASSISTANT SECRETARY/ASSISTANT TREASURER
Department of the Treasury
Director of Debt Management
BRADLEY L. JONES

AUTHORITY ASSISTANT SECRETARY/ASSISTANT TREASURER
Department of the Treasury
Public Finance Manager
JAMES D. MAHONE

Department of the Treasury
Senior Public Finance Analyst
MELISSA W. PALMER

FINANCIAL ADVISOR

DAVENPORT & COMPANY LLC
Richmond, Virginia

BOND COUNSEL

MCGUIREWOODS LLP
Richmond, Virginia

The Series 2024B Bonds are exempt from registration under the Securities Act of 1933, as amended. The Series 2024B Bonds are also exempt from registration under the securities laws of the Commonwealth of Virginia.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than those contained in this official statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Authority or the underwriters. This official statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any offer or solicitation of such offer or sale of the Series 2024B 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 underwriters or holders of any of the Series 2024B Bonds.

Certain statements included in this official statement constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "anticipate," "intend," "believe," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any results, performances or achievements express or implied by such forward-looking statements. Except as specifically set forth herein, the Authority does not plan to issue any updates or revisions to those forward-looking statements due to changes in its expectations or subsequent events, conditions or circumstances on which such statements are based.

The information contained herein is subject to change without notice and neither the delivery of this official statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Authority since the date hereof.

In accordance with their responsibilities under the federal securities laws, the underwriters have reviewed the information in this official statement but do not guarantee its accuracy or completeness.

The underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Series 2024B Bonds, including transactions to (a) overallot in arranging the sales of the Series 2024B Bonds, and (b) make purchases and sales of bonds, for long or short account, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as the underwriters may determine.

TABLE OF CONTENTS

Page

OFFICIAL STATEMENT
of the

VIRGINIA PUBLIC SCHOOL AUTHORITY
for its

$82,560,000*
SCHOOL FINANCING BONDS (1997 RESOLUTION)
SERIES 2024B

INTRODUCTION

The purpose of this Official Statement is to provide certain information in connection with the issuance by the Virginia Public School Authority (the "Authority") of its $82,560,000* School Financing Bonds (1997 Resolution) Series 2024B (the "Series 2024B Bonds"). The Authority is an instrumentality of the Commonwealth of Virginia (the "Commonwealth"), created by Chapter 11, Title 22.1, Code of Virginia, 1950, as amended (the "Enabling Act"). See **"THE AUTHORITY."**

The Series 2024B Bonds are being issued by the Authority pursuant to the Enabling Act and a bond resolution adopted on October 23, 1997, as amended and restated, and as supplemented (the "1997 Resolution"), by the Board of Commissioners of the Authority (the "Board"). The Authority's purpose in issuing the Series 2024B Bonds is to provide funds for the purchase by the Authority of certain general obligation school bonds (the "2024B Local School Bonds") to be issued by certain Virginia localities (the "2024B Local Issuers") to finance or refinance capital projects for their public schools.

In this Official Statement:

- The Series 2024B Bonds and the parity bonds heretofore and hereafter issued under the 1997 Resolution are called "Bonds."
- The 2024B Local School Bonds and all other general obligation school bonds the principal, interest and redemption components of which have been, or will be, pledged to the Bonds are called collectively "Local School Bonds."
- Cities, counties and towns, including the 2024B Local Issuers, are called "Local Issuers."

The Series 2024B Bonds will be the seventy-fifth series of Bonds issued under the 1997 Resolution. As of October 1, 2024, approximately $2,114,700,000 of Bonds were outstanding.

The 1997 Resolution permits the issuance of additional Bonds of the Authority:

- to purchase additional Local School Bonds; and
- to refund any outstanding obligation of the Authority.

All the Bonds, including the Series 2024B Bonds, will be secured by and payable from principal and interest payable on all the Local School Bonds, including the 2024B Local School Bonds. See **"SCHEDULE OF INCOME AVAILABLE TO PAY DEBT SERVICE AND DEBT SERVICE REQUIREMENTS."** The 1997 Resolution requires, in connection with the issuance of additional Bonds by the Authority, that the sum of the scheduled debt service on all Local School Bonds after the issuance of such additional Bonds at least equal the related scheduled debt service on all the Bonds on each debt service payment date on the Bonds. All Local School Bonds, including the 2024B Local School Bonds, must be general obligations of Local Issuers for which their full faith and credit and taxing power are irrevocably pledged. See "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS"** and **"THE LOCAL SCHOOL BONDS."**

---

* Preliminary, subject to change.

The Authority has covenanted in the 1997 Resolution to seek from the Virginia General Assembly in each biennium a sum sufficient appropriation of an amount at least equal to the difference between (A) debt service on the Bonds becoming due in the fiscal years covered by the biennial Budget Bill and (B) the amounts paid on the Local School Bonds credited to the 1997 Resolution Pledge Account or realized from the application of the State Aid Intercept Provision. The General Assembly has the power to make future sum sufficient appropriations with respect to debt service on the Series 2024B Bonds, but the General Assembly is under no legal obligation to do so. **The Series 2024B Bonds do not constitute a debt or pledge of the faith and credit of the Commonwealth.** See **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Sum Sufficient Appropriation."**

The issuance of additional Bonds, such as the Series 2024B Bonds, is conditioned upon the certifications that:

(i) the scheduled debt service payments on the Local School Bonds are equal to or greater than the related scheduled debt service payments on the Bonds on each debt service payment date, and

(ii) (A) the current Appropriation Act, and

(B) if and as applicable, either of

(I) the Governor's Budget Bill as introduced in the General Assembly for the next fiscal year or biennium or,

(II) if enacted, the Appropriation Act for the next fiscal year or biennium

contains a sum sufficient appropriation to pay the debt service on the Bonds not paid from payments on the Local School Bonds. See "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Additional Bonds"** and **"SUMMARY OF CERTAIN PROVISIONS OF THE 1997 RESOLUTION - General Authorization of Bonds."**

The first debt service payment on the Series 2024B Bonds is scheduled to become due in the fiscal year commencing July 1, 2025. In the Commonwealth's current biennial budget (enrolled as Chapter 2 of the 2024 Special Session I Virginia Acts of Assembly) (the "2024-2026 Appropriation Act"), the General Assembly made a "sum sufficient appropriation" to provide the difference, if any, between the income received on the Local School Bonds and the debt service on the Bonds for the 2024-2026 biennium. The General Assembly has made a similar sum sufficient appropriation during each biennium since the adoption of the 1997 Resolution. See "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Sum Sufficient Appropriation**."

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.

The Authority has issued, and expects to issue in the future, bonds and other obligations ("Other Obligations") under other security instruments ("Other Resolutions"). Other Obligations have no claim to amounts payable on the Local School Bonds or, except for the VPSA Tax Credit Bonds issued pursuant to the VPSA Tax Credit Bond Indenture (each as hereinafter defined), to the sum sufficient appropriation made with respect to the Bonds in the 2024-2026 Appropriation Act. The Bonds have no claim on the general obligation school bonds or other security pledged to the payment of the Other Obligations. See **"THE AUTHORITY - Other Authority Financings"** and **"FUTURE FINANCINGS."**

PLAN OF FINANCE

Purchase of 2024B Local School Bonds

The proceeds of the Series 2024B Bonds, together with other available funds, if any, will be used to (i) purchase the 2024B Local School Bonds and (ii) pay a portion of the costs of issuance of the Series 2024B Bonds.

The 2024B Local Issuers will use the proceeds of their respective 2024B Local School Bonds to finance or refinance capital projects for their public schools. The 2024B Local School Bonds will be credited to the 1997 Resolution Pledge Account in the General Pledge Fund created by the 1997 Resolution. The payments of principal and interest received on the 2024B Local School Bonds will be used to pay a portion of the principal of and interest on the Bonds of the Authority.

SOURCES AND USES OF THE PROCEEDS OF THE SERIES 2024B BONDS

The proceeds of the Series 2024B Bonds, including [net] initial offering [premium/discount], are expected to be applied as follows:

SOURCES	
Par Amount	$
[Net] Original Issue [Premium/Discount]	
Total	$
USES	
Deposit to 1997 Resolution Purchase Fund	$
Costs of Issuance*	
Total	$

*Includes underwriter's discount, but not any costs of issuance of the 2024B Local Issuers, which is reflected in the "Deposit to 1997 Resolution Purchase Fund" line item.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Enabling Act

The Enabling Act authorizes the Authority to pay its bonds solely from funds of the Authority, including, among others, the following sources:

1. payments of principal of and interest on general obligation school bonds purchased by the Authority;
2. proceeds of the sale of any such general obligation school bonds; and
3. any funds appropriated by the General Assembly.

1997 Resolution Pledge

The two main sources of the funds pledged by the 1997 Resolution for the payment of debt service on the Bonds are:

1. payments received on the Local School Bonds and through enforcement of the State Aid Intercept Provision, and

2. appropriations for this purpose by the General Assembly (See "**Local School Bonds,**" "**State Aid Intercept,**" "**Commonwealth Appropriations to Local Issuers**" and "**Sum Sufficient Appropriation**" herein).

The Bonds are not general obligations of the Authority and are not secured by any of the funds and accounts, assets or revenues pledged under Other Resolutions. The Enabling Act provides that the Bonds, the premium, if any, and the interest thereon will not constitute a debt or a pledge of the faith and credit of the Commonwealth. Neither the faith and credit nor the taxing power of the Commonwealth or of any of its political subdivisions is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. While the Bonds do not constitute a legally enforceable obligation of the Commonwealth nor create a debt of

the Commonwealth, there is no constitutional bar to the General Assembly's making appropriations in future sessions to pay debt service on the Bonds.

Local School Bonds

The 2024B Local School Bonds will be purchased from the 2024B Local Issuers by the Authority with the proceeds of the Series 2024B Bonds. The Authority will deposit all the 2024B Local School Bonds in a special fund known as the "General Pledge Fund" under the 1997 Resolution and credit the principal, interest and redemption premium components of the 2024B Local School Bonds to a special account known therein as the "1997 Resolution Pledge Account." Under the 1997 Resolution, the Authority grants to the Depository (as hereinafter defined) of the 1997 Resolution Pledge Account, for the benefit of the holders of the Bonds, including the Series 2024B Bonds, security interests in the principal, interest and redemption premium components of the Local School Bonds, including the 2024B Local School Bonds. Similarly, the Authority will deposit to the General Pledge Fund additional Local School Bonds acquired with the proceeds of additional Bonds and assign their principal, interest and redemption premium components to the 1997 Resolution Pledge Account, all subject to security interests in favor of the holders of the Bonds, including the Series 2024B Bonds. Likewise, the Authority previously deposited Local School Bonds, either acquired with the proceeds of previous issues of Bonds or transferred in connection with the issuance of previous refunding Bonds, to the General Pledge Fund and has assigned such Local School Bonds' principal, interest and redemption premium components to the 1997 Resolution Pledge Account. See **"THE LOCAL SCHOOL BONDS - Local School Bonds Pledged to the Bonds."**

Payments of principal of and interest received on Local School Bonds will be deposited in the "1997 Income Fund," another special fund created by the 1997 Resolution. The Authority will use these payments to pay debt service on the Bonds.

Interest on the Local School Bonds is due generally on the January 15 and July 15 immediately preceding the corresponding interest payment dates of February 1 and August 1 on the Bonds. Similarly, principal on the Local School Bonds is payable on the July 15 immediately preceding the corresponding August 1 principal payment date of the Bonds. Interest on the 2024B Local School Bonds will begin to accrue 16 days prior to the Series 2024B Bonds, so that the Authority will realize a proper matching of the income received from the first interest payment on the 2024B Local School Bonds with the amount of the first interest payment due on the Series 2024B Bonds.

See **"SCHEDULE OF INCOME AVAILABLE TO PAY DEBT SERVICE AND DEBT SERVICE REQUIREMENTS"** for a comparison between the scheduled income on the Local School Bonds in the 1997 Resolution Pledge Account and the 2024B Local School Bonds, and the scheduled debt service on the outstanding Bonds and the Series 2024B Bonds.

State Aid Intercept

A Virginia statute (Section 15.2-2659 of the Code of Virginia, 1950, as amended) (the "State Aid Intercept Provision") provides a mechanism for the application to overdue debt service on the Local School Bonds of appropriations by the General Assembly to the Local Issuers. The State Aid Intercept Provision requires the Governor of the Commonwealth, upon proof of default in the payment of debt service on any general obligation bond (such as a Local School Bond) by any local government (such as a Local Issuer), to direct the Comptroller of the Commonwealth to withhold certain payments to the local government until such default is cured. These payments include funds appropriated by the General Assembly to the local government for any and all purposes. For as long as the default continues, the State Aid Intercept Provision directs the Governor to require the Comptroller to pay from such appropriation to the holders of such general obligation bonds or their paying agent as much as is necessary to cover the principal and interest due on such general obligation bonds. The State Aid Intercept Provision further provides for notice of the default and of the availability of intercepted funds with the paying agent or with the Comptroller by publication and by mail to the registered owners of such general obligation bonds. Executive Order Number Eighty-eight (01) delegates to the State Treasurer the responsibility to receive on the Governor's behalf proof of default in the payments of debt service on any general obligation bond. If such nonpayment is confirmed, the State Treasurer is to direct the Comptroller to withhold payments of Commonwealth funds to the locality and to pay them to the Authority.

It is the policy of the State Treasurer and the Comptroller that the bond payments be made on the same day as, or at least within 24 hours of, proper notification. However, to date, the State Aid Intercept Provision has never been utilized and there can be no assurance that the benefits of the provisions available to the Authority could be realized in the event of a nonpayment by a Local Issuer.

The State Aid Intercept Provision applies to all general obligation bonds of the Local Issuers, including the Local School Bonds. State aid that is payable to local governments and that is subject to interception pursuant to the State Aid Intercept Provision is derived primarily from the Commonwealth's General Fund, with the remaining aid being payable from the Highway Maintenance and Construction Fund of the Virginia Department of Transportation and certain other funds. The primary sources of revenue for the Commonwealth's General Fund are individual and corporate income tax revenues, sales and use tax revenues, other tax revenues, interest, dividends and rents. Although the State Aid Intercept Provision has not been tested in a Virginia court, the Attorney General of the Commonwealth has opined that funds appropriated and payable by the Commonwealth to local governments for any and all purposes are subject to the withholding of the State Aid Intercept Provision.

The Authority has covenanted in the 1997 Resolution that it will enforce the State Aid Intercept Provision to obtain payment of any principal of and interest due and unpaid on the Local School Bonds. The amount of aid appropriated by the Commonwealth to a Local Issuer varies from year to year and may not in a particular year equal or exceed all of the defaulted payment obligations of the Local Issuer subject to the State Aid Intercept Provision and any other similar intercept provisions. No guidance exists for determining the priority of the various intercept provisions in the event the amount of appropriated aid is insufficient to cover all of the applicable defaulted payment obligations.

[Remainder of page intentionally left blank]

Commonwealth Appropriations to Local Issuers

The table below shows direct appropriations paid by the Commonwealth to Local Issuers and the outstanding principal amounts of the Local School Bonds:

Local Issuer	State Aid Received for Fiscal Year Ended[1] June 30, 2021	June 30, 2022	June 30, 2023	Principal Amount of Local School Bonds Outstanding as of October 1, 2024[3]
Accomack County	$57,339,479	$53,941,740	N/A [2]	$5,972,376
Albemarle County	107,566,421	108,422,397	115,955,762	11,440,000
Alleghany County	24,835,937	27,620,484	40,281,474	389,948
Amelia County	16,927,270	17,837,181	20,164,260	317,497
Amherst County	42,477,459	N/A [2]	N/A [2]	35,020,000
Augusta County	87,627,109	92,627,679	102,909,201	93,992,776
Bedford County	87,014,560	87,790,945	99,123,796	55,565,000
Botetourt County	39,895,671	40,712,632	47,638,906	19,615,000
Brunswick County	20,408,913	18,635,244	22,056,435	52,386,153
Buckingham County	22,077,513	N/A [2]	N/A [2]	6,495,235
Campbell County	75,067,956	78,625,643	89,110,076	670,000
Caroline County	38,721,738	44,613,395	44,240,304	10,751,388
Charlotte County	19,798,842	21,036,115	24,612,951	6,625,000
Chesapeake, City of	411,435,179	429,737,924	459,482,867	118,360,000
Chesterfield County	511,201,107	538,011,640	593,557,156	61,385,000
Clarke County	14,860,810	16,463,305	18,518,549	12,730,000
Colonial Beach, Town of	6,415,514	6,723,030	7,340,351	7,210,000
Covington, City of	12,942,884	12,763,689	5,214,232	7,705,000
Cumberland County	14,518,106	15,072,530	17,965,697	11,320,768
Dinwiddie County	45,276,952	49,425,235	51,628,781	2,150,768
Essex County	13,573,908	15,622,648	15,862,055	4,077,394
Falls Church, City of	13,511,555	14,133,298	16,353,264	190,000
Fauquier County	84,855,181	89,211,467	97,610,016	27,300,000
Floyd County	19,695,555	19,741,717	20,825,422	13,620,308
Fluvanna County	33,491,144	34,232,791	38,649,482	51,632,067
Franklin, City of	15,615,925	15,498,224	19,598,352	960,000
Franklin County	66,003,287	67,966,949	74,763,604	738,401
Frederick County	114,541,425	120,576,246	134,553,868	154,365,000
Fredericksburg, City of	37,676,833	39,274,227	45,031,775	14,960,000
Gloucester County	45,258,661	46,435,057	50,131,583	74,786,388
Goochland County	16,662,147	17,852,204	20,080,815	1,070,000
Grayson County	18,975,128	20,075,054	25,230,162	8,917,023
Greene County	28,202,016	29,697,196	33,502,264	24,125,000
Greensville County	17,076,516	N/A [2]	N/A [2]	3,065,000
Halifax County	55,280,994	56,926,056	66,001,018	103,635,338
Hanover County	134,902,990	138,215,823	151,109,663	25,528,688
Harrisonburg, City of	70,635,494	74,258,361	85,589,530	8,890,000
Henry County	79,151,205	80,849,902	119,371,507	12,866,091
Hopewell, City of	N/A [2]	N/A [2]	N/A [2]	54,301
King George County	37,746,385	39,661,671	43,173,193	1,463,455
King William County	16,006,820	16,475,284	22,843,423	14,890,000
Lancaster County	8,794,304	9,485,443	9,914,591	71,220,000
Lee County	39,529,043	N/A [2]	N/A [2]	1,080,000
Lexington, City of	8,191,197	8,342,198	9,628,557	8,245,000
Loudoun County	512,289,307	537,313,691	590,092,362	10,135,000
Louisa County	37,342,606	40,274,906	45,082,659	15,530,000
Lunenburg County	19,829,072	20,664,938	21,629,928	1,235,235
Lynchburg, City of	113,812,531	119,640,825	124,369,448	372,067
Manassas Park, City of	34,574,015	36,469,474	42,058,189	16,557,263
Martinsville, City of	29,694,429	29,654,247	34,291,885	358,462
Mecklenburg County	41,926,087	45,907,639	47,718,982	102,408,401
Middlesex County	10,245,155	11,066,993	12,297,149	695,000
New Kent County	25,259,623	26,631,136	43,863,673	19,162,489
Northampton County	17,868,918	19,590,157	21,478,139	60,840,000
Northumberland County	9,490,584	9,860,165	11,494,161	20,460,000
Norton, City of	11,471,952	N/A [2]	N/A [2]	3,920,000

(1) Source: Auditor of Public Accounts, Amended Comparative Report of Local Government Revenues and Expenditures.
(2) Information is not available because the locality was delinquent in submitting comparative information to the Auditor of Public Accounts by the December 15 deadline.
(3) Several localities have had the Authority issue Special Obligation School Financing Bonds on their behalf. These bonds are also subject to the State Aid Intercept Provision. See the chart titled **"Virginia Public School Authority Summary of Outstanding Indebtedness From Other Financings as of October 1, 2024."**

Local Issuer	State Aid Received for Fiscal Year Ended[1] June 30, 2021	June 30, 2022	June 30, 2023	Principal Amount of Local School Bonds Outstanding as of October 1, 2024[3]
Nottoway County	22,232,030	22,949,890	24,413,489	430,153
Orange County	44,474,543	45,345,969	51,900,712	9,152,800
Page County	32,010,992	33,565,845	36,987,450	24,267,306
Patrick County	27,289,879	28,626,894	33,253,780	16,977,996
Portsmouth, City of	173,930,433	178,975,562	N/A [2]	731,153
Powhatan County	33,116,192	35,101,840	35,088,439	1,440,757
Prince Edward County	22,858,309	23,516,228	26,660,876	90,000
Prince George County	59,847,058	62,701,049	67,554,343	28,665,594
Prince William County	753,899,000	792,060,000	890,511,000	65,110,000
Pulaski County	47,762,774	N/A [2]	N/A [2]	3,905,000
Radford, City of	27,934,578	32,635,099	41,683,976	18,712,764
Richmond County	13,352,452	14,513,343	16,782,028	6,135,000
Roanoke, City of	184,335,587	195,411,380	221,242,528	5,212,744
Roanoke County	125,533,562	129,114,921	140,652,083	62,761,388
Rockbridge County	28,308,374	28,960,151	31,626,158	35,020,000
Rockingham County	102,730,547	109,628,016	119,934,652	52,725,403
Russell County	43,151,229	42,363,596	50,290,340	1,544,948
Smyth County	50,297,254	52,298,311	60,833,884	6,540,000
Southampton County	31,452,543	33,495,928	33,977,529	3,840,000
Stafford County	237,211,103	242,562,081	273,477,597	196,710,000
Staunton, City of	38,676,997	40,029,282	42,930,377	39,720,000
Surry County	7,904,261	6,699,214	7,445,979	860,000
Sussex County	14,974,909	15,812,847	17,662,801	3,125,000
Tazewell County	62,783,015	66,518,205	74,143,993	2,172,404
Virginia Beach, City of	617,983,881	634,473,623	687,681,144	1,440,757
Warren County	47,628,081	50,416,683	N/A [2]	25,702,776
Washington County	69,942,000	74,114,090	80,658,312	858,033
Waynesboro, City of	36,790,353	39,183,576	43,824,511	16,691,388
West Point, Town of	6,547,792	6,663,106	8,748,036	89,476
Wise County	61,464,316	68,311,634	76,548,601	29,178,897
Wythe County	42,556,361	45,246,741	50,785,931	403,660
York County	99,613,566	104,380,138	113,224,822	74,095,000
Total	**$6,664,185,383**	**$6,767,342,037**	**$7,214,526,888**	**$2,133,765,677**

(1) Source: Auditor of Public Accounts, Amended Comparative Report of Local Government Revenues and Expenditures.

(2) Information is not available because the locality was delinquent in submitting comparative information to the Auditor of Public Accounts by the December 15 deadline.

(3) Several localities have had the Authority issue Special Obligation School Financing Bonds on their behalf. These bonds are also subject to the State Aid Intercept Provision. See the chart titled **"Virginia Public School Authority Summary of Outstanding Indebtedness From Other Financings as of October 1, 2024."**

[Remainder of page intentionally left blank]

Sum Sufficient Appropriation

The 1997 Resolution contemplates that the General Assembly will biennially appropriate to the Authority an appropriation for each fiscal year of the biennium to provide sufficient funds to the Authority to meet its debt service obligations in the event of a payment default on one or more Local School Bonds not timely cured by the implementation of the State Aid Intercept Provision. This type of appropriation is referred to in this Official Statement as a "sum sufficient appropriation." The General Assembly has included in each Appropriation Act subsequent to the adoption of the 1997 Resolution a "sum sufficient appropriation" to the Authority to provide for the difference, if any, between

(1) the scheduled debt service on Bonds and

(2) the sum of

(i) the debt service payments made on the Local School Bonds, and

(ii) the funds obtained from enforcement of the State Aid Intercept Provision.

Each Appropriation Act has designated "available moneys" in the Literary Fund of the Commonwealth (See **"THE LITERARY FUND"**) as the first source of funds for the appropriation and the General Fund of the Commonwealth as the secondary source. The first debt service payments on the Series 2024B Bonds are scheduled to become due during the 2024-2026 biennium which commenced on July 1, 2024.

The Enabling Act requires that the Governor's budget submission or budget amendments each year shall contain a "sum sufficient appropriation." The Enabling Act also requires the Authority to submit to the Governor and the General Assembly an annual report detailing the amount of its outstanding Bonds with the benefit of the sum sufficient appropriation. The Enabling Act and the 1997 Resolution do not place any limitation on the amount of Bonds that the Authority can issue with the benefit of the sum sufficient appropriation.

The Authority has covenanted in the 1997 Resolution that it will seek a sum sufficient appropriation which will cover

(1) the scheduled debt service on its outstanding Bonds during the fiscal year(s) covered by such Budget Bill(s), and

(2) the estimated scheduled debt service on the additional Bonds the Authority projects that it will issue and have debt service coming due during the fiscal year(s) covered by such Budget Bill(s).

Specifically, the Authority has covenanted in the 1997 Resolution that it will cause its Chair annually, on or before December 1, to:

(1) certify to the Governor and the Secretary of Finance of the Commonwealth an estimate of the total debt service coming due in each of the next two fiscal years on

(A) outstanding Bonds, and

(B) additional Bonds projected to be issued during such two fiscal years, each running from July 1 through the subsequent June 30, and

(2) request inclusion in the Governor's Budget Bill(s) to be presented at the next regular session of the General Assembly of an appropriation first from available moneys in the Literary Fund and then from the General Fund of the Commonwealth.

In the event of a default in payment on one or more Local School Bonds, there is a period of not less than 15 days before the principal and interest payments on the Authority's Bonds become due. Should there be any deficiency remaining in the Income Available to Pay Debt Service after receipt of funds derived from the immediate implementation of the State Aid Intercept Provision, the Authority will immediately notify the Governor and the Director of the Department of Planning and Budget and (assuming the General Assembly has made a sum sufficient appropriation) after issuance of a warrant by the Comptroller, the State Treasurer shall transfer to the Depository of the 1997 Sinking Fund an amount equal to any remaining deficiency.

The Authority believes that the implementation of the State Aid Intercept Provision and, if that does not cure the deficiency, the issuance of the necessary warrant and subsequent electronic transfer pursuant to the sum sufficient appropriation will not take more than three business days following a default on a Local School Bond. The Authority further believes that the determination of the availability of funds in the Literary Fund required by the 2024-2026 Appropriation Act will not extend the process of accessing the sum sufficient appropriation.

Additional Bonds

The Authority may issue additional Bonds under the 1997 Resolution to purchase Local School Bonds and refund any indebtedness, including Other Obligations, provided that the Authority shall have received certificates of:

(1) the State Treasurer to the effect that the Income Available to Pay Debt Service on each debt service payment date equals or exceeds the scheduled debt service on all Bonds to be outstanding immediately after the delivery of the additional Bonds, and

(2) the Secretary of Finance that:

(A) the current Appropriation Act and any future Appropriation Act provision and

(B) if the date of the certificate is subsequent to December 20 of one year and prior to July 1 in the following calendar year, any Budget Bill

contain a sum sufficient appropriation from the Literary Fund and, to the extent that funds are not available therein for the purpose, from the General Fund of the Commonwealth, to pay the difference between debt service on the Bonds becoming due in such fiscal year(s) covered by such Appropriation Act Provision or Budget Bill and the amount available to pay such debt service.

The Authority may also issue additional Bonds under the 1997 Resolution to refund all or any of its outstanding Bonds or Other Obligations provided that, in either case, the coverage test for the issuance of additional Bonds to purchase additional Local School Bonds is satisfied. The Enabling Act requires that the Authority remit to the related Local Issuers, or in certain circumstances the Literary Fund, the net debt service savings resulting from any refunding of its Bonds or Other Obligations.

See **"SUMMARY OF CERTAIN PROVISIONS OF THE 1997 RESOLUTION - General Authorization of Bonds."**

The additional Bonds will be equally and ratably secured with the Series 2024B Bonds and other outstanding Bonds under the 1997 Resolution.

The Enabling Act imposes no limitation on the amount of Bonds that the Authority can issue under the 1997 Resolution.

Income Available to Pay Debt Service

The following table shows the scheduled debt service payments on the 2024B Local School Bonds and other Local School Bonds, and the corresponding scheduled principal and interest payments due on the Series 2024B Bonds and other outstanding Bonds.

[Remainder of page intentionally left blank]

SCHEDULE OF INCOME AVAILABLE TO PAY DEBT SERVICE AND DEBT SERVICE REQUIREMENTS[1]

	Income Available to Pay Debt Service[2] Principal and Interest on Local School Bonds				Debt Service Requirements			
		2024B LSBs to be Purchased				Series 2024B Bonds		
Year Ended August 1	In 1997 Resolution Pledge Account	Principal	Interest[3]	Total Income[4]	Debt Service on Outstanding Bonds	Principal	Interest	Total Debt Service[4]
2025	$290,633,402	$2,210,000	$2,851,281	$295,694,683	$279,077,370	$2,210,000	$2,820,207	$284,107,577
2026	270,401,740	2,310,000	3,676,075	276,387,815	260,128,313	2,310,000	3,635,900	266,074,213
2027	242,720,688	2,315,000	3,559,420	248,595,108	234,248,827	2,315,000	3,520,400	240,084,227
2028	221,949,267	2,325,000	3,442,513	227,716,779	215,495,103	2,325,000	3,404,650	221,224,753
2029	201,837,717	2,340,000	3,325,100	207,502,817	197,099,774	2,340,000	3,288,400	202,728,174
2030	175,928,594	2,350,000	3,206,930	181,485,524	172,407,228	2,350,000	3,171,400	177,928,628
2031	159,843,828	2,850,000	3,088,255	165,782,083	156,776,739	2,850,000	3,053,900	162,680,639
2032	146,248,742	2,890,000	2,944,330	152,083,072	143,911,850	2,890,000	2,911,400	149,713,250
2033	136,489,045	2,930,000	2,798,385	142,217,430	134,716,388	2,930,000	2,766,900	140,413,288
2034	126,104,130	2,975,000	2,650,420	131,729,550	124,972,933	2,975,000	2,620,400	130,568,333
2035	119,734,834	3,020,000	2,500,183	125,255,016	118,809,601	3,020,000	2,471,650	124,301,251
2036	108,693,041	3,070,000	2,347,673	114,110,714	108,173,624	3,070,000	2,320,650	113,564,274
2037	94,930,661	3,120,000	2,192,638	100,243,299	94,540,178	3,120,000	2,167,150	99,827,328
2038	89,124,716	3,175,000	2,035,078	94,334,794	88,835,033	3,175,000	2,011,150	94,021,183
2039	77,805,988	3,230,000	1,874,740	82,910,728	77,552,349	3,230,000	1,852,400	82,634,749
2040	65,802,884	3,290,000	1,711,625	70,804,509	65,579,890	3,290,000	1,690,900	70,560,790
2041	53,884,789	3,345,000	1,545,480	58,775,269	53,719,259	3,345,000	1,526,400	58,590,659
2042	41,104,191	3,395,000	1,410,008	45,909,199	41,002,719	3,395,000	1,392,600	45,790,319
2043	33,688,136	3,450,000	1,272,510	38,410,646	33,603,119	3,450,000	1,256,800	38,309,919
2044	25,545,804	3,505,000	1,132,785	30,183,589	25,474,219	3,505,000	1,118,800	30,098,019
2045	24,522,180	2,880,000	990,833	28,393,013	24,460,513	2,880,000	978,600	28,319,113
2046	23,195,355	2,915,000	874,193	26,984,548	23,143,475	2,915,000	863,400	26,921,875
2047	23,210,443	2,955,000	756,135	26,921,578	23,168,063	2,955,000	746,800	26,869,863
2048	20,564,338	3,000,000	636,458	24,200,795	20,531,838	3,000,000	628,600	24,160,438
2049	18,123,880	3,040,000	514,958	21,678,838	18,100,325	3,040,000	508,600	21,648,925
2050	15,733,170	1,935,000	391,838	18,060,008	15,717,700	1,935,000	387,000	18,039,700
2051	13,380,465	1,935,000	313,470	15,628,935	13,372,200	1,935,000	309,600	15,616,800
2052	4,091,698	1,935,000	235,103	6,261,800	4,089,750	1,935,000	232,200	6,256,950
2053	-	1,935,000	156,735	2,091,735	-	1,935,000	154,800	2,089,800
2054	-	1,935,000	78,368	2,013,368	-	1,935,000	77,400	2,012,400
Totals	**$2,825,293,724**	**$82,560,000**	**$54,513,514**	**$2,962,367,238**	**$2,768,708,376**	**$82,560,000**	**$53,889,057**	**$2,905,157,433**

(1) Preliminary, subject to change. Numbers may not add to total due to rounding.

(2) This term as defined in the 1997 Resolution includes the scheduled principal and interest payments on all Local School Bonds excluding any in default. Together, all payments due on the 2024B Local School Bonds will be greater than or in excess of the interest due on the Series 2024B Bonds on each February 1 and August 1 and the principal due on each August 1.

(3) Computed using the appropriate interest rates on the Series 2024B Bonds plus 5 basis points (0.05%).

(4) The difference between the figures shown in the "Total Income" column and the "Total Debt Service" column are the result of (i) an administrative fee of the Authority and (ii) savings realized from refunding prior issues of Bonds.

INFORMATION PERTAINING TO THE COMMONWEALTH

Financial and Demographic/Economic Information. **APPENDIX B-1**, **APPENDIX B-2** and **APPENDIX C** contain certain financial information and demographic/economic information pertaining to the Commonwealth. Certain outstanding debt information concerning the Commonwealth contained in **APPENDIX B-1** has been supplemented and amended by the information contained in **APPENDIX B-2 – Part I**. **APPENDIX D** contains the comprehensive financial statements of the Commonwealth for its fiscal year ended June 30, 2023.

General Fund Preliminary, Unaudited Results for Fiscal Year 2024. Virginia statutes require that the Comptroller of Virginia deliver by August 15 of each year certain financial statements with respect to the close of the last preceding fiscal year. In the Preliminary (Unaudited) Annual Report of the General Fund dated August 13, 2024 (the "Preliminary Report"), the Comptroller reported that, for the fiscal year ended June 30, 2024, the Commonwealth had a total balance in the general fund of $15.6 billion measured on the cash basis of accounting. This amount represented an increase of $469.2 million over the prior fiscal year's ending fund balance of $15.1 billion. Planned (budgeted) decreases in the general fund balance for fiscal year 2024 were $5.1 billion. The Comptroller reported that the difference between the planned decrease and the actual increase was primarily attributable to revenue collections and other sources being approximately $1.6 billion more than expected and expenditures and other uses being approximately $4.0 billion less than budgeted.

As described in the Preliminary Report, the Virginia Constitution and Virginia statutes provide for certain deposits from the general fund balance to revenue stabilization and revenue reserve funds, such amounts based on revenue collections in previous years and as provided in the applicable enactment. Such revenue stabilization and revenue reserve funds and current funding levels for each fund are further described in **APPENDIX B-1** and **APPENDIX B-2 – Part II**. The Preliminary Report further describes certain amounts that are available for reappropriation and other amounts that are to be transferred to Virginia's Water Quality Improvement Fund.

The full Preliminary Report is available in **APPENDIX B-2 – Part II**.

The Preliminary Report is comprised of cash basis financial statements and is presented on an unaudited basis. Final, audited results are not expected to be available until December 2024. Such final results will be presented on an accrual basis and may differ from the preliminary, unaudited results described above; and such differences may be material.

The financial and operating data concerning the Commonwealth contained in this Official Statement, and in particular APPENDIX B-1, APPENDIX B-2 AND APPENDIX C attached hereto, are as of the dates and for the periods indicated.

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

DESCRIPTION OF THE SERIES 2024B BONDS

General

The Series 2024B Bonds will be dated the date of delivery, will bear interest from their date payable semiannually on each February 1 and August 1, commencing on August 1, 2025, at the respective rates, and will mature, subject to prior redemption, on August 1, in each of the years, as set forth on the inside cover of this Official Statement. The record date for the Series 2024B Bonds will be the fifteenth day (whether or not a business day) of the calendar month next preceding the applicable interest payment date.

Optional Redemption*

The Authority may, at its option, redeem certain of the Series 2024B Bonds prior to maturity as described on the inside cover of this Official Statement.

Mandatory Redemption

The Series 2024B Bonds due August 1, 20_____, 20_____, 20_____ and 20_____ (the "2024B Term Bonds") are term bonds subject to mandatory sinking fund redemption in accordance with the provisions of the 1997 Resolution on August 1 of the years and in the principal amounts as described on the inside cover of this Official Statement (the "2024B Amortization Requirements").

In the event of a partial optional redemption or purchase of such 2024B Term Bonds, the Authority will credit the principal amount of such 2024B Term Bonds so purchased or redeemed against the 2024B Amortization Requirements remaining for the applicable 2024B Term Bond outstanding in such amounts and in such years as the Authority in its sole discretion shall determine.

Notice of Redemption

Notice of redemption is to be given not more than 60 nor less than 30 days before the redemption date by first class mail to the registered owner or owners of the Series 2024B Bonds or portions thereof to be redeemed; provided, however, that any defect in such notice or the failure so to mail any such notice to any owners of any Series 2024B Bonds will not affect the validity of the proceedings for the redemption of any other Series 2024B Bonds. **During the period that DTC or the DTC partnership nominee is the registered holder of the Series 2024B Bonds, the Bond Registrar will not be responsible for mailing notices of redemption to the beneficial owners of the Series 2024B Bonds.** See **APPENDIX H - BOOK-ENTRY ONLY SYSTEM**. Each such notice will set forth the Series 2024B Bonds or portions thereof to be redeemed, the date fixed for redemption, the Redemption Price to be paid, and if less than all the Series 2024B Bonds will be called for redemption, the maturities of the Series 2024B Bonds to be redeemed and shall otherwise comply with Securities Exchange Act of 1934 Release No. 34-23856, dated December 3, 1986. If any Series 2024B Bond is to be redeemed in part only, the notice of redemption will state also that on or after the redemption date, upon surrender of such Series 2024B Bond, a new Series 2024B Bond of authorized denominations and in principal amount equal to the unredeemed portion of such Series 2024B Bond will be issued.

Any notice of optional redemption of the Series 2024B Bonds may state that it is conditioned upon there being available an amount of money sufficient to pay the Redemption Price, consisting of par plus interest accrued and unpaid to the redemption date, 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 State Treasurer, 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 Series 2024B Bonds called for redemption will become due and payable. If the Authority gives a conditional notice of redemption, and money to pay the Redemption Price of the affected Series 2024B Bonds shall have been set aside in escrow with the State Treasurer or other Depository for the purpose of paying such Series 2024B Bonds, then on the redemption date the Series 2024B Bonds will become due and payable. In either case, if on the redemption date the State Treasurer holds money to pay the Series 2024B Bonds called for redemption, thereafter, no interest will accrue on those Series 2024B Bonds, and a Bondholder's right will be to receive payment of the Redemption Price upon surrender of those Series 2024B Bonds.

THE AUTHORITY

The Authority's Board of Commissioners consists of the State Treasurer, the State Comptroller, the Superintendent of Public Instruction and five additional members appointed by the Governor, subject to confirmation

* Preliminary, subject to change.

by the General Assembly, who serve at the pleasure of the Governor for terms of six years. The Governor appoints one of the appointed members of the Board as chair, who serves as chief executive officer of the Authority. The Board elects, from its membership, a vice-chairman, treasurer and secretary.

The members of the Board of Commissioners of the Authority are:

JOHN R. RILEY, JR., *Chair*; President, Riley Consulting LLC; term expires June 30, 2028; Residence: Spotsylvania County, Virginia.

MICHAEL NGUYEN, *Vice Chair*; Chief Investment Debt Officer, City of Richmond, Virginia; term expires June 30, 2026; Residence: Chesterfield County, Virginia.

MARIA J. PERROTTE, *Member*; Retired Chief Financial Officer of Stafford County, Virginia; term expires June 30, 2028; Residence: King George County, Virginia.

DAVID L. RICHARDSON, *Treasurer and Secretary* by virtue of being the State Treasurer of Virginia; serves at the pleasure of the Governor; Residence: Richmond, Virginia.

KAREN SPENCE, *Member*; Comptroller of Arlington County, Virginia; term expires June 30, 2030; Residence: Fairfax County, Virginia.

THE HONORABLE CARDELL C. PATILLO, JR., *Member*; Portsmouth School Board; Youth and Young Adult Pastor, Grove Baptist Church; term expires June 30, 2026; Residence: Portsmouth, Virginia.

DR. LISA COONS, *Member* by virtue of being the Superintendent of Public Instruction of Virginia; serves at the pleasure of the Governor; Residence: Richmond, Virginia.

SCOTT L. ADAMS, *Member* by virtue of being the Comptroller of Virginia; serves at the pleasure of the Governor; Residence: Fairfax County, Virginia.

Staff of the Authority

The office of the State Treasurer provides staff and administrative support for the Authority. The Authority's mailing address is P.O. Box 1879, Richmond, Virginia 23218-1879. The telephone number of the office of the State Treasurer is (804) 225-2142. Selected members of the Authority's staff include the following:

Bradley L. Jones has served as Director of Debt Management since April 2021 and previously held other positions within the Treasury Department and with Virginia Resources Authority. Mr. Jones has a bachelor's degree in economics from Hampden-Sydney College and a master's degree in business administration from Virginia Commonwealth University.

James D. Mahone has served as Public Finance Manager since 2015 and previously held positions with Regions Bank, Wachovia Bank and First Union National Bank. Mr. Mahone has a bachelor's degree in finance from James Madison University.

Melissa W. Palmer has served as a Senior Public Finance Analyst since 2006 and previously held other positions within the Treasury Department and the Virginia Department of Medical Assistance Services. Ms. Palmer has a bachelor's degree in finance from the College of William and Mary and a master's degree in public administration from Virginia Commonwealth University.

Powers of the Authority

Under the provisions of the Enabling Act, the Authority is empowered, among other things, to (1) manage and administer all moneys and obligations that may be set aside and transferred to it by the General Assembly of Virginia from the principal of a special trust fund established under the Constitution of Virginia and dedicated to the support of public education in Virginia (the "Literary Fund"), for public school purposes, (2) purchase, with any of its funds available for such purpose, at public or private sale and for such price and on such terms as it shall determine, general obligation school bonds of cities, counties and towns in the Commonwealth, or to make loans or grants to local school boards, and (3) issue, for the purpose of providing funds for the purchase of general obligation school notes or the making of loans or grants to local school boards, its bonds or other obligations payable solely from its funds including, but without limitation, (a) payments of principal of and interest on the general obligation school bonds purchased by the Authority or such loans made by the Authority, (b) sale proceeds of such general obligation school bonds, (c) payments of principal of and interest on obligations transferred to the Authority from the Literary Fund ("Literary Fund Obligations"), (d) sale proceeds of such Literary Fund Obligations, (e) any moneys transferred to the Authority from the Literary Fund, (f) payments of principal of and interest on loans made to local school boards, and (g) any funds authorized by the General Assembly for such purpose from the Literary Fund or otherwise appropriated by the General Assembly.

The validity of the original Enabling Act was upheld by the Supreme Court of Virginia in 1962 in *Button v. Day*, 203 Va. 687, 127 S.E.2d 122.

Financial Condition of Authority Funds

The Authority has caused an audit to be made of its books and accounts for the year ended June 30, 2023, which is contained in **APPENDIX A**. See **"CONTINUING DISCLOSURE"** and **APPENDIX F - "CONTINUING DISCLOSURE UNDERTAKINGS - Virginia Public School Authority."**

Other Authority Financings

The Authority expects that the 1997 Resolution will continue to be the primary instrument under which it issues bonds to provide funds to purchase local school bonds and thereby promote the financing of capital projects for public schools across the Commonwealth. Historically, the Authority has issued bonds under a number of other comparable "pool" resolutions and resolutions pledging solely the local school bonds of a single local issuer ("Stand Alone Security Structure").

Special Obligation School Financing Bonds. Using a Stand Alone Security Structure, the Authority has issued several issues of special obligation school financing bonds that are secured separately from the Bonds. These bonds are not secured by a pledge of the Local School Bonds or a "sum sufficient" appropriation of the Commonwealth.

School Technology and Security Notes. As of October 1, 2024, the Authority has outstanding five series of School Technology and Security Notes (collectively, the "Notes"). Proceeds from the Notes were used primarily to make grants to (i) establish a computer-based instructional and testing system for the Standards of Learning (SOL) and connecting high schools (and middle and elementary schools as appropriate), Best Practices Centers and the Central Office of the Department of Education, and (ii) offset the costs associated with the purchase of appropriate security equipment. The Authority expects to issue an additional series of Notes in the spring of 2025. See also **"FUTURE FINANCINGS."**

The outstanding Notes are limited obligations of the Authority payable from appropriations by the Virginia General Assembly from the Literary Fund. The Notes have carried since their issuance the additional benefit of a sum sufficient appropriation from the General Fund of the Commonwealth. See **APPENDIX E - "LITERARY FUND - Appropriations from the Literary Fund."** See also **"FUTURE FINANCINGS"** and **"LEGISLATION."**

Tax Credit Bonds. As of the date hereof, the Authority has issued seven issues of tax credit bonds pursuant to a Master Trust Indenture, dated as of October 1, 2009 (as supplemented and amended, the "VPSA Tax Credit Bond Indenture"), between the Authority and U.S. Bank National Association (such bonds are referred to herein as "VPSA Tax Credit Bonds"). The VPSA Tax Credit Bonds benefit from the sum sufficient appropriation but are not secured by the 1997 Resolution.

The following table is a summary of outstanding indebtedness of the Authority from the other financings listed above.

Virginia Public School Authority
Summary of Outstanding Indebtedness From Other Financings
as of October 1, 2024[(1)(4)]

Issue Category	Final Maturity Date	Principal Outstanding
County of Prince William School Financing Bonds Series 2014[(1)]	15-Jul-34	$33,000,000
County of Prince William School Financing Bonds Series 2015[(1)]	1-Aug-31	34,475,000
County of Prince William School Financing Bonds Series 2016[(1)]	1-Aug-36	108,635,000
County of Prince William School Financing Bonds Series 2017[(1)]	1-Mar-37	50,465,000
County of Prince William School Financing Bonds Series 2018[(1)]	1-Mar-38	81,130,000
County of Prince William School Financing Bonds Series 2019A[(1)]	1-Oct-39	81,855,000
County of Prince William School Financing Bonds Series 2019B[(1)]	15-Jul-33	33,185,000
County of Prince William School Financing Bonds Series 2020[(1)]	1-Oct-40	85,200,000
County of Prince William School Financing Bonds Series 2021A[(1)]	1-Oct-41	50,020,000
County of Prince William School Financing Bonds Series 2022[(1)]	1-Oct-42	38,160,000
County of Prince William School Financing Bonds Series 2023[(1)]	1-Oct-43	129,020,000
County of Warren School Financing Bonds Series 2014[(1)]	15-Jul-33	11,020,000
County of Montgomery School Financing Bonds Series 2016[(1)]	1-Feb-32	44,645,000
County of Montgomery School Financing Bonds Series 2019[(1)]	1-Feb-40	23,565,000
County of Montgomery School Financing Bonds Series 2022[(1)]	1-Feb-42	84,690,000
County of King George School Financing Bonds Series 2017[(1)]	1-Feb-38	18,605,000
County of Henrico School Financing Bonds Series 2021[(1)]	15-Aug-41	40,885,000
County of Chesterfield School Financing Bonds Series 2022[(1)]	15-Jan-42	104,945,000
County of Hanover School Financing Bonds Series 2022[(1)]	1-Aug-42	37,155,000
County of Hanover School Financing Bonds Series 2024[(1)]	1-Aug-44	73,225,000
County of Stafford School Financing Bonds Series 2023[(1)]	1-Aug-43	86,590,000
School Technology and Security Notes[(2)]	15-Apr-29	195,335,000
VPSA Tax Credit Bonds[(3)]	15-Dec-34	359,566,000
	TOTAL:	**$1,805,371,000**

(1) See *"Special Obligation School Financing Bonds"* above.
(2) See *"School Technology and Security Notes"* above. See "FUTURE FINANCINGS."
(3) See "*Tax Credit Bonds*" above.
(4) Excludes the County of Prince William School Financing Bonds Series 2024 expected to be issued on or about October 31, 2024, the County of Stafford School Financing Bonds Series 2024 expected to be issued on or about December 4, 2024 and the County of Hanover School Financing Bonds Series 2025 expected to be issued in the fall of 2025. See *"Special Obligation School Financing Bonds"* above and "FUTURE FINANCINGS."

The holders of the Authority's Other Obligations issued under the Other Resolutions described above have no claim on the Local School Bonds or their principal, interest and redemption premium components or any other assets pledged to the Bonds, and holders of Bonds issued under the 1997 Resolution have no claim to the local school bonds or other assets pledged under such Other Resolutions for the payment of such Other Obligations.

THE LOCAL SCHOOL BONDS

Requirements for the Local School Bonds

The 1997 Resolution requires that every Local School Bond purchased by the Authority must be a valid and binding general obligation of its respective Local Issuer for the payment of which its full faith and credit are pledged, that all taxable property within the boundaries of the Local Issuer must be subject to the levy of an ad valorem tax, without limitation as to rate or amount, for payment of such Local School Bonds and the interest thereon, and that all

Local School Bonds must be in, or convertible into, marketable form and must be accompanied by an approving opinion of a firm of recognized municipal bond attorneys acceptable to the Authority.

Local School Bonds

2024B Local School Bonds and 2024B Local Issuers. The following table lists the 2024B Local Issuers and the principal amount of the 2024B Local School Bonds to be issued by the 2024B Local Issuers and to be purchased by the Authority with the proceeds of the Series 2024B Bonds.

2024B Local Issuers	**2024B Local School Bonds Being Purchased***
Frederick County	$2,905,000
Isle of Wight County	6,850,000
Louisa County	58,170,000
Prince Edward County	14,635,000

Details of the 2024B Local School Bonds. 2024B Local Issuers are obligated to issue and sell to the Authority their 2024B Local School Bonds with interest rates on principal installments five basis points (0.05%) above the rates on the corresponding maturities of the Series 2024B Bonds. The debt service payments on all 2024B Local School Bonds are due on January 15 and July 15, in advance of the corresponding February 1 and August 1 debt service payment dates on the Series 2024B Bonds. Interest on the 2024B Local School Bonds will begin to accrue 16 days prior to the Series 2024B Bonds, so that the Authority will realize a proper matching of the income received from the first interest payment on the 2024B Local School Bonds with the amount of the first interest payment due on the Series 2024B Bonds.

The 2024B Local School Bonds are not subject to redemption prior to their respective maturities without the prior written consent of the Authority. If the Authority refunds the Series 2024B Bonds in the future and such refunding causes a 2024B Local School Bond to be deemed refunded, the prepayment or redemption of the 2024B Local School Bond will be subject to the Authority's approval and subject to prepayment or redemption provisions that correspond to the call period of the Authority's bonds issued in part to refund such 2024B Local School Bond.

Delivery of the 2024B Local School Bonds. The terms of the contracts between the Authority and each 2024B Local Issuer whose 2024B Local School Bonds the Authority has agreed to purchase with the proceeds of its Series 2024B Bonds require that the 2024B Local Issuer issue and deliver to the Authority its 2024B Local School Bonds on the same date that the Authority issues and delivers its Series 2024B Bonds to the purchasers thereof. In general, the Local Issuers deliver their Local School Bonds to the Authority on the same day that the Authority delivers its Bonds to the purchasers thereof. On occasion, there has been a delay in the delivery of a Local Issuer's Local School Bonds to the Authority, in which case the Local Issuer is required by the terms of its contract with the Authority to compensate the Authority for the delay in delivery by an amount equal to the difference, if any, between the income the Authority realizes on the investment of its Bond proceeds set aside to purchase the Local School Bonds and the income the Authority would have realized had the Local School Bonds been delivered on the same date that the Authority's Bonds were issued and delivered.

In the event that a 2024B Local Issuer fails to deliver its 2024B Local School Bond to the Authority within 60 days of the date of delivery for the Series 2024B Bonds, the Authority anticipates that it would apply the excess proceeds of the Series 2024B Bonds, plus any additional moneys required, to fund an escrow consisting of Defeasance Obligations (see **"SUMMARY OF CERTAIN PROVISIONS OF THE 1997 RESOLUTION - Investments"**) sufficient to redeem (in accordance with the optional redemption provisions of the 1997 Resolution), or to pay at their maturity, the Series 2024B Bonds in the same principal amount as, and with maturities corresponding to the principal installments of, such 2024B Local School Bond and to pay interest on such Series 2024B Bonds to the respective redemption or maturity dates. As an alternative to establishing such an escrow, the Authority may seek to loan a portion or all of such excess proceeds to another Local Issuer under the same terms and rates as would have applied to the 2024B Local Issuer whose failed delivery of its 2024B Local School Bond resulted in excess Series 2024B

* Preliminary, subject to change.

Bond proceeds. In no event would any failed delivery of 2024B Local School Bonds result in an extraordinary redemption of Series 2024B Bonds since the 1997 Resolution makes no provision for any such extraordinary redemption.

Local School Bonds Pledged to the Bonds

As of October 1, 2024, there was $2,133,765,677 aggregate principal amount of Local School Bonds of 88 Local Issuers held in the 1997 Resolution Pledge Account in the General Pledge Fund. As of October 1, 2024, all Local School Bonds were current as to principal and interest. See **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Commonwealth Appropriations to Local Issuers"** for the outstanding principal amount of each Local School Bond outstanding.

Protection from Default in Payment of Local School Bonds

There has never been a payment default on any general obligation school bonds held by the Authority. The Authority has covenanted in the 1997 Resolution that it will take any and all action available to it under the laws of the Commonwealth, including the State Aid Intercept Provision, to secure payment of the principal of and the interest on the Local School Bonds held under the 1997 Resolution. See **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - State Aid Intercept"** above.

State Non-Arbitrage Program

Since 1989, the Authority has required all Local Issuers to deposit and maintain the proceeds of their Local School Bonds in the Virginia State Non-Arbitrage Program® ("SNAP"). SNAP includes a professionally-managed local government investment pool which provides the Local Issuers with a convenient method of pooling bond proceeds for temporary investment pending their expenditure and with record keeping, depository and arbitrage rebate calculation services.

Power of Local Issuers to Issue Local School Bonds

Pursuant to the Constitution of Virginia and the Public Finance Act of 1991 (Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended), Virginia localities are authorized to issue bonds and notes secured by, among other things, a pledge of their full faith and credit and unlimited taxing power. For cities and towns, the Constitution and the Public Finance Act limit the amount of such general obligation debt to 10% of the assessed valuation of real estate subject to local taxation. Some city or town charters may further limit the amount of general obligation debt that may be incurred within a fiscal year or that may be incurred without a referendum. Counties may not issue general obligation debt without a referendum, except for refunding bonds and bonds issued for capital projects for school purposes and sold to the Literary Loan Fund, the Virginia Retirement System or other Commonwealth agency prescribed by law, such as the Authority. Further, some counties have elected to be treated as cities for purposes of issuing general obligation debt and are accordingly subject to the 10% limitation described above.

THE LITERARY FUND

General

The Literary Fund is a permanent and perpetual school fund created in 1810 and established by the Constitution of Virginia as a depository for moneys derived by the Commonwealth from criminal fines and forfeitures, escheated property and income from the investment of moneys on deposit in the Literary Fund. The moneys therein are held by the State Treasurer and administered by the State Board of Education "for public school purposes, including the teachers' retirement fund."

Available Monies

Under the 2024-2026 Appropriation Act, the sum sufficient appropriation to the Authority for debt service on Bonds for the biennium ending June 30, 2026, is payable first from "available monies" in the Literary Fund and then from the General Fund of the Commonwealth. The Authority anticipates that the determination of "available monies" at a point in time, assuming a Local Issuer has defaulted on its Local School Bond and implementation of the

State Aid Intercept Provision has not cured the default, will be made by the Director of the Department of Planning and Budget taking into account the balance of cash and cash equivalents credited to the Literary Fund, on the one hand, and all appropriations and transfers from, and Literary Fund Loan commitments made by, the Literary Fund. See **APPENDIX E** – **LITERARY FUND.** See also **"FUTURE FINANCINGS"** and **"LEGISLATION."**

THE GENERAL FUND OF THE COMMONWEALTH

The General Fund of the Commonwealth is comprised of such balances, public taxes, arrears of taxes, and monies derived from all other sources as are not by law segregated to other funds and accounts for transactions related to resources received and used for those services traditionally provided by a state government. Commonwealth General Fund revenues are principally composed of direct taxes to support a number of government functions, primarily education, individual and family services, public safety and general government, and are available for payment of debt service obligations of the Commonwealth. For the fiscal year ended June 30, 2024, Commonwealth General Fund revenue was approximately $31,363,856 (in thousands) (unaudited cash basis) with expenditures of approximately $31,366,819 (in thousands) (unaudited cash basis) and ending with a fund balance surplus of approximately $15,561,899 (in thousands) (unaudited cash basis). See the full Preliminary Report available in **APPENDIX B-2 – Part II**.

SUMMARY OF CERTAIN PROVISIONS OF THE 1997 RESOLUTION

The following statements are brief summaries of certain provisions of the 1997 Resolution. Such statements do not purport to be complete and reference is made to the 1997 Resolution, copies of which are available for inspection upon request to the Secretary of the Authority.

Definitions of Certain Terms

The following are the definitions of certain terms contained in the 1997 Resolution and used in this Official Statement:

"Depository" means the State Treasurer or one or more banks or trust companies duly authorized to engage in the banking business and meeting the requirements of the 1997 Resolution and designated by resolution of the Authority or by the State Treasurer as a depository of moneys under the provisions of the Resolution.

"General Fund" means the Virginia Public School Authority General Fund, a special fund created by the 1997 Resolution.

"Income Available to Pay Debt Service" means as of any particular Payment Date,

(1) the amount of the principal and interest that is scheduled to become due and payable on the local school bonds credited to the 1997 Resolution Pledge Account during the Applicable Income Period,

plus (2) the amount, if any, of the principal and interest that is scheduled to become due and payable prior to the Applicable Income Period on the local school bonds credited to the 1997 Resolution Pledge Account that is designated by the Authority, in a certificate of its Treasurer or an Assistant Treasurer, for application to debt service on the Bonds in the Applicable Income Period,

less (3) the amount, if any described in (1) above that has been designated by the Authority, in a certificate of its Treasurer or an Assistant Treasurer, for application to debt service on the Bonds subsequent to the Applicable Income Period.

For the purposes of the definition of "Income Available to Pay Debt Service," "Applicable Income Period" means the period beginning, with respect to each series of Bonds, on the later of their date of issue and the day after the previous Payment Date and ending on the date that is the applicable Payment Date or if such Date is not a Business Day, the Business Day next preceding such Payment Date.

Establishment of Funds and Accounts

The 1997 Resolution provides for the creation of the "Virginia Public School Authority 1997 Purchase Fund" (the "1997 Purchase Fund"); the "Virginia Public School Authority 1997 Income Fund" (the "1997 Income Fund"); the "Virginia Public School Authority 1997 Bond Interest and Sinking Fund" (the "1997 Sinking Fund"), and the "Virginia Public School Authority Reimbursement Fund" (the "Reimbursement Fund"). The 1997 Resolution further provides for the creation of a special fund designated the "Virginia Public School Authority General Pledge Fund" (the "General Pledge Fund"), including therein the "Virginia Public School Authority General Pledge Fund 1997 Resolution Account" (the "1997 Resolution Pledge Account").

Purchase Fund

To the extent provided in a series resolution, proceeds of Bonds issued under the 1997 Resolution shall be deposited in the Authority's General Fund for payment of expenses incurred in connection with the issuance of Bonds. The remaining proceeds of such Bonds (other than refunding Bonds and net of accrued interest) shall be deposited in the 1997 Purchase Fund.

The moneys in the 1997 Purchase Fund are to be applied by the Treasurer of the Authority to the purchase of Local School Bonds, subject to the provisions of the Enabling Act and the rules and regulations of the Authority. All Local School Bonds so purchased must constitute valid and binding general obligations of the Local Issuer for the payment of which its full faith and credit are pledged, and all taxable property within the boundaries of the Local Issuer must be subject to the levy of an ad valorem tax, without limitation on rate or amount, for the payment of such Local School Bonds and the interest thereon. The Local School Bonds must be accompanied by the approving opinion of a firm of recognized municipal bond attorneys acceptable to the Authority.

All Local School Bonds purchased with funds held in the 1997 Purchase Fund shall be held for the credit of the 1997 Resolution Pledge Account within the General Pledge Fund and pledged to the payment of the Bonds. The Board may authorize and direct the Treasurer of the Authority to sell (with or without consideration) or otherwise dispose of Local School Bonds purchased with the proceeds of Bonds issued under the 1997 Resolution; provided, however, no Local School Bonds may be sold unless the sale is required to make up a deficiency in the 1997 Sinking Fund or unless, following such sale or other disposition, the Income Available for Debt Service on each Payment Date is not less than the debt service on each such Date.

Any proceeds from such a sale or other disposition may be used for the lawful purposes of the Authority; any accrued interest realized in such a sale shall be deposited to the credit of the 1997 Income Fund.

The Board may from time to time authorize and direct the Treasurer of the Authority to transfer from the 1997 Purchase Fund to the 1997 Sinking Fund all or any portion of the moneys held in the 1997 Purchase Fund in order to pay interest on Bonds, to redeem Bonds or to make up any deficiency in the 1997 Sinking Fund.

Flow of Funds

The Treasurer of the Authority shall collect and deposit in the 1997 Income Fund the principal and interest payments on the Local School Bonds credited to the 1997 Resolution Pledge Account as the same become due and payable.

The Authority has covenanted that on or before the last Business Day preceding each Payment Date (or any other day designated in a series resolution) (a "Deposit Day"), the State Treasurer shall, if applicable, withdraw an amount of money from the 1997 Income Fund, and deposit such moneys in the following funds and accounts in the following order and in amounts sufficient in the aggregate to satisfy the following requirements:

(a) in the 1997 Sinking Fund such amount as may be required to make the amount in the 1997 Sinking Fund equal to the sum of (i) the interest next due on the Bonds and (ii) the principal next due on the Bonds; provided that in making such transfers, the Treasurer of the Authority may take into account any accrued interest deposited from Bond proceeds and any amounts specified in a certificate of the Treasurer of the Authority prior to such Deposit Day as credited to a special account in the 1997 Purchase Fund; and

(b) in the Reimbursement Fund, such amount of any balance remaining after making the deposits under clause (a) above, up to the entire balance if less than the required amount, as may be required by the resolutions of the Authority in connection with obligations to repay the Commonwealth for any appropriations to cure deficiencies in the amount required to be on deposit in the 1997 Sinking Fund or to make rebate payments to the United States.

The State Treasurer shall transfer from the 1997 Income Fund to the credit of the General Fund of the Authority following each Payment Date, as may be requested by the Treasurer of the Authority, the lesser of (i) the amount described in clause (1)(A) below and (ii) the amount, if any, by which

(1) the sum of (A) the amount then remaining to the credit of the 1997 Income Fund, **plus** (B) the amount of the principal and interest that is scheduled to become due and payable on the local school bonds (the issuer of which is not then, to the knowledge of the State Treasurer, in default in the payment of the principal of or interest on any general obligation bond) held to the credit of the 1997 Resolution Pledge Account and payable to the Authority prior to the next succeeding Deposit Day,

exceeds

(2) the sum of (A) the amount of the scheduled Principal and Interest Requirement on the Bonds for the next succeeding Payment Date, **plus** (B) the amount then remaining to the credit of the 1997 Income Fund that has been designated by the Authority in accordance with the provisions of the Resolution for application to debt service on the Bonds on a future Payment Date subsequent to the next succeeding Payment Date.

1997 Sinking Fund

Moneys in the 1997 Sinking Fund shall be used for the payment of the principal of, premium, if any, and interest on the Bonds. The 1997 Resolution permits the State Treasurer to use moneys on deposit in the 1997 Sinking Fund to purchase Bonds coming due (or subject to mandatory redemption) on the next succeeding principal payment date at the most advantageous prices obtainable, but not in excess of the principal amount of such Bonds plus accrued interest, if any. Such purchases must be made no later than 45 days prior to an interest payment date on which Bonds are subject to redemption and must be made with moneys other than those set aside or deposited for the redemption of Bonds.

If Bonds are secured by a credit facility, moneys in the 1997 Sinking Fund may be used, as provided in a series resolution, to reimburse the credit provider for amounts drawn under the credit facility to pay the principal of, premium, if any, and interest on the Bonds.

General Fund

Moneys in the General Fund may be used to purchase Local School Bonds or for any other authorized purpose of the Authority and are not subject to a lien in favor of the holders of the Bonds.

General Pledge Fund

All local school bonds that are

(i) purchased from moneys held for the credit of the 1997 Purchase Fund, or

(ii) if so provided by resolution of the Authority,

(A) purchased from moneys held for the credit of the General Fund, or

(B) transferred from funds or accounts held under Other Resolutions,

shall be delivered to, and held in trust by, a Depository for the credit of the General Pledge Fund.

Unless otherwise provided by resolution of the Authority, all principal, interest and redemption premium components of the Local School Bonds that are purchased from moneys held for the credit of the 1997 Purchase Fund shall be credited, pledged and assigned to the 1997 Resolution Pledge Account in the General Pledge Fund. The Authority pursuant to the provisions of the 1997 Resolution grants security interests in favor of the holders from time to time of the Bonds issued and outstanding under the 1997 Resolution in such principal, interest and redemption premium components of such Local School Bonds, the receipts therefrom and the proceeds thereof. If so provided by resolution of the Authority, the Authority further grants and confirms security interests in favor of the holders from time to time of the Bonds issued and outstanding under the 1997 Resolution in the principal, interest and redemption premium components, the receipts and the proceeds of the local school bonds that are

(i) purchased from moneys held for the credit of the General Fund, or

(ii) transferred from funds or accounts held under Other Resolutions or from another special account within the General Pledge Fund

and credited, pledged and assigned to the 1997 Resolution Pledge Account.

The Authority may, by resolution, designate that all or a portion of all or a portion of the components of the Local School Bonds shall be credited, pledged and assigned to special subaccounts and may grant security interests in such portion or portions, the receipts therefrom and the proceeds thereof for the benefit of certain but not all of the holders of Bonds or series or maturities or Bonds within maturities thereof as shown on the records of the Depository having custody of the General Pledge Fund. Where all or any of the principal, interest and redemption premium components of a local school bond are credited to the 1997 Resolution Pledge Account, all or the appropriate portion of the related local school bond held in the General Pledge Fund shall also be deemed credited to the 1997 Resolution Pledge Account and subject to the security interests created therein, and the proceeds from the sale or other disposition pursuant to the provisions of the 1997 Resolution shall be allocated to the Bonds in proportion to their percentage of the value of the components credited to such Account, as determined by the Authority.

General Authorization of Bonds

The Authority may issue additional Bonds under the 1997 Resolution for the purpose of providing funds for the purchase of Local School Bonds, subject to receipt of the following documents by the Treasurer of the Authority:

(a) a copy, certified by the Secretary of the Authority, of the Series Resolution or applicable Resolutions;

(b) a copy, certified by the Secretary of the Authority, of the resolution adopted by the Board awarding such Bonds and directing the delivery of such Bonds;

(c) a certificate, signed by the State Treasurer, setting forth with reference to each Payment Date, to and including the last stated principal payment date on the Bonds then outstanding and the Bonds then to be issued,

(A) the Income Available to Pay Debt Service (excluding the principal and interest on the Local School Bonds the issuer of which is then, to the knowledge of the State Treasurer, in default in the payment of principal or interest on any general obligation bond);

(B) the sum of (i) the principal and interest requirements on account of the Bonds of each Series then outstanding under the 1997 Resolution and (ii) the principal and interest requirements for the Bonds then to be issued and stating that the result of dividing the amount mentioned in paragraph (A) for each such Date by the sum set forth in paragraph (B) for the same Date is at least one hundred percent (100%) on each such Date;

(d) a certificate, signed by the Secretary of Finance of the Commonwealth that

(i) the current Appropriation Act Provision and any future Appropriation Act Provision, and

(ii) if the date of the certificate is subsequent to December 20 of one year and prior to July 1 in the following calendar year, any Budget Bill contain a "sum sufficient appropriation" from the Literary Fund and, to the extent that funds are not available therein for the purpose, from the general fund of the Commonwealth, to pay the difference between debt service on the bonds becoming due in such fiscal year(s) covered by such Appropriation Act Provision or Budget Bill and the amount available to pay such debt service.

For purposes of the foregoing certificate of the Secretary of Finance,

(i) "current Appropriation Act Provision" means a sum sufficient appropriation contained in an Appropriation Act that has the force of law at the date of the certificate,

(ii) "future Appropriation Act Provision" means a sum sufficient appropriation contained in an Appropriation Act that will have the force of law on a future date,

(iii) "Budget Bill" means the bill or bills submitted by the Governor to the General Assembly (but not yet enacted into law) that would appropriate the public revenue of the Commonwealth for a biennium or amend provisions of the current Appropriation Act, as such bill or bills may exist on the date of the certificate, and

(iv) "sum sufficient appropriation" means in case of any Appropriation Act or Budget Bill the appropriation of amounts sufficient, whether the amount is specified directly or indirectly or by formula or otherwise, that in the judgment of the Secretary of Finance are sufficient to cure any deficiency in the amounts received by the Authority from payments on the local school bonds and from the implementation of the State Aid Intercept provision, when compared to the scheduled debt service on the Bonds on any Payment Date, in each of the fiscal years covered by the Appropriation Act or Budget Bill.

(e) a certificate, signed by the Chair of the Authority, stating that the Authority is not then in default in the performance of any of the covenants, conditions, agreements or provisions contained in the 1997 Resolution or in the Enabling Act; and

(f) an opinion of the Attorney General or an Assistant Attorney General of the Commonwealth stating that the signer is of the opinion that the issuance of such additional Bonds has been duly authorized, that all conditions precedent to the delivery of such Bonds have been fulfilled, and that no legislation has been enacted that amends the provisions of the Enabling Act in a way that would adversely affect the power of the Authority to discharge its "Covenant to Request Sum Sufficient Appropriation."

Refunding of Bonds

Bonds may be issued under the 1997 Resolution for the purpose of providing funds to redeem or otherwise pay prior to their maturities, including the payment of any redemption premium thereon, all or part of the outstanding Bonds or any other indebtedness of the Authority (including Reimbursement Obligations), the interest thereon to the date fixed for their redemption or payment and any expenses incurred in connection with such refunding, provided that certain requirements of the 1997 Resolution, including the tests described in clauses (c) and (d) in "General Authorization of Bonds," are satisfied.

Provisions Applicable to All Bonds

Bonds may be issued in any form permitted by law, including current interest bonds, variable rate indebtedness, capital appreciation bonds, optional tender indebtedness, serial bonds, term bonds or any combination thereof. Except as to any credit facility that may be applicable to certain Bonds only and as to any differences in the maturities, rates of interest and the manner of payment thereof or in the provisions for redemption and purchase, all additional Bonds shall be entitled to the same benefit and security under the 1997 Resolution as all other Bonds. The 1997 Resolution provides that, for purposes of the revenue test applicable to the issuance of additional Bonds, the option of any owner of optional tender indebtedness to tender the same for payment prior to its stated maturity shall be ignored and the interest rate for variable rate indebtedness shall be assumed throughout the term of such indebtedness to be the greater of (a) the initial rate of interest of such variable rate indebtedness, and (b) the weighted average interest rate at which it is assumed that the Authority could reasonably expect to have borrowed on the date of issuance of such Bonds at a fixed interest rate.

Reports and Audits

The Authority covenants to keep accurate records and accounts of all moneys collected and the application of such moneys and to exert its best efforts to cause an audit of its books and accounts for each twelve-month period to be made by the State Auditor of Public Accounts or by an independent firm of certified public accountants of recognized ability and standing chosen by the Authority with the approval of the State Treasurer. The Authority further covenants that, as often as may be requested, it will furnish to any bondholder such other information concerning the Authority as such bondholder may reasonably request.

Investments

Moneys held in the funds and accounts established by the 1997 Resolution shall be continuously invested and reinvested at the direction of the Authority in the following investments ("Investment Obligations"):

(a)(i) direct obligations of, or obligations the timely payment of the principal of and the interest on which is unconditionally guaranteed by, the United States of America, interest components of Resolution Funding Corporation bonds and, if permitted by law, evidences of indirect ownership of such obligations, (ii) obligations of state and local municipal bond issuers the payment of which shall be secured by non-callable obligations described in (i) above deposited with an escrow agent or trustee (the obligations referred to in (a)(i) and (a)(ii) are referred to as "Defeasance Obligations"), and (iii) obligations issued by certain agencies controlled or supervised by the United States of America, and

(b) repurchase agreements for obligations described in (a) above, certificates of deposit, banker's acceptances, commercial paper, insured and uninsured obligations of state or local government municipal bond issuers satisfying the requirements of the 1997 Resolution and any other obligation constituting a legal investment for instrumentalities of the Commonwealth.

Moneys in the 1997 Purchase Fund, the 1997 Income Fund, the 1997 Sinking Fund and the Reimbursement Fund shall, as nearly as may be practicable, be invested and reinvested in Investment Obligations that shall mature, or that shall be subject to redemption at the option of the holder thereof, not later than the respective dates when the moneys will be required. Moneys held for the credit of the General Fund shall be invested and reinvested in such Investment Obligations as the State Treasurer shall determine.

Investment Obligations so purchased shall be deemed at all times to be a part of the fund or account to which the money with which they were purchased was credited, and the interest accruing thereon and any profit realized or any loss resulting from the investment of money shall be credited to, or charged against, the respective fund or account. The State Treasurer and any Depository shall sell at the best price obtainable or present for redemption or payment any such Investment Obligations whenever it shall be necessary to do so in order to provide money to make any payment or transfer of money from any such fund or account. The State Treasurer and any Depository shall not be liable or responsible for any loss resulting from any such investment.

Whenever a payment or transfer of moneys between two or more of the funds or accounts established under the 1997 Resolution is permitted or required, such payment or transfer may be made in whole or in part by transfer of one or more Investment Obligations at a value determined in accordance with the provisions of the 1997 Resolution, provided that Investment Obligations are those in which moneys of the receiving fund or account could be invested at the date of such transfer.

For the purpose of determining the amount on deposit to the credit of any such fund or account, obligations in which money in such fund or account shall have been invested shall be valued at the market value or the amortized cost, whichever is lower.

Modification of the Resolution

The Authority, from time to time, and without the consent of Bondholders, may adopt supplemental resolutions for purposes set forth in the 1997 Resolution. Such purposes include curing ambiguities, formal defects and omissions in the 1997 Resolution and any other change that, in the opinion of the Authority, would not materially adversely affect the security for the Bonds.

The owners of not less than a majority in aggregate principal amount of the Bonds then outstanding may, from time to time, consent to resolutions supplemental to the 1997 Resolution for the purpose of modifying any of the terms or provisions contained in the 1997 Resolution or in any series resolution or other supplemental resolution; provided, however, that nothing contained in the 1997 Resolution shall permit, or be construed as permitting, without the consent of Bondholders (a) an extension of the maturity of the principal of or the interest on any Bond, (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, (c) the creation of a lien upon or a pledge of funds other than the liens and pledges created or permitted by the 1997 Resolution, (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds of the same Series, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental resolution. The Secretary of the Authority shall cause notice of the proposed adoption of any such supplemental resolution to be mailed, postage prepaid, to all owners of Bonds at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed supplemental resolution and shall state that copies thereof are on file at the office of the State Treasurer for inspection by all Bondholders. The Authority shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail the notice, and any such failure shall not affect the validity of such supplemental resolution after it has been consented to and approved. No such supplemental resolution shall become effective unless the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding shall file with the Secretary of the Authority instruments consenting to and approving the adoption of the supplemental resolution in the form thereof referred to in the notice.

Remedies of Bondholders

The 1997 Resolution defines events of default to include failure to pay principal, redemption premium or any installment of interest on any of the Bonds, inability of the Authority to fulfill its obligations under the 1997 Resolution, the institution of proceedings with the consent or acquiescence of the Authority for the purpose of adjusting claims of creditors pursuant to any federal or state statute and failure after written notice by the holder of any of the Bonds then outstanding to perform any covenant contained in the 1997 Resolution.

Upon the happening and continuance of any event of default, any Bondholder may proceed to protect and enforce its rights and the rights of Bondholders under the laws of the Commonwealth or the 1997 Resolution and may enforce and compel the performance of all duties required under the laws of the Commonwealth or the 1997 Resolution to be performed.

Defeasance

When the principal of, premium, if any, and interest on the Bonds shall be paid or if the State Treasurer, the Bond Registrar or any Depository or Paying Agent shall hold in trust sufficient moneys or non-callable Defeasance Obligations the principal of and interest on which, when due and payable, will provide sufficient moneys to pay the principal of, redemption premium, if any, and interest on all Bonds then outstanding to the maturity date or dates of such Bonds or dates fixed for mandatory redemption of term Bonds or to the date or dates specified for the optional redemption of Bonds, and, if Bonds are to be called for redemption, irrevocable instructions to call the Bonds for redemption shall have been given by the Authority, and sufficient funds shall also have been provided or provision made for paying all other obligations payable hereunder by the Authority, then and in that case the right, title and interest of the Bondholders in the funds and accounts under the 1997 Resolution shall thereupon cease, determine and become void. Bonds paid or redeemed or delivered to or acquired by the Bond Registrar for cancellation and Bonds, or principal or interest components thereof, for which a Paying Agent or the Bond Registrar or any Depository or the State Treasurer shall hold sufficient moneys or non-callable Defeasance Obligations the principal of and the interest on which, when due and payable, will provide sufficient moneys to pay the principal of, redemption premium, if any, and the interest on such Bonds, or such principal or interest components, as the case may be, to their maturity date or date or dates fixed for redemption are deemed no longer outstanding for purposes of the 1997 Resolution.

TAX MATTERS

Opinion of Bond Counsel – Federal Income Tax Status of Interest

The opinion of McGuireWoods LLP, Richmond, Virginia, bond counsel to the Authority ("Bond Counsel") regarding the federal income tax status of the interest on the Series 2024B Bonds will state that, under current law and assuming continuing compliance with the Covenants (as hereinafter defined), interest on the Series 2024B Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. Interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. See "Proposed Form of Opinion of Bond Counsel" in Appendix G hereto.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the excludability of interest on the Series 2024B Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the Authority, the 2024B Local Issuers or the local school boards associated with them (the "2024B Local School Boards") or about the effect of future changes in the Code, the applicable regulations, or the interpretation or the enforcement thereof by the Internal Revenue Service (the "IRS") and the courts.

Although Bond Counsel is of the opinion that interest on the Series 2024B Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2024B Bonds may otherwise affect the federal tax liability of an owner of the Series 2024B Bonds. The nature and extent of these other federal tax consequences depend on the owner's particular tax status and levels of other income or deductions. Bond Counsel will express no opinion regarding any such other tax consequences and prospective purchasers of the Series 2024B Bonds should consult their own tax advisors with respect thereto.

Reliance and Assumptions; Effect of Certain Changes

In delivering its opinion regarding the federal income tax treatment of interest on the Series 2024B Bonds, Bond Counsel is relying upon (i) certifications of representatives of the Authority, the 2024B Local Issuers, the 2024B Local School Boards, the Underwriter, as hereinafter defined, certain public officials and other persons as to facts material to the opinion, which Bond Counsel has not independently verified, and (ii) except where Bond Counsel serves as bond counsel to a 2024B Local Issuer, opinions from another firm of municipal bond attorneys serving as bond counsel to each of the 2024B Local Issuers regarding the application of the proceeds of the Series 2024B Bonds and the ownership, use and operation of the property financed thereby by the 2024B Local Issuers and the 2024B Local School Boards.

In addition, Bond Counsel is assuming continuing compliance with the Covenants by the Authority, the 2024B Local Issuers and the 2024B Local School Boards. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Series 2024B Bonds in order for interest on the Series 2024B Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Series 2024B Bonds and the use of the property financed or refinanced by the Series 2024B Bonds, limitations on the source of the payment of and the security for the Series 2024B Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Series 2024B Bonds to the United States Treasury. The tax compliance agreement for the Series 2024B Bonds contains covenants (the "Covenants") under which the Authority, the 2024B Local Issuers and the 2024B Local School Boards have agreed to comply with such requirements. Failure by the Authority, the 2024B Local School Issuers and the 2024B Local School Boards to comply with the Covenants could cause interest on the Series 2024B Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. If such a failure were to occur, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2024B Bonds from becoming includable in gross income for Federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Series 2024B Bonds.

Certain requirements and procedures contained, incorporated or referred to in the tax compliance agreement, including the Covenants, may be changed and certain actions may be taken or omitted subject to the terms and conditions set forth in such agreement. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Series 2024B Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2024B Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of the Series 2024B Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Series 2024B Bonds.

Prospective purchasers of the Series 2024B 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, banks and other financial institutions, certain insurance companies, dealers in tax-exempt obligations, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial securitization trust, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

Original Issue Discount

Series 2024B Bonds purchased in the initial public offering with yields higher than their applicable interest rates, as shown on the inside cover page hereof, have been sold with "original issue discount." Each such Series 2024B Bond is referred to below as an "OID Bond." The excess of (i) the stated amount payable at the maturity (excluding qualified stated interest) of any OID Bond over (ii) the issue price of the OID Bond as determined under Section 1273 of the Code (which may differ from the price shown on the inside front cover page of this Official Statement) constitutes the amount of original issue discount, which is treated in the same manner as interest on the Series 2024B Bonds for federal income tax purposes.

The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest. In the case of an original owner of an OID Bond, the amount of original issue discount that is treated as having accrued on such OID Bond is added to the owner's adjusted basis in determining, for federal income tax purposes, gain or loss upon the disposition of the OID Bond (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued original issue discount will be excludable from the gross income of the owner for federal income tax purposes.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial public offering may be determined according to rules that differ from those described above.

In addition, original issue discount that accrues in each year to an owner of an OID Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed in this section. Consequently, the owner of an OID Bond should be aware that the accrual of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although such owner has not received cash attributable to such original issue discount in such year.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the original issue discount accrued upon sale or redemption of such OID Bonds (including OID Bonds not purchased in the initial public offering) and with respect to the state and local tax consequences of owning OID Bonds.

Original Issue Premium

Series 2024B Bonds purchased in the initial public offering with yields lower than their applicable interest rates, as shown on the inside cover page hereof, have been sold with "bond premium." Each such Series 2024B Bond is referred to below as an "OIP Bond." The excess of (i) the owner's basis in the OIP Bond immediately after acquisition over (ii) the amount payable at maturity (excluding qualified stated interest) as determined under Section 171 of the Code constitutes the amount of the bond premium. Under the Code, the bond premium is amortized based on the owner's yield over the remaining term of the OIP Bond (or, in the case of certain callable OIP Bonds, to an earlier call date that results in a lowest yield on the OIP Bond). The owner of an OIP Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period against the bond premium allocable to that period. No deduction is allowed for such amortization of bond premium even though the owner is required to decrease the adjusted basis in the owner's OIP Bond by the amount of the amortizable bond premium, which will result in an increase in the gain (or decrease in the loss) recognized for federal income tax purposes upon a sale or disposition of the OIP Bond prior to its maturity.

Prospective purchasers of any OIP Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, sale, exchange, or other disposition of, and amortization of bond premium on, such OIP Bonds.

Information Reporting and Backup Withholding

Prospective purchasers should be aware that the interest on the Series 2024B Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2024B Bonds may be subject to backup withholding if the interest is paid to an owner who or which (i) is not an "exempt recipient" and (ii) (A) fails to furnish an accurate U.S. taxpayer identification number in the manner required, (B) has been notified of a failure to report all interest and dividends required to be shown on federal income tax returns or (C) fails to certify under penalty of perjury that the owner is not subject to withholding. Individuals generally are not exempt recipients, although corporations and other entities generally are.

The reporting and backup withholding requirements do not in and of themselves affect the excludability of interest on the Series 2024B Bonds from gross income for federal income tax purposes, and amounts withheld under the backup withholding rules may be refunded or credited against the owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

Internal Revenue Service Audits

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2024B Bonds, the IRS will, under its current procedures, treat the Authority as the taxpayer. As such, the beneficial owners of the Series 2024B Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the Series 2024B Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the Series 2024B Bonds.

Opinion of Bond Counsel – Virginia Income Tax Consequences

Bond Counsel will also opine that, under current law, interest on the Series 2024B Bonds is exempt from income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other tax consequences arising with respect to the Series 2024B Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the Series 2024B Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the Series 2024B Bonds should consult their own tax advisors regarding such other Virginia tax consequences or the tax status of interest on the Series 2024B Bonds in a particular state or local jurisdiction other than the Commonwealth.

Changes in Federal and State Tax Law and Regulations

Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes.

The U.S. Department of the Treasury and the IRS and state regulatory authorities are continuously drafting regulations and other guidance to interpret and apply the provisions of the Code and state law. Proceedings affecting tax-exempt obligations may be filed in federal or state courts at any time. Such guidance and the outcome of such court proceedings could modify the federal or state tax treatment of tax-exempt obligations.

There can be no assurance that legislation proposed or enacted after the date of issue of the Series 2024B Bonds, regulatory interpretation of the Code or state laws or actions by a court involving either the Series 2024B Bonds or other tax-exempt obligations will not have an adverse effect on the Series 2024B Bonds' federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Series 2024B Bonds.

Prospective purchasers of the Series 2024B Bonds should consult their own tax advisors regarding the potential consequences of any such proposed or pending federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

RATINGS

As noted on the cover page of this Official Statement, the Series 2024B Bonds received the following ratings: "AA+" (Fitch Ratings), "Aa1" (Moody's Investors Service) and "AA+" (S&P Global Ratings).

Such ratings reflect only the respective views of such organizations and an explanation of the significance of such ratings may be obtained only from the respective rating agencies. The Authority furnished to such rating agencies certain information regarding its policies, practices and finances, including information that is not included in this Official Statement. There is no assurance that such policies, practices and finances or such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by any rating agency, if, in the judgment thereof, circumstances so warrant. Any such downward revision or withdrawal could have an adverse effect on the market price of the Series 2024B Bonds.

FUTURE FINANCINGS

The Authority does not anticipate issuing any additional new money bonds under its 1997 Resolution prior to issuing the Series 2024B Bonds.

The Authority expects to issue additional Bonds pursuant to the 1997 Resolution in the spring of 2025 to purchase Local School Bonds to fund public school projects. Subject to market conditions, however, the Authority may undertake, at any time, the refunding for debt service savings and other purposes of any of its outstanding obligations, including Bonds issued under the 1997 Resolution.

In the spring of 2025, the Authority also expects to issue its School Technology and Security Notes Series XIII (the "2025 Notes"). The 2025 Notes will be limited obligations of the Authority payable from appropriations to be made by the Virginia General Assembly from the Literary Fund and to the extent necessary from a "sum sufficient appropriation" from the General Fund of the Commonwealth in the event that "available moneys in the Literary Fund" are less than the appropriations for debt service due on the 2025 Notes.

The Authority expects to issue its County of Prince William Special Obligation School Financing Bonds in one or more series from time to time during calendar year 2024.

The Authority expects to issue its County of Stafford Special Obligation School Financing Bonds in one or more series from time to time during calendar year 2024.

The Authority expects to issue its County of Hanover Special Obligation School Financing Bonds in one or more series from time to time during calendar year 2025.

If requested by local governments, the Authority will issue other special obligation school financing bonds under its Stand Alone Security Structure.

LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Series 2024B Bonds are subject to the approving opinion of McGuireWoods LLP, Richmond, Virginia, Bond Counsel. Such opinion, substantially in the form set forth in **APPENDIX G** to this Official Statement, will be furnished at no expense to the initial purchaser of the Series 2024B Bonds upon delivery thereof.

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

LEGALITY FOR INVESTMENT

The Enabling Act provides that the Series 2024B Bonds are securities in which all public officers and bodies of the Commonwealth, counties, cities, towns, municipal subdivisions, insurance companies and associations, savings banks and savings institutions, including savings and loan associations, trust companies, beneficial and benevolent associations, administrators, guardians, executors, trustees and other fiduciaries in the Commonwealth may properly and legally invest funds under their control.

LITIGATION

The Authority is not party to any litigation. The Authority has no knowledge of any litigation, pending or threatened, to restrain or enjoin the issuance or delivery of the Series 2024B Bonds or the entering by the Authority into the transactions contemplated by this Official Statement or wherein an unfavorable decision would have a material adverse impact upon the operations or financial condition of the Authority.

LEGISLATION

The 2024-2026 Appropriation Act contains a "sum sufficient appropriation" that is applicable to all Bonds issued under the 1997 Resolution and that is not limited in terms of Bonds that may have the benefit thereof or in terms of maximum annual debt service. Such sum sufficient appropriation has also been applied to the VPSA Tax Credit Bonds issued under its VPSA Tax Credit Bond Indenture.

In addition, the 2024-2026 Appropriation Act directs the Authority to issue Notes during each of the fiscal years ending June 30, 2025 and June 30, 2026. The 2024-2026 Appropriation Act includes sufficient appropriations from the Literary Fund to pay debt service coming due in the biennium ending June 30, 2026, on the Notes and also includes a sum sufficient appropriation. See **"FUTURE FINANCINGS"** above.

FINANCIAL ADVISOR

Davenport & Company LLC ("Davenport") is employed as a financial advisor to the Authority in connection with the issuance of the Series 2024B Bonds. The financial advisor's fee for services rendered with respect to the sale of the Series 2024B Bonds is contingent upon the issuance and delivery of the Series 2024B Bonds. Davenport, in its capacity as financial advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents provided, agreed to or made by others with respect to the federal income tax status of the Series 2024B Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

Davenport, as the financial advisor to the Authority, has provided the following sentence for inclusion in this Official Statement. Although Davenport has assisted in the preparation of this Official Statement, Davenport is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CONTINUING DISCLOSURE

In connection with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the Authority and/or other persons deemed to be "obligated persons" have committed to provide (i) on an annual basis, certain financial information and operating data ("Annual Reports"), and, if available, audited financial statements and (ii) notice of the events listed in Rule 15c2-12 ("Event Notices") to the Municipal Securities Rulemaking Board ("MSRB").

The Authority

In the series resolution adopted September 12, 2024 (the "Series Resolution"), the Authority has covenanted, for the benefit of the holders of the Series 2024B Bonds to provide to the MSRB annually, not later than 10 months after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2024, Annual Reports with respect to itself, as issuer. Similarly, the Authority will provide Event Notices with respect to the Series 2024B Bonds to the MSRB.

The Commonwealth

The Authority has determined that the Commonwealth is a material "obligated person" ("MOP") for purposes of Rule 15c-12. The Commonwealth will covenant, by executing a Continuing Disclosure Agreement prior to issuance of the Series 2024B Bonds, to provide to the MSRB annually, not later than January 31 of each year, commencing January 31, 2025, Annual Reports with respect to itself. Similarly, the Commonwealth will provide notice of any changes in the ratings of the Commonwealth's general obligation bonds to the MSRB.

The Commonwealth has entered into numerous continuing disclosure undertakings with respect to its own debt issuances, as well as debt issuances by related Virginia authorities. Such undertakings require in part that the Commonwealth annually file on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (the "EMMA System") its audited Annual Financial Statements and its Annual Report (consisting of a separately filed Appendix B - Financial and Other Information and a separately filed Appendix C – Demographic and Economic Information). The Commonwealth has become aware that (a) for fiscal years 2019 and 2020, such filings were not successfully linked on the EMMA System to all of the CUSIPs for the Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2011A, issued by the Virginia College Building Authority ("VCBA"), (b) for fiscal year 2020, such filings were not successfully linked on the EMMA System to any of the CUSIPs for the Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2020A, and Educational Facilities Federally Taxable Revenue and Revenue Refunding Bonds (21st Century College and Equipment Programs), Series 2020B, issued by VCBA, (c) for fiscal year 2022, the audited Annual Financial Statements were not successfully linked on EMMA to the CUSIPs for the Commonwealth Port Fund Revenue Refunding Bonds, Series 2018 (Taxable), issued by the Virginia Port Authority, and (d) for fiscal year 2023, such filings were not successfully linked on EMMA to all of the CUSIPs for the Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2023A, issued by VCBA. Such filings were otherwise available on the EMMA System with respect to other continuing disclosure undertakings of the Commonwealth. The Commonwealth has made a remedial filing to correct the linkage problem for any such bonds that are currently outstanding.

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

Material Obligated Persons

The Authority has also determined that, with respect to Local Issuers, a MOP shall include any such Local Issuer that has local school bonds outstanding as of the end of a Fiscal Year (June 30), in an aggregate principal amount that exceeds 10% of the aggregate principal amount of all outstanding Bonds of the Authority. The Authority has covenanted in the Series Resolution to require each Local Issuer that is or may become a MOP to execute and deliver to the Authority an undertaking by which the Local Issuer will agree that if it becomes a MOP, it will, so long as it remains a MOP, file Annual Reports and provide Event Notices with respect to its Local School Bonds credited to the 1997 Resolution Pledge Account in the General Pledge Fund, as required by Rule 15c2-12. Any such Annual Report of a Local Issuer will be filed with the MSRB. Any Event Notices will be filed by such Local Issuer with the MSRB.

For purposes of compliance with the secondary market disclosure requirements of Rule 15c2-12, the Authority determines as of June 30 of each year whether one or more Local Issuers are MOPs. As of June 30, 2024, no Local Issuer constituted a MOP. If the determination of which Local Issuers constitute MOPs were made on the date of delivery of the Series 2024B Bonds, and the list of 2024B Local Issuers and 2024B Local School Bonds as described in the subsection **"THE LOCAL SCHOOL BONDS - Local School Bonds"** did not change, no Local Issuer would constitute a MOP. The Authority cannot predict whether any particular Local Issuer will be as of June 30 of any particular subsequent year a MOP subject to the continuing disclosure undertaking under its Continuing Disclosure Agreement with the Authority.

These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12. (See **APPENDIX F – CONTINUING DISCLOSURE UNDERTAKINGS**).

OTHER INFORMATION

Included as Appendices B, C and D are Financial and Other Information respecting the Commonwealth, Demographic and Economic Information relating to the Commonwealth, for its fiscal year ended June 30, 2023, and the audited financial statements of the Commonwealth for its fiscal year ended June 30, 2023.

CERTIFICATES CONCERNING OFFICIAL STATEMENT AND NO LITIGATION

Concurrently with the delivery of the Series 2024B Bonds, the Chair and the Treasurer of the Authority will each deliver a certificate respecting the Official Statement.

The Treasurer of the Authority (who is also the State Treasurer) will certify that the Official Statement, including the Appendices thereto (except for information relating to "Yield" or "Price" or CUSIP Suffix and contained under the sections **"TAX MATTERS" "LEGALITY FOR INVESTMENT," "FINANCIAL ADVISOR," APPENDIX G** and **APPENDIX H**), did not as of its date, and does not as of the date of the delivery of the Series 2024B Bonds, contain an untrue statement of a material fact or omit to state any material fact which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading. The Chair of the Authority will deliver a certificate similar to that of the Treasurer except that it will exclude the Appendices from its coverage.

In addition, the Chair and the Secretary of the Authority will deliver a certificate, dated the date of delivery of the Series 2024B Bonds certifying that no litigation of any kind is then pending (either in state or federal courts) or, to their knowledge, threatened to restrain or enjoin the issuance or delivery of the Series 2024B Bonds or the purchase of Local School Bonds, including the 2024B Local School Bonds, or the pledge of funds as provided in the 1997 Resolution, or in any manner questioning the proceedings or authority under which the Series 2024B Bonds are to be issued, or affecting the validity of or the security for the Series 2024B Bonds; neither the corporate existence of the Authority nor the title to his office of any officer whose facsimile signature appears on the Series 2024B Bonds is being contested; and no authority or proceedings for the issuance of the Series 2024B Bonds or for the security thereof have been repealed, revoked or rescinded.

SALE AT COMPETITIVE BIDDING

The Series 2024B Bonds will be offered at competitive bidding on the date determined pursuant to the provisions of the notice of sale attached as **APPENDIX I** hereto (the "Notice of Sale"). After the Series 2024B Bonds have been awarded, the Authority will issue an Official Statement in final form to be dated the date of the award. The Authority will deem the Official Statement in final form as of its date, and the Official Statement in final form will be a "Final Official Statement" within the meaning of Rule 15c2-12. The Official Statement in final form will include, among other matters, the identity of the winning bidder, the expected selling compensation to such bidder and other information on the interest rates and offering prices or yields of the Series 2024B Bonds, all as supplied by the successful bidder. See **APPENDIX I – NOTICE OF SALE**.

RELATIONSHIP OF PARTIES

McGuireWoods LLP, Richmond, Virginia, Bond Counsel to the Authority also serves as bond counsel to the County of Frederick, which is a 2024B Local Issuer.

McGuireWoods LLP, Richmond, Virginia, Bond Counsel to the Authority also represents Davenport & Company LLC from time to time, in matters unrelated to the Series 2024B Bonds.

David L. Richardson, Treasurer and Secretary of the Authority, is a retired former partner of McGuireWoods LLP, Bond Counsel to the Authority.

Davenport & Company LLC, Financial Advisor to the Authority, also serves as financial advisor to the Counties of Isle of Wight and Prince Edward, which are 2024B Local Issuers.

MISCELLANEOUS

The foregoing summaries of certain provisions of the Enabling Act and 1997 Resolution do not purport to be complete statements of such provisions and are made subject to the detailed provisions thereof to which reference is hereby made. Copies of the Enabling Act and the 1997 Resolution are available for inspection upon request to the Authority.

The Authority has furnished all information in this Preliminary Official Statement relating to the Authority and has obtained all information relating to the Commonwealth and the Literary Fund from sources that it believes to be reliable. The financial statements of the Authority as of June 30, 2023, and of the Commonwealth as of June 30, 2023, in Appendices A and D, respectively, have been examined, to the extent set forth in its reports, by the Virginia Auditor of Public Accounts and are included in reliance upon the reports of such Auditor.

Any statements in this Preliminary Official Statement involving matters of opinion whether or not expressly so stated are intended as such and not as representations of fact. Terms used in this Preliminary Official Statement but not otherwise defined shall have the meanings assigned to them in the 1997 Resolution.

The distribution of this Preliminary Official Statement has been duly authorized by the Authority. The Authority has deemed this Preliminary Official Statement final as of its date within the meaning of Rule 15c2-12, except for certain pricing and other information permitted to be omitted by Rule 15c2-12.

VIRGINIA PUBLIC SCHOOL AUTHORITY

By: ________________________________
Chair

By: ________________________________
Treasurer

This page intentionally left blank.

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF VIRGINIA PUBLIC SCHOOL AUTHORITY FOR THE YEAR ENDED JUNE 30, 2023

This page intentionally left blank.

VIRGINIA PUBLIC SCHOOL AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

VIRGINIA PUBLIC SCHOOL AUTHORITY

FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023

Table of Contents

This section of the annual financial report of the Virginia Public School Authority (the "Authority") presents an analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2023. This information should be considered in conjunction with the information contained in the financial statements, which follow this section.

Authority Activities and Highlights

The Virginia Public School Authority, created by Chapter 11, Title 22.1, *Code of Virginia*, 1950, as amended, provides financing to localities under its pooled bond program. Under the program, the Authority issues its bonds and uses the proceeds to purchase a "pool" of general obligation bonds from localities (the "Local Issuers"). Each Local Issuer uses the proceeds for the purpose of financing capital projects for public schools.

The Authority's 1997 Resolution, adopted on October 23, 1997, serves as the primary instrument under which the Authority issues bonds for its pooled bond program. The 1997 Resolution bonds are secured first by payments from Local Issuers on their local school bonds; second, from amounts obtained under the State Aid Intercept Provision under which the Authority can intercept state appropriations to the locality; and third, from a sum sufficient appropriation. The sum sufficient appropriation is first from available Literary Fund monies and then from the Commonwealth's General Fund. During the fiscal year, the Authority issued a total of $169,695,000 in bonds under the pooled bond program.

Also under its pooled bond program, the Authority has issued school tax credit bonds – Qualified School Construction Bonds ("QSCBs") and Qualified Zone Academy Bonds ("QZABs") – under a Master Indenture of Trust dated as of October 1, 2009. Qualified School Construction Bonds are tax credit bonds established under the American Recovery and Reinvestment Act of 2009 ("ARRA") and Qualified Zone Academy Bonds are tax credit bonds established in the Internal Revenue Code of 1986. Both QSCBs and QZABs provide the bondholder a federal tax credit in lieu of interest. These bonds are secured by payments from Local Issuers on their general obligation local school bonds, then from amounts obtained through the State Aid Intercept Provision, and then from a sum sufficient appropriation received by the Authority pursuant to any current Appropriation Act Provision. It should be noted that the Authority can no longer issue QSCBs or QZABs since the Tax Cuts and Jobs Act of 2017 ("TCJA") repealed the ability to issue these types of bonds. The QSCBs and QZABs currently held by the Authority were issued under its 2009 Master Indenture of Trust prior to the TCJA.

In addition to its pooled bond program, the Authority also issues special obligation bonds under its stand-alone program and notes under its technology and security program. Bonds issued under the stand-alone program are secured by the local school bonds purchased from one or more specific localities and by the State Aid Intercept Provision. The Authority acts as a conduit issuer under the stand-alone program. Under the School Technology and Security Notes Program, the Authority issues obligations to finance technology equipment purchases and fund a grant program for the purchase of security equipment for local public school systems within the Commonwealth. These obligations are payable from, or otherwise secured by, appropriations by the General Assembly from the Literary Fund and now benefit from a sum sufficient appropriation from the Commonwealth's General Fund. The Authority issued $63,640,000 under the school technology and security note program during the fiscal year. The Authority also issued $173,620,000 under the stand-alone program during fiscal year 2023.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Authority's basic financial statements, which are comprised of two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The Authority is not required to present government-wide financial statements since all of its activity is reported in an enterprise fund, which would not change in measurement focus (economic resources) or basis of accounting (accrual) for government-wide statements.

The financial statements of the Authority offer short- and long-term financial information about its activities. The Statement of Net Position provides information about the nature and amounts of the Authority's cash, investments, and receivables (assets), deferred outflows of resources, and its obligations to creditors (liabilities). All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures whether the Authority successfully recovered all its costs through investment earnings, bond proceeds, appropriations from the Commonwealth, and the collection of receivables. The Statement of Cash Flows provides information on the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financial activities.

Financial Analysis of the Authority

The Authority provides a vehicle for financing capital projects for primary and secondary public schools in the Commonwealth's counties, cities and towns. On local school bonds held by the Authority that were issued prior to March 26, 2009, localities pay interest 10 basis points (0.10%) above the rates paid by the Authority on corresponding maturities of its bonds. As a result of a policy change made by the Authority on March 26, 2009, local school bonds held by the Authority issued subsequent to March 26, 2009 pay interest 5 basis points (0.05%) above the rates paid by the Authority on corresponding maturities of its bonds. This revenue is received by the Authority and used to pay the operating costs attributable to its financing programs, including costs of issuance and administration, such as rebate compliance expenses. The Department of the Treasury provides staff support for the Authority. The Authority owns no capital assets.

Condensed Statement of Net Position
(in millions)

	Enterprise Fund 2023	Enterprise Fund 2022	Change
Current assets	$ 455	$ 446	$ 9
Noncurrent assets	3,970	3,889	81
Total assets	4,425	4,335	90
Total deferred outflows	59	71	(12)
Current liabilities	543	538	5
Noncurrent liabilities	3,894	3,833	61
Total liabilities	4,437	4,371	66
Net position:			
Restricted for debt service	12	2	10
Unrestricted	35	33	2
Total net position (deficit)	$ 47	$ 35	$ 12

Total assets increased during the year by $90 million, or 2.1 percent. This is primarily due to an $11 million receipt of interest on cash equivalents and a $47 million increase in local school bonds outstanding (new local school bonds were purchased in the amount of $343 million, payments of $296 million were made against existing local school bonds), a $23 million increase due to principal payments received on Qualified School Construction Bonds and Qualified Zone Academy Bonds (to be held for future payment on the Authority's bonds), receipt of interest payments on bonds held of $139 million, offset by interest paid on bonds outstanding of $134 million, and receipt of proceeds for new Educational Technology and Security Notes of $68 million. These receipts were offset by current year payments to localities from Educational Technology and Security Notes' new and existing proceeds of $63 million. Total liabilities increased by $66 million, or 1.5 percent, during the same period because of an increase in net outstanding bonds and notes payable of $74 million and an increase in amounts due to localities of $4 million, offset by a decrease in outstanding premium on bonds sold of $15 million, as a result of current year amortizations, and an increase in interest payable of $3 million. Additionally, the deferred outflow of resources decreased by $12 million due to current year amortization of amounts deferred in prior years. Accordingly, an increase of $12 million is reflected in net position.

Condensed Statement of Revenues, Expenses, and Changes in Net Position (in millions)

	Enterprise Fund		
	2023	2022	Change
Revenues:			
Operating revenues:			
Charges for services	$ 151	$ 129	$ 22
Other	(1)	(7)	6
Total revenues	150	122	28
Expenses:			
Interest on long-term debt	134	121	13
Other	2	2	-
Total expenses	136	123	13
Payments to Literary Fund	(2)	(1)	(1)
Change in net position	12	(2)	14
Net position (deficit), July 1	35	37	(2)
Net position (deficit), June 30	$ 47	$ 35	$ 12

The increase in revenues of $28 million, or 23%, is mainly attributable to a $6 million increase in the fair value adjustment of investments, and an $11 million increase in interest on cash equivalents, both the result of improved market conditions, combined with a $10 million increase in interest on local school bonds. The increase in expenses of $13 million, or 11%, is primarily due to a $12 million increase in interest on bonds which fluctuates with the underlying debt schedules established at issuance.

Debt Administration

As a financing entity, the whole business of the Authority is debt administration. The Authority issues bonds, pursuant to its pooled bond programs, to finance capital projects approved by the local governing bodies of counties, cities, and towns of the Commonwealth of Virginia. Such bonds are secured by general obligation bonds of the participating local issuers, which provide payment of principal and interest when due. Obligations issued pursuant to the school technology and security notes programs, in conjunction with the Board of Education, are paid from, and secured by, appropriations made from the Literary Fund. The table on the following page summarizes bond issuance activity during the year under each program. Please see Note 2.C.1 on page 15 for additional details on the table.

Summary of Authority Bond Obligations
(in millions)

	Outstanding at 6/30/22	Issued During Year	Retired During Year	Outstanding at 6/30/23
Pooled Bond Programs[1]	$ 2,835	$ 170	$ (211)	$ 2,794
Technology and Security Notes Programs	188	64	(60)	192
Special Obligation Bonds	1,053	173	(62)	1,164
Total	$ 4,076	$ 407	$ (333)	$ 4,150

[1] Includes 1997 Resolution and School Tax Credit bonds.

The Authority obtains bond ratings from Moody's Investors Service (Moody's), S&P Global Ratings (S&P) and Fitch Ratings, Inc. (Fitch). The table below summarizes the ratings on outstanding Authority bonds.

Virginia Public School Authority Bond Ratings

	Moody's	S&P	Fitch
Pooled Bond Programs[1]	Aa1	AA+	AA+
School Technology and Security Notes	Aa1	AA+	AA+

[1] 1997 Resolution Bonds

Since the Authority's bond programs are either backed by state appropriations (School Technology and Security Notes Program) or carry the credit support of the State Aid Intercept Provision (Pooled Bond Program), the bond ratings are a direct reflection of the Commonwealth's triple-A rating from each of the three rating agencies.

Future Impact to Financial Position

On November 9, 2023, the Virginia Public School Authority issued its $79,710,000 School Financing Bonds (1997 Resolution), Series 2023B to purchase certain general obligation local school bonds to finance capital projects for schools.

On November 9, 2023, the Virginia Public School Authority issued its $135,815,000 Special Obligation School Financing Bonds, Prince William County, Series 2023 to purchase certain general obligation local school bonds to finance capital projects for schools.

The VPSA Board of Commissioners adopted changes to its General Pooled Bond Policy and to its General Stand-Alone Policy at the March 15, 2023 Board Meeting. The changes will bring consistency to the fee structures for the Pooled Bonds and the Stand-Alone Bonds. Details about the changes are in the Notes to the Financial Statements.

VIRGINIA PUBLIC SCHOOL AUTHORITY

STATEMENT OF NET POSITION

As of June 30, 2023

ASSETS		
Current assets:		
Cash and cash equivalents (Note 2A)	$	34,825,718
Loans to localities:		
Restricted local school bonds (Note 2B)		298,701,792
Unrestricted interest receivable		144,160
Restricted interest receivable		60,408,143
Restricted due from Literary Fund		60,985,000
Total current assets		455,064,813
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2A)		312,112,079
Restricted long-term investments (Note 2A)		79,959,970
Loans to localities:		
Restricted local school bonds (Note 2B)		3,447,476,767
Restricted due from Literary Fund		130,780,000
Total noncurrent assets		3,970,328,816
Total assets		4,425,393,629
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding		59,188,500
Total deferred outflows of resources		59,188,500
LIABILITIES		
Current liabilities:		
Accounts payable		129,574
Current liabilities payable from restricted assets:		
Interest payable		56,613,238
Due to localities (Note 2D)		140,216,301
Notes payable (Note 2C)		60,985,000
Bonds payable (Note 2C)		274,585,000
Premium on bonds sold (Note 2C)		10,243,366
Total current liabilities payable from restricted assets		542,642,905
Noncurrent liabilities payable from restricted assets:		
Notes payable (Note 2C)		130,780,000
Bonds payable (Note 2C)		3,683,516,000
Premium on bonds sold (Note 2C)		80,249,889
Total noncurrent liabilities payable from restricted assets		3,894,545,889
Total liabilities		4,437,318,368
NET POSITION		
Restricted for debt service		12,423,457
Unrestricted		34,840,304
Total net position	$	47,263,761

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

VIRGINIA PUBLIC SCHOOL AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION

For the Year Ended June 30, 2023

Operating Revenues:	
Interest on:	
Local school bonds	$ 132,288,952
Cash equivalents and investments	11,486,190
Payments received from Literary Fund (Note 2J)	7,179,762
Premium on bonds sold	195,767
Net decrease in fair value of investments	(1,667,082)
Other	182,063
Total operating revenues	149,665,652
Operating Expenses:	
Interest on bonds	134,247,425
Financial advisor fees	189,464
Bond Counsel	207,045
Bond rating fees	348,500
Printing and electronic distribution	3,000
Board expenses	325
Staffing expenses	554,297
Rebate and penalty payments and calculation fees	72,297
Other	203,763
Total operating expenses	135,826,116
Operating Gain	13,839,536
Nonoperating Payments	
Payment to Literary Fund (Note 2J)	(1,581,359)
Total nonoperating revenues (expenses)	(1,581,359)
Change in net position	12,258,177
Net position, July 1, 2022	35,005,584
Net position, June 30, 2023	$ 47,263,761

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

VIRGINIA PUBLIC SCHOOL AUTHORITY

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2023

Cash flows from operating activities:	
Interest on cash equivalents	$ 10,800,962
Purchase of local school bonds	(343,315,000)
Principal received on local school bonds	295,692,595
Interest received on local school bonds	129,275,929
Payments to vendors for goods and services	(1,595,972)
Payments received from the Literary Fund	64,202,974
Other operating revenues	182,063
Net cash provided by operating activities	155,243,551
Cash flows from noncapital financing activities:	
Proceeds from the sale of bonds and notes	411,502,125
Principal paid on VPSA bonds and notes	(333,230,000)
Interest paid on VPSA bonds and notes	(134,501,061)
Payments to localities (School Technology and Security Notes)	(61,896,144)
Rebate and penalty payments and calculation fees	(71,847)
Net cash used by noncapital financing activities	(118,196,927)
Net increase in cash and cash equivalents	37,046,624
Cash and cash equivalents, July 1, 2022	309,891,173
Cash and cash equivalents, June 30, 2023	$ 346,937,797

Reconciliation of operating income to net cash provided by operating activities:

Operating Gain	$	13,839,536
Adjustments to reconcile operating income to net cash provided by operating activities:		
Increase in interest receivable		(3,698,251)
Decrease in accounts payable		(43,770)
Increase in interest payable		3,487,409
Payments from the Literary Fund		57,023,212
Principal received on local school bonds		295,692,595
Purchase of local school bonds		(343,315,000)
Rebate and penalty payments to the Internal Revenue Service		71,847
Amortization of premium		(15,645,945)
Premium on bonds sold		(241,125)
Amortization of interest deferral		11,904,900
Interest paid on VPSA bonds		134,501,061
Decrease in fair value of investments		1,667,082
Total adjustments		141,404,015
Net cash provided by operating activities	$	155,243,551

Non-Cash Investing and Financing Activities:

Amortization of bond premium/discount on bonds	$	15,645,945
Amortization of gain/loss on debt refinancing		(11,904,900)
Changes in fair value of investments recognized as a component of interest income		(1,667,082)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Virginia Public School Authority (the "Authority" or "VPSA") was created by Chapter 11, Title 22.1, *Code of Virginia,* 1950, as amended (the "Enabling Act"). The Authority provides financing to localities through the sale of its bonds. With the proceeds of its bonds, the Authority purchases a predetermined number of general obligation bonds issued by localities. The Enabling Act authorizes the Authority to purchase local school bonds issued by counties, cities, and towns under the provisions of Section 15.2-2600, et seq., *Code of Virginia* (the "Public Finance Act of 1991"). The Enabling Act further authorizes the Authority to issue bonds which are payable from the funds of the Authority including:

1) principal and interest received on local school bonds held by the Authority;
2) proceeds from the sale of such local school bonds;
3) any moneys transferred from the Literary Fund or funds appropriated from the General Assembly; and
4) a reserve fund(s) created from bond proceeds pledged to secure designated bonds.

Currently, the Authority has pooled bonds outstanding under its 1997 Resolution. Bonds issued under the 1997 Resolution are secured by local school bonds purchased, the State Aid Intercept Provision, and a "sum sufficient appropriation," first from available Literary Fund monies and then from the Commonwealth's General Fund.

The Authority also has Qualified School Construction Bonds and Qualified Zone Academy Bonds outstanding under a separate Master Indenture of Trust. These bonds are taxable, but they expect to receive a 100% interest rate subsidy from the federal government. They are secured by general obligation local school bonds in a pool pledged to their security. As a result of the Federal Sequestration, the actual December 15, 2022 and June 15, 2023 payments were reduced by 5.7%. Therefore, the localities are not receiving the full benefit of the tax credit.

In addition to its pooled bond program, the Authority also issues special obligation bonds under its stand-alone program. Bonds issued under the stand-alone program are secured by the local school bonds purchased from one or more specific localities and by the State Aid Intercept Provision. The Authority acts as a conduit issuer under the stand-alone program.

As directed by the General Assembly, the Authority has also issued obligations to finance technology and security equipment purchases for local public school systems within the Commonwealth. These obligations are payable from, or otherwise secured by, appropriations by the General Assembly from the Literary Fund and the Commonwealth's General Fund.

A separate report is prepared for the Commonwealth of Virginia which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The Authority is a component unit of the

Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth.

The accounting and reporting policies of the Authority conform to generally accepted accounting principles (GAAP) applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB), the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Authority's significant policies.

B. Basis of Accounting

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting under which revenues are recognized when they are earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. The cash basis of accounting is used during the year. The financial statements are prepared on the accrual basis at the end of the fiscal year by the Authority.

C. Fund Accounting

The activities of the Authority are accounted for in an enterprise fund, used to account for governmental operations that are financed and operated in a manner similar to private business enterprises. Enterprise fund accounting is used where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate. All fund accounts of the Authority are presented in total on the financial statements.

The Authority considers revenues and expenses as operating if the revenue or expense results from the Authority's principal purpose. The Authority's principal purpose is to provide financing to localities through the sale of its bonds. With the proceeds of its bonds, the Authority purchases a predetermined number of general obligation bonds issued by localities. Therefore, the Authority's operating revenues or expenses generally include revenues or expenses related to bonds purchased or sold and revenues or expenses related to usual operating activities such as cash management.

D. Bond Issuance Costs, Discounts, and Premiums

Costs associated with issuing debt, which are either offset by fees collected over the life of the respective pooled bond issues from local issuers, or reimbursed directly by localities participating in stand-alone issues, are expensed in the year incurred. The net original issue discount or premium (after distributing the allocable share to various participating localities), for each bond issuance, is also expensed or recorded as revenue in the year incurred unless it exceeds 1% of the amount of bonds issued. In that case, the net original issue discount or premium is deferred and amortized, on a straight-line basis, over the life of the outstanding debt.

2. DETAILED NOTES

A. Cash, Cash Equivalents and Investments (Unrestricted and Restricted)

Cash and Cash equivalents of $182,878,761 are held by the Treasurer of Virginia. Cash equivalents of $164,059,036 and investments of $79,959,970 are held by U.S. Bank. Cash is defined as currency on hand and demand deposits, or monies in accounts or cash management pools having the characteristics of demand deposit accounts. Cash equivalents are defined as investments with an original maturity of less than three months.

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"). Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice will pledge collateral that ranges in amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Section 2.2-4500 and Section 2.2-4501 of the *Code of Virginia* outline the instruments in which public sinking funds and other public funds may legally invest. The Authority adheres to these general guidelines unless bond resolutions require more restrictive investment policies.

Custodial credit risk for cash equivalents and investments is the risk that, in the event of a failure of the counterparty, the Authority will not be able to recover the value of its cash equivalents and investments. All cash equivalents and investments of the Authority are held in the Authority's name and are therefore not exposed to custodial credit risk.

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Authority has elected to disclose the risk for its debt investments using the segmented time distribution method.

The Authority's cash equivalents are valued at amortized cost, which approximates fair value, and its investments are valued at fair value. Fair values are based upon quoted market prices (level 1 inputs, in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*). Details of cash equivalents and investments are presented on the following page.

Summary of Cash, Cash Equivalents, and Investments
(Dollars in Thousands)

Investment Type	June 30, 2023	Investment Maturities (in years) Less Than 1	1-5	6-10	More Than 10	S&P Rating
U.S. Treasury Securities	$ 79,960	$ -	$ 55,664	$ 20,900	$ 3,396	AA+
Money Market Accounts [1]	198,886	198,886	-	-	-	AAAm
State Non-Arbitrage Program ® [2]	148,052	148,052	-	-	-	AAAm
Total cash, cash equivalents, and investments	$ 426,898	$ 346,938	$ 55,664	$ 20,900	$ 3,396	

1 The Authority invests certain short-term cash balances held within its accounts in the JP Morgan US Government Money Market Fund. This is a rated fund, which maintains a policy of investing all assets in U.S. Treasury obligations and repurchase agreements backed by those obligations. The Authority also invests certain short-term cash balances held within the First American Government Obligation Fund which seeks to provide maximum current income and daily liquidity by purchasing U.S. government securities and repurchase agreements collateralized by such obligations.

2 The Virginia State Non-Arbitrage Program® (SNAP®) offers a professionally-managed money market mutual fund, which provides issuers with a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculation services. SNAP® is in compliance with all of the standards of GASB Statement No. 79 and elects to report its investments for financial reporting at amortized cost. Participants in SNAP® should also report their investments in SNAP® at amortized cost.

The Authority does not limit the amount that may be invested in any one issuer. The Authority had investments of five percent or more in the State Non-Arbitrage Program® (35%), the First American Government Obligation Fund (38%), US Government Treasury Strips (19%), and the JP Morgan US Government Money Market Fund (8%).

B. Local School Bonds

The Authority purchases bonds from (makes loans to) various localities throughout the Commonwealth, which are issued to finance the construction of local public school facilities. These bonds are recorded at a purchase price that is equal to the face value of the bonds. Local school bonds purchased under the 1997 Resolution are held in a pledge account of the General Pledge Fund established under its bond resolution. Local school bonds purchased under the stand-alone program are deposited in separate purchase funds established for each issue. Assets of the Authority that are held or received in purchase funds, pledge funds, or debt service funds are classified as restricted assets because their use is limited to the purpose of the funds in which they reside, in accordance with applicable bond resolutions. The local school bonds are held and pledged to repay the Authority’s bonds.

The interest rates on the local school bonds are determined by the Authority and fixed at the time of sale of the Authority bonds issued to fund the acquisition of the local school bonds. On local school bonds held by the Authority that were issued prior to March 26, 2009, the interest rate on each maturity of the local bonds is ten basis points (0.10%) higher than the interest rate paid by the Authority on the corresponding maturity on its bonds. As a result of a policy change made by the Authority on March 26, 2009, local school bonds issued by localities subsequent to March 26, 2009, and held by the Authority, will pay interest 5 basis points (0.05%) above the rates paid by the Authority on corresponding maturities of its bonds.

Local school bonds held by the Authority as of June 30, 2023 are shown below.

Local school bonds:	
Held in 1997 Pledge Account	$ 2,452,233,319
Held in 2009 Purchase Fund (Qualified School Construction Bonds)	16,423,239
Held in 2010 Purchase Fund (Qualified School Construction Bonds)	18,735,000
Held in 2011-1 Purchase Fund (Qualified School Construction Bonds)	21,095,154
Held in 2011-2 Purchase Fund (Qualified School Construction Bonds)	57,876,154
Held in 2012-1 Purchase Fund (Qualified School Construction Bonds)	13,218,693
Held in 2013 Purchase Fund (Prince William County Stand Alone)	3,000,000
Held in 2014 Purchase Fund (Prince William County Stand Alone)	41,255,000
Held in 2014 Purchase Fund (Warren County Stand Alone)	13,920,000
Held in 2014-1 Purchase Fund (Qualified Zone Academy Bonds)	887,000
Held in 2015 Purchase Fund (Prince William County Stand Alone)	44,325,000
Held in 2016 Purchase Fund (Prince William County Stand Alone)	131,870,000
Held in 2016 Purchase Fund (Montgomery County Stand Alone)	51,770,000
Held in 2016 Purchase Fund (Qualified Zone Academy Bonds)	1,410,000
Held in 2017 Purchase Fund (Prince William County Stand Alone)	54,350,000
Held in 2017 Purchase Fund (King George County Stand Alone)	19,220,000
Held in 2018 Purchase Fund (Prince William County Stand Alone)	86,925,000
Held in 2019 Purchase Fund (Montgomery County Stand Alone)	24,570,000
Held in 2019-1 Purchase Fund (Prince William County Stand Alone)	92,775,000
Held in 2019-2 Purchase Fund (Prince William County Stand Alone)	33,770,000
Held in 2020 Purchase Fund (Prince William County Stand Alone)	95,850,000
Held in 2021 Purchase Fund (Henrico County Stand Alone)	45,705,000
Held in 2021 Purchase Fund (Prince William County Stand Alone)	55,910,000
Held in 2022 Purchase Fund (Chesterfield County Stand Alone)	110,775,000
Held in 2022 Purchase Fund (Montgomery County Stand Alone)	84,690,000
Held in 2022 Purchase Fund (Hanover County Stand Alone)	41,285,000
Held in 2022 Purchase Fund (Prince William County Stand Alone)	42,400,000
Held in 2023 Purchase Fund (Stafford County Stand Alone)	89,935,000
Total local school bonds	$ 3,746,178,559

C. Long-Term Indebtedness

1. Changes in Long-Term Debt

The following schedules reflect summary changes in long-term debt of the Authority for the year ended June 30, 2023.

Change in Long-Term Debt - Authority Bonds and Notes

	Balance July 1, 2022	Issuances and Other Increases	Retirements and Other Decreases	Balance June 30, 2023	Due Within One Year
Pooled Bond Programs	$ 2,743,610,000	$ 169,695,000	$ (206,790,000)	$ 2,706,515,000	$ 202,835,000
Technology and Security Notes Programs	188,420,000	63,640,000	(60,295,000)	191,765,000	60,985,000
Special Obligation Bonds	1,052,865,000	173,620,000	(62,185,000)	1,164,300,000	67,740,000
Add: Unamortized Premium	106,139,200	-	(15,645,945)	90,493,255	10,243,366
Total	$ 4,091,034,200	$ 406,955,000	$ (344,915,945)	$ 4,153,073,255	$ 341,803,366

Change in Long-Term Debt - Authority Direct Placement Bonds

	Balance July 1, 2022	Issuances and Other Increases	Retirements and Other Decreases	Balance June 30, 2023	Due Within One Year
Pooled Bond Programs	$ 91,246,000	$ -	$ (3,960,000)	$ 87,286,000	$ 4,010,000
Total	$ 91,246,000	$ -	$ (3,960,000)	$ 87,286,000	$ 4,010,000

2. Annual Requirements to Amortize Bonds Payable and Notes Payable

The following schedules provide the annual funding requirements necessary to amortize long-term debt of the Authority outstanding at June 30, 2023.

Annual Requirements to Amortize Long-Term Debt
Authority Bonds and Notes

Year Ending June 30	Principal	Interest	Total
2024	$ 331,560,000	$ 150,890,015	$ 482,450,015
2025	320,820,000	137,164,622	457,984,622
2026	305,865,000	123,267,694	429,132,694
2027	483,515,000	110,390,489	593,905,489
2028	255,765,000	91,597,245	347,362,245
2029-2033	1,115,900,000	311,138,570	1,427,038,570
2034-2038	717,085,000	147,290,317	864,375,317
2039-2043	376,760,000	58,328,782	435,088,782
2044-2048	92,640,000	20,866,984	113,506,984
2049-2053	62,670,000	5,434,100	68,104,100
Unamortized Premium	90,493,255	-	90,493,255
Total	$ 4,153,073,255	$ 1,156,368,818	$ 5,309,442,073

Annual Requirements to Amortize Long-Term Debt
Authority Direct Placement Bonds

Year Ending June 30	Principal	Interest	Total
2024	$ 4,010,000	$ 2,254,778	$ 6,264,778
2025	7,871,000	2,139,851	10,010,851
2026	4,105,000	2,023,571	6,128,571
2027	4,160,000	1,905,795	6,065,795
2028	4,215,000	1,786,451	6,001,451
2029-2033	24,300,000	7,085,100	31,385,100
2034-2038	23,585,000	3,843,439	27,428,439
2039-2043	15,040,000	647,520	15,687,520
Total	$ 87,286,000	$ 21,686,505	$ 108,972,505

D. Technology and Security Notes

Periodically, the Authority issues Technology and Security Notes, the proceeds of which are used to make grants to school divisions for the purchase of educational technology and security equipment. The proceeds are invested in the Virginia State Non-Arbitrage Program® until requisitioned by localities. The following schedule details the notes that have been issued which still have either bonds outstanding or funds remaining to be disbursed to localities as of June 30, 2023.

Technology and Security Notes

Issue	Description	Amount Issued	Outstanding Balance	Remaining Available for Disbursement
Educ Tech Series XVIII	2018 Notes	$ 54,265,000	$ -	$ 263,146
Educ Tech Series XIX	2019 Notes	52,110,000	11,405,000	4,366,227
Security Series VII	2019 Notes	5,485,000	1,200,000	4,894
Educ Tech Series XX	2020 Notes	49,670,000	21,180,000	9,324,234
Security Series VIII	2020 Notes	10,595,000	4,515,000	126,926
Educ Tech Series XXI	2021 Notes	49,800,000	31,215,000	22,268,628
Security Series IX	2021 Notes	10,655,000	6,675,000	1,208,886
Educ Tech Series XXII	2022 Notes	52,510,000	42,785,000	34,889,117
Security Series X	2022 Notes	11,230,000	9,150,000	7,844,299
Educ Tech Series XXIII	2023 Notes	52,400,000	52,400,000	47,919,944
Security Series XI	2023 Notes	11,240,000	11,240,000	12,000,000
		$ 359,960,000	$ 191,765,000	$ 140,216,301

E. Qualified Zone Academy Bonds

On October 31, 2012, the Authority issued $2,014,104 for the City of Roanoke as a QZAB, as part of the School Tax Credit Bonds (Direct Payment) Series 2012-1. On December 30, 2014, the Authority issued $3,816,000 for the Cities of Franklin and Petersburg as QZABs, as part of the School Tax Credit Bonds (Direct Payment) Series 2014-1. On November 30, 2016, the Authority issued $2,350,000 for the Cities of Covington and Danville as QZABs, as part of the School Tax Credit Bonds (Direct Payment) Series 2016. These bonds were issued pursuant to Section 1297E of the Internal Revenue Code of 1986, as amended, and the Authority purchased certain general obligation school bonds of the Cities of Roanoke, Franklin, Petersburg, Covington, and Danville to finance capital projects for public schools.

The localities will make annual principal payments to the Authority on the anniversary date of each issuance. Such payments received by the Authority will be held in trust and invested in accordance with the funding agreements, until the QZABs mature. The final annual principal payments on the 2012 QZAB, the 2014 QZABs, and the 2016 QZABs are due December 15, 2034, December 1, 2024, and December 1, 2031, respectively, at which dates the QZABs will mature.

F. Qualified School Construction Bonds

In prior years, the Authority has issued Qualified School Construction Bonds and has used the proceeds to purchase general obligation school bonds issued by certain localities. The bonds have been issued as "qualified school construction bonds" in accordance with Section 54F of the Internal Revenue Code of 1986, as amended. The total amount outstanding under this program as of June 30, 2023 is $353,400,000 (which includes the 2012 QZAB detailed under Note 2E that was issued as part of the 2012 School Tax Credit Bonds). These bonds are non-interest bearing; however, a taxpayer who holds such bonds during a taxable year will be allowed a federal income tax credit for such taxable year in accordance with the structure established at issuance.

G. Direct Placement Bonds

The Authority has issued the 2014-1 Qualified Zone Academy Bond (QZAB) in the amount of $3,816,000, and the 2016 QZAB, in the amount of $2,350,000, as direct placement bonds. These bonds were issued as QZABs within the meaning of Sections 54A and 54E of the Internal Revenue Code of 1986, as amended.

The bonds are non-interest bearing bonds. The owner of the bonds is entitled to a tax credit on each tax credit allowance date equal to one-fourth of the product of the principal amount of the bonds owned, times the applicable tax credit rate.

Should the 2014-1 QZAB become disqualified as a QZAB, it shall bear interest at the tax credit rate on each tax credit allowance date, beginning on the first such date after the disqualification date. Not later than 60 days after the disqualification date, the Authority shall pay to the owner of the 2014-1 Bonds the amount which, after taking into account all penalties, fines, interest and additions to federal income tax (including lost tax credits) that are imposed on the owner of the 2014-1 Bonds as a result of the determination of disqualification, would restore the owner of the 2014-1 Bonds to the same after-tax yield on the 2014-1 Bonds that the owner would have realized had the determination of disqualification not occurred.

From and after an event of default under the Master Indenture, the 2014-1 Bonds shall bear interest at the default rate, payable on demand by the owner of the 2014-1 Bonds.

Should the 2016 QZAB become disqualified as a QZAB, it shall be subject to extraordinary mandatory redemption prior to its fixed maturity date, in whole or in relevant part, within ninety (90) days after the disqualification notice date, at a redemption price equal to 100% of the principal amount of the Bonds called for redemption, plus the redemption premium, plus the amount which, after taking into account all penalties, fines, interest and additions to federal income tax (including lost tax credits taken by the owner prior to the disqualification notice date) that are imposed on the owner of this Bond as a result of the determination of disqualification, would restore the owner of this Bond to the same after-tax yield on this Bond that the owner would have realized had the determination of disqualification not occurred.

The Authority also issued its Series 2020A Pooled Bonds as direct placement bonds. These bonds are secured by the State Aid Intercept Provision and a sum sufficient appropriation from the Commonwealth. Therefore, there are no other default provisions related to these bonds.

H. Defeasance of Debt

From time to time, when interest rates indicate that it would be favorable to do so, the Authority has issued refunding bonds to defease outstanding bonds. These refundings have placed the proceeds of the new bonds in irrevocable trusts with escrow agents to provide for all future debt service on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the Authority's financial statements.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," as amended by GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," the difference between the reacquisition price and the net carrying amount of the bonds defeased with refunding debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of Interest and Fiscal Charges over the shorter of the remaining life of the refunded debt or the life of the new debt.

The Authority did not issue refunding bonds during fiscal year 2023. At June 30, 2023, $170,830,000 of bonds outstanding are considered defeased for financial reporting purposes.

I. Local School Bond Credits

Beginning in fiscal year 2015, the Authority modified its process for returning refunding savings to localities. Previously, these savings had been returned to localities in the form of lump sum payments when refunding bonds were issued. This process negatively impacted the Authority's net position. Under the current process, the Authority has calculated credit amounts to be returned to each locality annually as savings are actually achieved. The savings accrue to the Authority over time and the return of refunding savings to localities is now consistent with the timeframe in which the savings are earned by the Authority. As of June 30, 2023, the total remaining credits to be paid to the impacted localities over the next nineteen years is $58 million.

J. Payments to/from the Literary Fund

In fiscal year 2023, after final rebate computations on the School Educational Technology Notes XVII, the residual earnings of $1,581,359 on the related bond proceeds were paid to the Literary Fund, which had been the source of the debt service appropriation for these Notes.

The Authority received $7,179,762 from the Literary Fund to pay interest on the various outstanding Educational Technology and Security Notes.

K. Arbitrage Earnings

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986 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. The Authority and the issuers of local school bonds purchased by the Authority must comply with the rebate regulations in order for the Authority's bonds to maintain a tax-exempt status. The regulations require the excess of the aggregate amount earned on investments purchased with the bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield to be rebated to the federal government.

Income earned on excess earnings is also subject to rebate. Rebate payments, if required, are due at least every five years over the life of the bonds. Some Authority bonds may be exempt from the rebate requirement if they meet statutory exceptions per the rebate regulations. The Authority may also elect, on or before the date of the bond issue, to pay a penalty in lieu of rebate if it does not meet certain expenditure schedules. If such an election is made and if the Authority (local issuer) meets the expenditure schedule, the Authority (local issuer) retains any arbitrage earnings. The Authority, to date, has not elected penalty in lieu of rebate due to the difficulty in estimating local issuer's expenditure schedules. Rebate and penalty payments are calculated and paid by the Authority as required by law on bond issues that do not meet the statutory exceptions. Rebate installments must be paid no later than 60 days after the computation date.

In most cases, rebate liability is payable by local issuers whose local school bonds were purchased by the Authority. During the year, the Authority's rebate calculation agent, or the locality's rebate calculation agent in the case of special obligation stand-alone bonds, calculate rebate liability or penalty in lieu of rebate if selected by a locality. Rebate calculations were performed for the following issues during the year:

Bond Issue	Computation Time Frame	Computation Date	Liability	Fee
(97 Resolution) 2017B	5 Year	8/1/2022	$ -	$ 2,400
(97 Resolution) 2017C	5 Year	8/1/2022	-	5,200
(97 Resolution) 2018A	5 Year	8/1/2022	-	4,525
(97 Resolution) 2012C	Final	8/1/2022	-	2,400
(97 Resolution) 2012D	Final	8/1/2022	-	425
(97 Resolution) 2013A	10 Year	5/9/2023	-	3,125
Educational Technology and School Security Notes Series VI	Final	4/15/2023	48,422 *	2,400

* VPSA's Series 2018 Notes (Series VI) owed a rebate liability of $48,422.36 as of April 15, 2023. This amount was paid from VPSA's operating fund on May 23, 2023 and VPSA was reimbursed from excess earnings on the related proceeds account on May 25, 2023.

The Authority paid $20,475 to its rebate calculation agent for services provided in connection with the above rebate calculations.

L. Subsequent Events

On November 9, 2023, the Virginia Public School Authority issued its $79,710,000 School Financing Bonds (1997 Resolution), Series 2023B to purchase certain general obligation local school bonds to finance capital projects for schools.

On November 9, 2023, the Virginia Public School Authority issued its $135,815,000 Special Obligation School Financing Bonds, Prince William County, Series 2023 to purchase certain general obligation local school bonds to finance capital projects for schools.

The VPSA Board of Commissioners adopted changes to its General Pooled Bond Policy and to its General Stand-Alone Policy at the March 15, 2023 Board Meeting. For Pooled Bonds issued subsequent to March 15, 2023, local school bonds will continue to pay interest 5 basis points (0.05%) above the rates paid by the Authority on corresponding maturities of its bonds. Costs of issuance incurred by the Authority for its Pooled Bonds, which were previously paid by the Authority, will be passed through to participating local issuers. For Stand Alone Bonds issued subsequent to March 15, 2023, local school bonds will begin paying 5 basis points (0.05%) above the rates paid by the Authority on corresponding maturities of its bonds. Costs of issuance incurred by the Authority for its Stand-Alone Bonds will continue to be passed through to the local issuer.

M. Risk Management

The Authority is exposed to various risks of loss related to torts; theft, damage to, and/or destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Department of the Treasury participates in insurance plans maintained by the Commonwealth of Virginia on behalf of the Authority. The risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The Department of the Treasury pays premiums to this Department for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Annual Comprehensive Financial Report.

VIRGINIA PUBLIC SCHOOL AUTHORITY
SUPPLEMENTARY INFORMATION

Detail of Long-Term Indebtedness
June 30, 2023
(Dollars in Thousands)

Detail of Long-Term Indebtedness by Series

	Dated Date	Bond Resolution	True Interest Cost ("TIC")	Amount Issued (a)	Local School Bonds Purchased	Outstanding July 1, 2022	Issued (Retired) During Year	Outstanding June 30, 2023	Original Maturity
Series 2009-1 QSCB	11/13/09	School Tax Cr.	0.63%	$ 61,120	$ 61,120	$ 61,120	$ -	$ 61,120	09/15/26
Series 2010 B	05/13/10	1997	5.09%	63,840	63,840	41,395	(4,525)	36,870	08/01/30
Series 2010-1 QSCB	07/08/10	School Tax Cr.	0.06%	72,655	72,655	72,655	-	72,655	06/15/27
Series 2011-1 QSCB	06/28/11	School Tax Cr.	0.05%	67,400	67,400	67,400	-	67,400	06/15/27
Series 2011-2 QSCB	12/15/11	School Tax Cr.	0.00%	128,960	128,960	128,960	-	128,960	12/15/30
Series 2012 A	03/08/12	1997	2.28%	282,230	-	31,565	(31,390)	175	08/01/30
Series 2012 B	05/10/12	1997	2.85%	63,945	63,945	3,105	(3,105)	-	08/01/32
Series 2012-1 QTCB	10/31/12	School Tax Cr.	0.01%	23,265	23,265	23,265	-	23,265	12/15/34
Series 2012 C	11/15/12	1997	2.67%	65,950	65,950	3,195	(3,195)	-	08/01/41
Series 2012 D	12/20/12	1997	2.68%	66,120	66,120	2,950	(2,950)	-	08/01/35
Series 2013 A	05/09/13	1997	2.57%	141,840	141,840	16,705	(8,170)	8,535	08/01/33
Series 2013 Prince William County	07/31/13	Stand Alone	3.30%	59,990	59,990	6,000	(3,000)	3,000	07/15/33
Series 2013 B	11/21/13	1997	3.45%	45,075	45,075	11,455	(2,155)	9,300	08/01/40
Series 2014 A	05/15/14	1997	3.03%	51,510	51,510	36,555	(1,945)	34,610	08/01/39
Series 2014 B	05/15/14	1997	2.21%	215,405	-	114,430	(21,585)	92,845	08/01/26
Series 2014 Prince William County	10/07/14	Stand Alone	2.62%	82,545	82,545	45,385	(4,130)	41,255	07/15/34
Series 2014 C	11/20/14	1997	2.76%	81,265	81,265	56,075	(4,175)	51,900	08/01/35
Series 2014 Warren County	12/09/14	Stand Alone	3.42%	42,440	42,440	15,265	(1,345)	13,920	07/15/39
Series 2014-1 QZAB	12/30/14	School Tax Cr.	0.00%	3,816	3,816	3,816	-	3,816	12/15/24
Series 2015 A	02/17/15	1997	2.20%	435,715	-	320,625	(36,870)	283,755	08/01/37
Series 2015 B	05/14/15	1997	3.11%	33,820	33,820	28,285	(1,250)	27,035	08/01/38
Series 2015 Prince William County	07/30/15	Stand Alone	2.89%	98,485	98,485	49,250	(4,925)	44,325	08/01/35
Series 2015 C	11/19/15	1997	2.91%	49,350	49,350	38,115	(1,945)	36,170	08/01/45
Series 2016 Prince William County	04/27/16	Stand Alone	2.38%	171,160	171,160	141,090	(9,220)	131,870	08/01/36
Series 2016 A	05/17/16	1997	2.40%	101,770	90,970	80,960	(5,470)	75,490	08/01/36
Series 2016 Montgomery County	11/10/16	Stand Alone	2.22%	64,605	64,605	57,855	(6,085)	51,770	02/01/32
Series 2016 B	11/17/16	1997	2.49%	90,080	83,665	74,020	(4,255)	69,765	08/01/36
Series 2016-1 QZAB	11/30/16	School Tax Cr.	0.00%	2,350	2,350	2,350	-	2,350	12/15/31
Series 2017 Prince William County	03/09/17	Stand Alone	2.88%	77,660	77,660	58,235	(3,885)	54,350	03/01/37
Series 2017 A	05/16/17	1997	2.93%	18,470	18,470	15,970	(705)	15,265	08/01/37
Series 2017 B	08/22/17	1997	2.37%	106,075	-	105,560	(5,330)	100,230	08/01/36
Series 2017 C	11/07/17	1997	2.99%	115,820	115,820	105,090	(3,310)	101,780	08/01/47
Series 2017 King George County	11/09/17	Stand Alone	2.97%	20,840	20,840	19,800	(580)	19,220	02/01/38
Series 2018 A	05/15/18	1997	3.12%	63,920	63,920	57,455	(2,600)	54,855	08/01/38
Series 2018 School Technology and Security Series VI	05/22/18	Equip. Notes	2.02%	59,805	-	13,095	(13,095)	-	04/15/23
Series 2018 Prince William County	05/24/18	Stand Alone	2.97%	115,895	115,895	92,720	(5,795)	86,925	03/01/38
Series 2018 B	11/06/18	1997	3.36%	109,070	109,070	95,550	(4,850)	90,700	08/01/38
Series 2019 A	05/21/19	1997	2.89%	88,250	88,250	83,155	(2,675)	80,480	08/01/49
Series 2019 B	05/21/19	1997	1.69%	156,560	-	67,160	(25,225)	41,935	08/01/28
Series 2019 School Technology and Security Series VII	05/23/19	Equip. Notes	1.63%	57,595	-	24,610	(12,005)	12,605	04/15/24

(a) Includes refunding bonds issued.

VIRGINIA PUBLIC SCHOOL AUTHORITY
SUPPLEMENTARY INFORMATION

Detail of Long-Term Indebtedness
June 30, 2023
(Dollars in Thousands)

Detail of Long-Term Indebtedness by Series (continued)

	Dated Date	Bond Resolution	True Interest Cost ("TIC")	Amount Issued (a)	Local School Bonds Purchased	Outstanding July 1, 2022	Issued (Retired) During Year	Outstanding June 30, 2023	Original Maturity
Series 2019 Montgomery County	10/24/19	Stand Alone	2.21%	27,315	27,315	25,530	(960)	24,570	02/01/40
Series 2019 A Prince William County	10/29/19	Stand Alone	2.18%	109,155	109,155	98,235	(5,460)	92,775	10/01/39
Series 2019 B Prince William County	10/29/19	Stand Alone	2.67%	34,610	34,610	34,055	(285)	33,770	07/15/33
Series 2019 C	11/12/19	1997	2.36%	88,360	88,360	82,550	(3,070)	79,480	08/01/39
Series 2019 D	11/12/19	1997	2.72%	22,290	-	21,740	(205)	21,535	08/01/40
Series 2020 A	05/08/20	1997	2.85%	88,990	88,990	85,080	(3,960)	81,120	08/01/40
Series 2020 School Technology and Security Series VIII	06/09/20	Equip. Notes	0.34%	60,265	-	37,635	(11,940)	25,695	04/15/25
Series 2020 Prince William County	10/15/20	Stand Alone	1.43%	106,510	106,510	101,180	(5,330)	95,850	10/01/40
Series 2020 B	11/10/20	1997	1.63%	142,195	118,820	133,180	(9,855)	123,325	08/01/50
Series 2020 C	11/10/20	1997	1.63%	320,840	11,910	312,725	(7,220)	305,505	08/01/41
Series 2021 A	05/11/21	1997	1.74%	77,790	77,790	76,965	(2,550)	74,415	08/01/50
Series 2021 B	05/11/21	1997	2.30%	10,535	10,535	10,360	(115)	10,245	08/01/39
Series 2021 School Technology and Security Series IX	05/13/21	Equip. Notes	0.32%	60,455	-	49,340	(11,450)	37,890	04/15/26
Series 2021 Henrico County	10/12/21	Stand Alone	1.50%	48,115	48,115	48,115	(2,410)	45,705	08/15/41
Series 2021 Prince William County	10/21/21	Stand Alone	1.68%	58,855	58,855	58,855	(2,945)	55,910	10/01/41
Series 2021 C	11/09/21	1997	1.76%	150,235	150,235	150,235	(6,095)	144,140	08/01/41
Series 2022 Chesterfield County	02/08/22	Stand Alone	1.78%	116,605	116,605	116,605	(5,830)	110,775	01/15/42
Series 2022 Montgomery County	04/26/22	Stand Alone	3.21%	84,690	84,690	84,690	-	84,690	02/01/42
Series 2022 A	05/17/22	1997	3.63%	213,080	213,080	213,080	-	213,080	08/01/51
Series 2022 School Technology and Security Series X	05/24/22	Equip. Notes	2.47%	63,740	-	63,740	(11,805)	51,935	04/15/27
Series 2022 Hanover County	09/28/22	Stand Alone	3.05%	41,285	41,285	-	41,285	41,285	08/01/42
Series 2022 B	11/09/22	1997	4.18%	99,915	99,915	-	99,915	99,915	08/01/52
Series 2022 Prince William County	11/10/22	Stand Alone	4.08%	42,400	42,400	-	42,400	42,400	10/01/42
Series 2023 Stafford County	03/14/23	Stand Alone	3.52%	89,935	89,935	-	89,935	89,935	08/01/43
Series 2023 A	05/16/23	1997	3.31%	69,780	69,780	-	69,780	69,780	08/01/43
Series 2023 School Technology and Security Series X	05/23/23	Equip. Notes	2.50%	63,640	-	-	63,640	63,640	04/15/28
Total				$ 5,948,251	$ 4,014,956	$ 4,076,141	$ 73,725	$ 4,149,866	

Detail of Long-Term Indebtedness by Resolution

	Amount Issued (a)	Local School Bonds Purchased	Outstanding July 1, 2022	Issued (Retired) During Year	Outstanding June 30, 2023
1997 Resolution	$ 3,730,090	$ 2,162,295	$ 2,475,290	$ (41,055)	$ 2,434,235
Stand Alone Issues	1,493,095	1,493,095	1,052,865	111,435	1,164,300
Technology and Security Notes	365,500	-	188,420	3,345	191,765
School Tax Credit	359,566	359,566	359,566	-	359,566
Total	$ 5,948,251	$ 4,014,956	$ 4,076,141	$ 73,725	$ 4,149,866

(a) Includes refunding bonds issued.

Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 15, 2023

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Commissioners
Virginia Public School Authority

David L. Richardson
State Treasurer

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **Virginia Public School Authority** (Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2023, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 1 through 5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. 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 Authority's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

EMS/clj

VIRGINIA PUBLIC SCHOOL AUTHORITY
Richmond, Virginia

APPENDIX B-1

COMMONWEALTH OF VIRGINIA FINANCIAL AND OTHER INFORMATION

The financial and operating data contained in Appendix B-1 are as of the dates and for the periods indicated. Certain outstanding debt information concerning the Commonwealth contained in this Appendix B-1 has been supplemented since its date by the information contained in Appendix B-2 – Part I.

Report Date: June 27, 2024

PAGE INTENTIONALLY LEFT BLANK

APPENDIX B TABLE OF CONTENTS

INTRODUCTION

This Appendix includes financial and other information provided by the Commonwealth of Virginia (the "Commonwealth"), its agencies, institutions and authorities from official records. The Department of Treasury has compiled, but not independently verified, such information; however, the Department of Treasury has no reason to believe that such data is not true and correct in all material respects. The information presented in this Appendix is historical and is not intended to predict future events or continuing trends. This Appendix is not intended to be exhaustive as to all information that an investor may deem necessary to evaluate any specific securities.

References in this Appendix to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Appendix.

GOVERNMENTAL ORGANIZATION

Under the Constitution of Virginia (the "Constitution"), the legislative, executive and judicial powers of the Commonwealth are divided into three separate and distinct departments.

Legislative Department

The legislative power is vested in the General Assembly, the oldest representative lawmaking body in the United States. The General Assembly is bicameral, consisting of a Senate with 40 Senators elected for four-year terms and a House of Delegates with 100 Delegates elected for two-year terms. The General Assembly convenes annually each January. Regular sessions are 60 days in duration in even-numbered years and 30 days in odd-numbered years, but each can be extended for an additional 30 days by a two-thirds vote of each house.

The General Assembly is assisted in its legislative function by a full-time staff of over 200 persons and various commissions appointed by the General Assembly. The Joint Legislative Audit and Review Commission was established to carry out continuous legislative review and evaluation of Commonwealth programs from the standpoint of cost effectiveness.

The Auditor of Public Accounts is elected by the General Assembly. The Auditor and a staff of approximately 130 persons audit the accounts of all Commonwealth offices, departments, boards, commissions, institutions and other agencies handling Commonwealth funds and report their findings to the General Assembly.

Executive Department

The Governor, Lieutenant Governor and Attorney General are constitutional officers, elected every four years. The present term of each office began January 15, 2022, and each expires January 17, 2026. The Constitution does not allow a Governor to serve successive terms.

The Governor is the Commonwealth's chief executive officer. The Governor advises the General Assembly on the condition of the Commonwealth and makes recommendations for legislation. The Governor is also charged with the responsibility for preparing and executing the Commonwealth's budget. The Governor's veto of legislation may be overridden only by a two-thirds vote of each house of the General Assembly. If deemed necessary for the welfare of the Commonwealth, the Governor may convene the General Assembly into special session at any time. With few exceptions, the Governor appoints the administrative heads and boards of all Commonwealth agencies. Commonwealth agencies report to the Governor through a cabinet of eleven Secretaries appointed by the Governor to supervise and manage the various functions of the Commonwealth's government.

The Lieutenant Governor is next in line in the event of the Governor's inability to serve. The Lieutenant Governor also serves as President of the Senate but may not vote except in the event of a tie vote of the Senate Members.

The Attorney General is the chief executive officer of the Department of Law. The Department of Law represents the Commonwealth in all civil cases to which the Commonwealth or any of its agencies is a party and in all criminal cases on appeal to the Supreme Court of Virginia. The Attorney General is also the legal advisor to the Governor, General Assembly and heads of Commonwealth agencies.

Judicial Department

The Supreme Court is the Commonwealth's highest court and consists of seven justices appointed by the General Assembly. Several agencies involved in legal administration operate under the control of the Supreme Court. These include the Judicial Inquiry and Review Commission, the Virginia State Bar and the State Board of Bar Examiners. The Commonwealth is divided into 31 Judicial Circuits over which Circuit Judges preside. The Circuit Courts are courts of record having original jurisdiction in cases involving a specified sum and felonies, and appellate jurisdiction over lower District Courts. A Court of Appeals stands between the Circuit Courts and the Supreme Court and has appellate jurisdiction in a range of cases.

FINANCIAL FACTORS

Budgetary Process

The Governor is the chief planning and budget officer of the Commonwealth. The Secretary of Finance and the Department of Planning and Budget assist the Governor in the preparation of executive budget documents. The Governor's Secretaries advise the Governor and the Department of Planning and Budget on the relative priority of the budget requests from their respective agencies.

The Governor is required by statute to present a bill detailing his proposed budget for the next biennium (the "Budget Bill") and a narrative summary of the bill to the General Assembly by December 20th in the year immediately prior to each even-year session. The Budget Bill is introduced in both the House of Delegates and the Senate. It is referred to the House Appropriations and Senate Finance Committees, which hold joint meetings to hear from citizens, from other General Assembly members and from agency representatives. The Budget Bill is then approved by each Committee in an open session and reported to the respective floors for consideration, debate, amendment and passage. After the bill has passed both houses, differences between the House and Senate versions are reconciled by a conference committee from both houses.

Under constitutional provisions, the Governor retains the right in his review of legislative action on the Budget Bill, to suggest alterations to or to veto the appropriations made by the General Assembly. After enactment, the Budget Bill becomes law (the "Appropriation Act").

In the odd-year sessions of the General Assembly, amendments are considered to the Appropriation Act enacted in the previous year. The Governor submits a bill by December 20th, which includes his proposed amendments to the current biennial budget. It is then introduced in both houses and is considered in the same manner as the regular biennial Budget Bill. The Appropriation Act enacted in the odd-year session is effective upon passage, whereas the regular biennial Appropriation Act is effective July 1, the beginning of the new biennium.

An appropriation for a project or service is initially contained in the Appropriation Act enacted by the General Assembly. An agency request for an increase or other adjustments to its legislative appropriation must be reviewed and approved by the Department of Planning and Budget. Under the Constitution, no money may be paid out of the State Treasury except pursuant to appropriations made by law. No such appropriation may be made which is payable more than two years and six months after the end of the session of the General Assembly at which the appropriation was enacted.

Implementation and administration of the provisions of the Appropriation Act are functions of the Governor, assisted by the Secretary of Finance and the Department of Planning and Budget. This process also involves constant monitoring of revenue collections and expenditures to ensure that a balanced budget is maintained. The Appropriation Act requires that if projected revenue collections fall below amounts appropriated, the Governor must reduce expenditures and withhold allotments of appropriations, with the exception of amounts needed for debt service and specified other purposes, to the extent necessary to prevent any expenditure in excess of estimated revenues. The Appropriation Act provides that up to 15 percent of a General Fund appropriation to an agency may be withheld by the Governor, if required.

Development of Revenue Estimates

The development of the General Fund revenue estimate begins with the selection of a forecast of national economic activity for the state budget period prepared by independent economic forecasting firms based on the advice of the Joint Advisory Board of Economists and the Commonwealth's own staff. The national economic forecast is used to develop a forecast of similar indicators of in-state activity. The Governor's Advisory Council on Revenue Estimates also examines the economic assumptions with respect to the general economic climate of the Commonwealth.

After the development of forecasts of major Commonwealth economic indicators, revenue estimates are generated using revenue forecasting models developed and maintained by the Department of Taxation. Adjustments are made on a revenue source-by-source basis for any legislative, judicial or administrative changes that would affect the projected level of revenues but that cannot be forecast by models constructed using historical data. Finally, adjustments are made if revenues are substantially above or below the projected level.

Financial Control Procedures

The General Assembly appropriates funds for a particular program in the Appropriation Act. These funds must then be allotted by the Governor and the Department of Planning and Budget for specific purposes. The State Comptroller accounts for certain specific personnel and non-personnel transactions. Once the appropriation, allotment and accounting procedures have been completed, funds are disbursed by the State Treasurer upon a warrant of the State Comptroller drawn at the request of the responsible agency. The Auditor of Public Accounts audits such financial transactions to assure the reporting of such transactions is in compliance with generally accepted accounting principles.

The Director of the Department of Planning and Budget is appointed by the Governor subject to confirmation by the General Assembly. The Department of Planning and Budget monitors and evaluates the use of resources to ensure that agencies are delivering effective and efficient services. The Governor is empowered to withhold appropriations to agencies in the event that expenditures are no longer warranted or are not being made for the purposes for which the funds were initially appropriated.

The State Comptroller, who is appointed by the Governor subject to confirmation by the General Assembly, is the director of the Department of Accounts, the central accounting agency of the Commonwealth. The State Comptroller maintains a complete system of general accounts of every department, division, office, board, commission, institution and agency of the Commonwealth. In order to assure uniform accounting practices among the agencies and to avoid duplication, the State Comptroller also prescribes the accounts and control records that are to be kept by each state agency. The State Treasurer, who is also appointed by the Governor subject to confirmation by the General Assembly, is the director of the Department of the Treasury. This department receives, maintains custody of and disburses all funds of the Commonwealth.

Unlike the State Comptroller and the State Treasurer, the Auditor of Public Accounts is appointed by the General Assembly for a term of four years and is, therefore, part of the Legislative Department rather than the Executive Department. The principal function of the Auditor is to audit the accounts of all state departments, offices, boards, commissions, institutions and agencies handling state funds. In the event the Auditor discovers some irregularity or misuse of funds, it is his duty to inform the Governor, the Joint Legislative Audit and Review Commission and the State Comptroller.

Investment of Public Funds

It is the policy of the State Treasurer to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands and conforming to all statutes governing the investment of public funds. The General Account of the Commonwealth, which is comprised of funds collected and held for various fund groups including the General Fund, is divided into two major portfolios. Both portfolios are managed in accordance with guidelines promulgated by the Treasury Board. The Primary Liquidity Portfolio, which is targeted to represent approximately 65 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 is targeted to be up to 35 percent of the General Account, is structured to generate investment returns over the long term higher than the return on the Primary Liquidity Portfolio, while maintaining sound credit quality and providing secondary liquidity.

Financial Statements

The Commonwealth operates on a fiscal year basis beginning on July 1 and ending on June 30. The Commonwealth's financial statements, audited by the Auditor of Public Accounts, for the fiscal year ended June 30, 2023, are contained in the Commonwealth's Annual Comprehensive Financial Report (the "Annual Comprehensive Financial Report") available at www.doa.virginia.gov. The financial statements conform to GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The financial statements include government-wide statements using full accrual accounting, fund financial statements that use different accounting approaches based on the type of fund, and a reconciliation of the two types of statements. See the section in the Annual Comprehensive Financial Report entitled "Management's Discussion and Analysis" for a more detailed explanation of the types of financial statements prepared. The Commonwealth's annual budget is prepared principally on a cash basis and represents departmental appropriations as authorized by the General Assembly. Under the cash basis of accounting, revenues and other financial resources are recognized in the accounting period in which cash is received; expenditures and other financial uses are recognized when cash is disbursed. The section of the Annual Comprehensive Financial Report entitled "Required Supplementary Information" reconciles the budgetary (*i.e.*, cash) presentation to the financial statement

Revenue Stabilization Fund

The Constitution requires the Governor to ensure that expenses do not exceed total revenues anticipated plus fund balances during the period of two years and six months following the end of the General Assembly session in which the appropriations are made. A Revenue Stabilization Fund (the "Stabilization Fund") was established by constitutional amendment effective January 1, 1993, and is available to offset, in part, anticipated shortfalls in revenues in years when revenues are forecasted to decline by more than two percent of the certified tax revenues collected in the most recently ended fiscal year. Deposits to the Stabilization Fund are made pursuant to the provisions of Article X, Section 8 of the Constitution of Virginia based on tax revenue collections as certified by the Auditor of Public Accounts. If in any year total revenues are forecast to decline by more than two percent of the certified tax revenues collected in the most recently ended fiscal year, the General Assembly may appropriate for transfer up to one-half of the Stabilization Fund balance to the General Fund to stabilize revenues. This transfer shall not exceed one-half of the forecasted shortfall. The maximum balance in the Stabilization Fund can consist of an amount not to exceed 15.0 percent of the Commonwealth's average annual tax revenues derived from income and retail sales taxes for the three immediately preceding fiscal years, as certified by the Auditor of Public Accounts. If any amounts accrue to the credit of the Stabilization Fund in excess of the 15.0 percent limitation, such as through interest or dividends, the Treasurer shall promptly transfer any such excess amounts to the General Fund.

Section 2.2-1829(b) of the Code of Virginia requires that if certain revenue criteria are met, then an additional deposit to the Stabilization Fund equal to at least one-half the mandatory deposit must be included in the Governor's budget. The Code further requires that any such additional deposits to the Stabilization Fund shall be included in the Governor's budget recommendations only if the estimate of General Fund revenues for the fiscal year in which the deposit is to be made is at least five percent greater than the actual General Fund revenues for the immediately preceding fiscal year.

On June 30, 2023, the Stabilization Fund has principal and interest on deposit of $1.8 billion restricted as a part of General Fund balance. As described above, the amount on deposit cannot exceed 15.0 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. As of June 30, 2023, the constitutional maximum is $3.9 billion.

See Note 5 in the "Notes to the Financial Statements" included in the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023, for additional information about the Stabilization Fund.

Revenue Reserve Fund

Beginning in 2018, the Commonwealth established, by statute, a second reserve fund entitled the Revenue Reserve Fund (the "Reserve Fund"). The General Assembly may appropriate to the Reserve Fund any surplus revenues after making constitutionally mandated transfers. The monies in the Reserve Fund may be used to offset, in whole or in part, certain anticipated shortfalls in revenue when appropriations based on previous forecasts exceed expected revenues in subsequent forecasts. If a revenue shortfall is two percent or less of General Fund resources collected in the most recently ended fiscal year, the General Assembly may appropriate an amount for transfer from the Reserve Fund not to exceed 50 percent of the amount in the Reserve Fund.

Pursuant to Sections 2.2-1831.2 and 2.2-1831.3 of the Code of Virginia, whenever there is a fiscal year in which there is not a mandatory deposit to the Stabilization Fund (see above), a deposit is required to the Reserve Fund if the General Fund revenue exceeds the official estimate. Additionally, any required annual deposit cannot exceed 1.0 percent of the total General Fund revenues for the prior fiscal year. The total amounts on deposit in the Reserve Fund and the Stabilization Fund may not in the aggregate exceed twenty percent (20%) of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales as certified by the Auditor of Public Accounts for the three fiscal years immediately preceding. This maximum aggregate amount was increased from fifteen percent (15%) to twenty percent (20%) effective July 1, 2022, through language contained in Chapter 2 of the 2022 Special Session I and is in effect through June 30, 2024. As of June 30, 2023, the calculated maximum balance for the Stabilization Fund and the Reserve Fund (taking into account the limitations described in this paragraph) is $5.1 billion.

As of June 30, 2023, the Reserve Fund has principal and interest on deposit of $2.0 billion recorded in the Commonwealth's general ledger and reported as cash on the balance sheet. As of June 30, 2023, the combined stabilization fund and reserve fund balance is $3.8 billion.

See Note 6 in the "Notes to the Financial Statements" included in the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023, for additional information about the Reserve Fund.

General Fund Highlights for Fiscal Year 2023

The General Fund balance (presented on a cash basis), as shown on page B-6, increased by $1.7 billion in fiscal year 2023, an increase of 12.8 percent from fiscal year 2022. Overall, tax revenues decreased by 4.7 percent from fiscal year 2022 to fiscal year 2023 with 98 percent of the decrease in revenues resulting from a $1.4 billion decline in Individual and Fiduciary Income Tax Revenues which was primarily attributable to the decrease of realizations of capital gains reported within that revenue category. Categorically, year over year results included: Individual and Fiduciary Income tax revenues decreased by 7.0 percent, Corporation Income tax collections increased by 2.6 percent, State Sales and Use Tax increased by 4.2 percent, Other Taxes increased by 12.7 percent, Premiums of Insurance Companies increased by 5.6 percent and Public Service Corporations tax collections increased by 1.8 percent and Communications Sales and Use experienced a 3.0 percent decline in tax collections. While overall revenue decreased by 3.0 percent, non-tax revenues improved by 49.7 percent for the period. Expenditures also increased overall by 13.1 percent in fiscal year 2023, compared to a 9.7 percent increase in fiscal year 2022. Categorically, increases in expenditures included: Education 12.2 percent, Resources and Economic Development 24.5 percent, Capital Outlay 143.6 percent, and Individual and Family Services 19.5 percent.

Under the provisions of Article X, Section 8 of the Constitution of Virginia, a deposit of $904.7 million is required during fiscal year 2024 based on fiscal year 2022 revenue collections reduced by the estimated rebate provided to taxpayers as required by Chapter 1, Item 3-5.24. No deposit is required based on fiscal year 2023 revenue collections, adjusted to include the prior year estimated rebate to taxpayers.

In addition, Chapter 769, Item 267. D2, appropriates $498.7 million from the Revenue Reserve Fund to be deposited to the Revenue Stabilization Fund during fiscal year 2024. This amount was provided in Chapter 1, 2022 Acts of Assembly Special Session I, as an Advanced reservation for the fiscal year 2024 mandatory deposit. This amount is included as part of the 2024 restricted component of fund balance.

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

The following tables summarize the Commonwealth's General Fund revenues, expenditures and changes in fund balance for fiscal years 2019 through 2023. The first table provides the information on a year-to-year comparison on a cash basis, while the chart on page B-7 compares the final budget numbers to actual audited numbers over the same five-year period.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

SUMMARY OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS

(in thousands)

	2019	2020	2021	2022	2023
Revenues:					
Taxes					
Individual and Fiduciary Income	$ 15,226,471	$ 15,351,592	$ 17,303,666	$ 20,410,206	$ 18,983,556
State Sales and Use	3,973,011	4,112,843	4,624,549	5,080,580	5,291,545
Corporation Income	943,391	1,011,650	1,515,692	1,978,697	2,031,120
Communications Sales and Use	361,023	347,101	314,768	301,446	292,848
Deed, Contracts, Wills and Suits	394,062	493,389	694,822	665,602	437,137
Premiums of Insurance Companies	382,018	360,588	363,105	426,830	450,877
Alcoholic Beverage Sales	240,776	267,214	296,059	300,153	307,412
Tobacco Products	151,289	153,638	286,632	278,626	246,132
Estate	191	80	810	27	-
Public Service Corporations	98,890	97,039	101,114	102,586	104,449
Other Taxes	47,197	35,873	46,116	88,835	100,080
Total Taxes	$ 21,818,319	$ 22,231,007	$ 25,547,333	$ 29,633,588	$ 28,245,156
Rights and Privileges	93,225	94,695	95,255	113,371	126,834
Sales of Property and Commodities	25,021	39,463	19,507	20,185	28,879
Assessments and Receipts for Support of Special Services	5,808	5,813	5,960	5,897	5,514
Institutional Revenue	37,937	37,963	32,283	33,673	32,955
Interest, Dividends, Rents	103,670	136,821	94,461	82,207	442,145
Fines, Forfeitures, Court Fees, Penalties, and Escheats	224,783	214,750	225,120	220,132	258,492
Federal Grants and Contracts	10,573	8,029	9,693	11,725	11,259
Receipts from Cities, Counties, and Towns	11,216	8,469	6,597	7,122	7,659
Private Donations, Gifts and Contracts	965	904	481	336	431
Tobacco Master Settlement	56,487	54,134	100,515	62,813	56,987
Other	203,940	223,456	293,859	403,039	466,650
Total Revenues	$ 22,591,944	$ 23,055,504	$ 26,431,064	$ 30,594,088	$ 29,682,961
Expenditures:					
General Government	2,446,484	2,872,703	2,532,665	2,783,669	2,715,673
Education	9,109,073	9,526,097	9,968,154	11,330,277	12,708,311
Transportation	203	140	147	164	6,349
Resources and Economic Development	432,029	530,365	532,353	616,873	770,440
Individual and Family Services	7,208,024	6,884,183	7,051,802	7,369,472	8,809,425
Administration of Justice	2,904,663	2,983,904	3,000,321	3,142,616	3,447,349
Capital Outlay	2,575	4,535	2,898	59,151	144,107
Debt Service					
Principal Retirement				20,571	35,256
Interest and Charges				2,904	2,834
Total Expenditures	$ 22,103,051	$ 22,801,927	$ 23,088,340	$ 25,325,697	$ 28,639,744
Revenues Over (Under) Expenditures	$ 488,893	$ 253,577	$ 3,342,724	$ 5,268,391	$ 1,043,217
Other Financing Sources (Uses):					
Transfers In	938,306	911,229	1,052,608	1,172,516	1,168,403
Transfers Out	(414,827)	(439,543)	(414,818)	(570,986)	(493,910)
Total Other Financing Sources (Uses)	523,479	471,686	637,790	601,530	674,493
Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,012,372	725,263	3,980,514	5,869,921	1,717,710
Fund Balance, July 1:					
Restricted	557,023	638,838	650,540	1,783,359	2,690,501
Committed	789,056	1,473,273	1,355,193	2,469,243	5,692,557
Assigned	440,885	687,225	1,518,866	3,252,511	4,991,976
Total Fund Balance, July 1	$ 1,786,964	$ 2,799,336	$ 3,524,599	$ 7,505,113	$ 13,375,034
Fund Balance, June 30:					
Restricted	638,838	650,540	1,783,359	2,690,501	2,712,576
Committed	1,473,273	1,355,193	2,469,243	5,692,557	7,770,839
Assigned	687,225	1,518,866	3,252,511	4,991,976	4,609,329
Total Fund Balance, June 30	$ 2,799,336	$ 3,524,599	$ 7,505,113	$ 13,375,034	$ 15,092,744

Source: Department of Accounts.

SUMMARY OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE VARIANCE OF ACTUAL vs BUDGETARY BASIS

	2019		2020		2021		2022		2023	
	Final Budget	Variance of Actual Favorable (Unfavorable)	Final Budget	Variance of Actual Favorable (Unfavorable)	Final Budget	Variance of Actual Favorable (Unfavorable)	Final Budget	Variance of Actual Favorable (Unfavorable)	Final Budget	Variance of Actual Favorable (Unfavorable)
Revenues:										
Taxes										
Individual and Fiduciary Income	$ 14,421,600	$ 804,871	$ 15,419,400	$ (67,808)	$ 15,446,000	$ 1,857,666	$ 18,593,100	$ 1,817,106	$ 16,732,435	$ 2,251,121
State Sales and Use	3,981,000	(7,989)	4,266,100	(153,257)	4,300,900	323,649	4,948,300	132,280	5,004,713	286,832
Corporation Income	1,012,200	(68,809)	1,031,500	(19,850)	1,288,700	226,992	2,009,600	(30,903)	1,737,000	294,120
Communications Sales and Use	368,000	(6,977)	350,000	(2,899)	348,000	(33,232)	335,000	(33,554)	335,000	(42,152)
Public Service Corporations	98,700	190	98,900	(1,861)	98,600	2,514	103,500	(914)	103,500	949
Premiums of Insurance Companies	395,300	(13,282)	394,100	(33,512)	314,900	48,205	419,300	7,530	406,100	44,777
Other [1]	802,329	31,186	910,841	39,353	1,195,711	128,728	1,322,801	10,442	1,274,801	(184,040)
Total Taxes	$ 21,079,129	$ 739,190	$ 22,470,841	$ (239,834)	$ 22,992,811	$ 2,554,522	$ 27,731,601	$ 1,901,987	$ 25,593,549	$ 2,651,607
Rights and Privileges	87,804	5,421	87,596	7,099	89,320	5,935	100,173	13,198	100,385	26,449
Institutional Revenue	43,525	(5,588)	51,454	(13,491)	55,011	(22,728)	57,824	(24,151)	57,791	(24,836)
Interest, Dividends, Rents and Other Investi	70,443	33,227	131,870	4,951	93,425	1,036	92,480	(10,273)	101,798	340,347
Tobacco Master Settlement	58,667	(2,180)	56,000	(1,866)	87,410	13,105	47,500	15,313	47,500	9,487
Other [2]	464,796	17,510	446,907	53,977	438,251	122,966	590,387	78,049	593,181	185,703
Total Revenues	$ 21,804,364	$ 787,580	$ 23,244,668	$ (189,164)	$ 23,756,228	$ 2,674,836	$ 28,619,965	$ 1,974,123	$ 26,494,204	$ 3,188,757
Expenditures:										
General Government	2,591,762	145,278	3,103,116	230,413	2,792,844	260,179	3,071,288	287,619	3,082,613	366,940
Education	9,212,771	103,698	9,722,175	196,078	10,427,918	459,764	11,655,965	325,688	13,733,020	1,024,709
Transportation	256	53	189	49	197	50	194,525	194,361	235,962	229,613
Resources and Economic Development	518,768	86,739	636,191	105,826	652,429	120,076	883,873	267,000	1,396,977	626,537
Individual and Family Services	7,338,134	130,110	7,345,513	461,330	7,241,258	189,456	7,623,020	253,548	9,196,115	386,690
Administration of Justice	2,938,324	33,661	3,065,651	81,747	3,127,411	127,090	3,336,965	194,349	3,694,067	246,718
Capital Outlay	11,127	8,552	15,814	11,279	11,239	8,341	182,664	123,513	849,464	705,357
Debt Service:										
Principal Retirement							20,571	-	35,256	-
Interest and Charges							2,904	-	2,834	-
Total Expenditures	$ 22,611,142	$ 508,091	$ 23,888,649	$ 1,086,722	$ 24,253,296	$ 1,164,956	$ 26,971,775	$ 1,646,078	$ 32,226,308	$ 3,586,564
Revenues Over (Under) Expenditures	$ (806,778)	$ 1,295,671	$ (643,981)	$ 897,558	$ (497,068)	$ 3,839,792	$ 1,648,190	$ 3,620,201	$ (5,732,104)	$ 6,775,321
Other Financing Sources (Uses):										
Transfers In	904,470	33,836	874,430	36,799	1,005,483	47,125	1,137,044	35,472	1,075,380	93,023
Transfers Out	(408,301)	(6,526)	(442,031)	2,488	(407,173)	(7,645)	(559,487)	(11,499)	(468,273)	(25,637)
Total Other Financing Sources (Uses)	$ 496,169	$ 27,310	$ 432,399	$ 39,287	$ 598,310	$ 39,480	$ 577,557	$ 23,973	$ 607,107	$ 67,386
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(310,609)	1,322,981	(211,582)	936,845	101,242	3,879,272	2,225,747	3,644,174	(5,124,997)	6,842,707
Fund Balance, July 1	1,786,964	-	2,799,336	-	3,524,599	-	7,505,113	-	13,375,034	-
Fund Balance, June 30	$ 1,476,355	$ 1,322,981	$ 2,587,754	$ 936,845	$ 3,625,841	$ 3,879,272	$ 9,730,860	$ 3,644,174	$ 8,250,037	$ 6,842,707

[1] Note that under Taxes above, certain line items have been combined into the "Other" line item; they are: "Deeds, Contracts, Wills and Suits," "Alcoholic Beverage Sales", "Tobacco Products", "Estate" and "Other Taxes". The reason for this is consistency with the ACFR line items.

[2] Note that under Revenues above, certain line items have been combined into the "Other" line item; they are: "Sales of Property and Commodities," "Assessments and Receipt for Support Gifts, of Special Services," "Fines, Forfeitures, Court Fees, Penalties, and Escheats," "Federal Grants and Contracts," "Receipts from Cities, Counties, and Towns", "Private Donations, and Contracts" and "Other". The reason for this is consistency with the ACFR line Items.

Source: Department of Accounts.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

General Fund Revenues

Of total fiscal year 2023 tax revenue, 97.3 percent was derived from six major taxes imposed by the Commonwealth: Individual and Fiduciary Income Taxes; State Sales and Use Taxes; Corporation Income Taxes; Communications Sales and Use Taxes; Taxes on Deeds, Contracts, Wills and Suits; and Taxes on Premiums of Insurance Companies.

Individual and Fiduciary Income taxes are the principal component of General Fund revenues. These revenues support a number of government functions, primarily education, individual and family services, public safety and general government. General Fund revenues are available for payment of debt service obligations of the Commonwealth.

Individual and Fiduciary Income Taxes: (67.2 percent of Total Taxes in fiscal year 2023) The individual and fiduciary income tax applies to income derived by resident and non-resident individuals and fiduciaries. The tax is based on a taxpayer's federal adjusted gross income with modifications, if applicable, and with deductions for personal exemptions and standard or itemized deductions. The following tax rates are applicable to net taxable income for the taxable year 2023:

PERSONAL TAX RATES

Taxable Income	Rate	Of Excess Over
\$0-\$3,000	2.00%	
\$3,001-\$5,000	\$60 + 3.00%	\$ 3,000
\$5,001-\$17,000	\$120 + 5.00%	\$ 5,000
Over \$17,000	\$720 + 5.75%	\$17,000

Source: Department of Taxation

An individual income tax return for a taxable year must be filed by May 1 of the following year. Prepayment of the tax on most earnings is accomplished through withholdings by employers. Employers must transfer withholding taxes to the Department of Taxation quarterly, monthly or, in some cases, eight times a month. Individual income taxpayers are required to file a declaration of estimated tax for any income not subject to withholding and pay one-fourth of such estimated tax in quarterly installments.

State Sales and Use Taxes: (18.7 percent of Total Taxes in fiscal year 2023) A sales and use tax is imposed at the rate of 5.3 percent on the sale, rental, lease or storage for use or consumption of tangible personal property except food for home consumption. Food for home consumption is taxed at a rate of 2.5 percent (reduced to 1.0 percent as of January 2023). There are certain exclusions from the tax, including motor vehicles, aircraft and large watercraft, prescription medicines. One percent of the 5.3 percent sales tax revenues and the 1% percent sales tax revenues on food for home consumption is distributed to localities on the basis of school age population for use in public education.

Retail sellers collect the sales and use taxes from customers at the time of sale. Sellers are required to remit collected taxes to the Department of Taxation either monthly or quarterly.

Corporation Income Taxes: (7.2 percent of Total Taxes fiscal year 2023) The Commonwealth imposes a 6 percent income tax on the net income of all corporations organized under laws of the Commonwealth and every foreign corporation having income from sources in the Commonwealth, with the exception of insurance companies, inter-insurance exchanges, state and national banks, banking associations, companies doing business on a mutual basis, credit unions and non-profit corporations. Commonwealth taxable income is based on federal income, with modifications. If a corporation is engaged in multi-state activities, and if its income is taxable by both the Commonwealth and another state, the Commonwealth permits the corporation to apportion its taxable income (other than dividends that are allocated according to the commercial domicile of the taxpayer) according to a three-factor formula comprised of property, payroll and sales.

A corporation income tax return must be filed on or before the 15th day of the 4th month following the close of the corporation's taxable year. Corporations are required to make a declaration of estimated tax directly to the Department of Taxation and pay such estimated tax in such taxable year.

Communication Sales and Use Taxes: (1.0 percent of Total Taxes in fiscal year 2023) The Commonwealth collects communication sales and use taxes and disburses these amounts to localities.

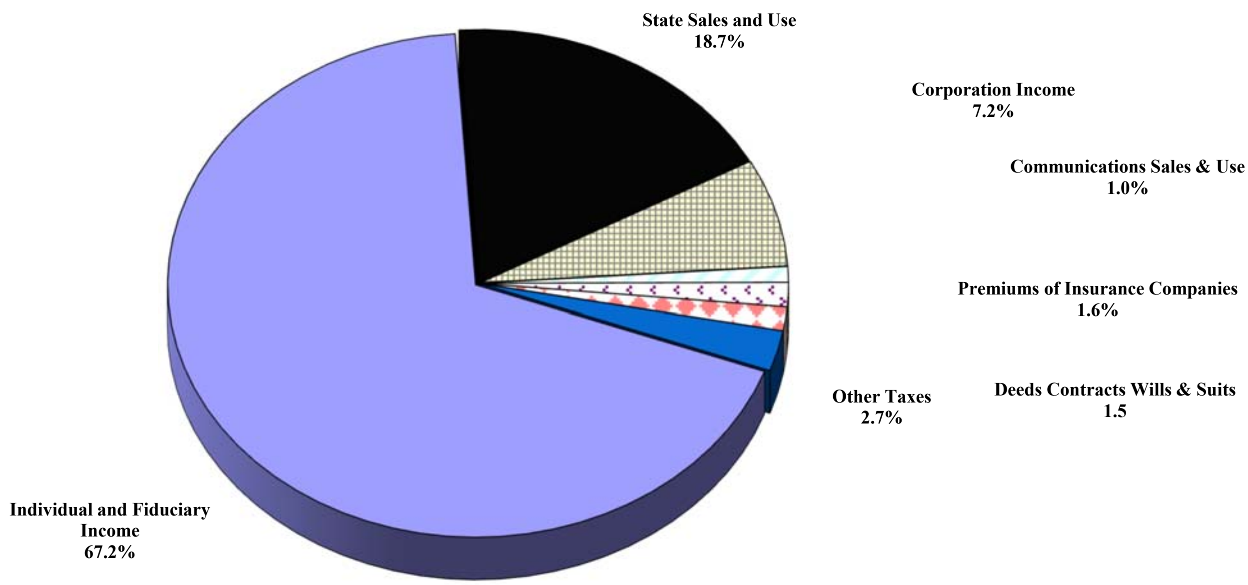
Taxes on Deeds, Contracts, Wills and Suits: (1.0 percent of Total Taxes in fiscal year 2023) The Commonwealth taxes the admission to record of deeds, deeds of trust, mortgages, leases and contracts at the rate of 25 cents per \$100 of consideration or value, whichever is greater. An additional tax is imposed on deeds or conveyances of real estate at the rate of 50 cents per \$500 of consideration or value, whichever is greater exclusive of the value of any lien or encumbrance. A tax is also imposed on the probate of wills and grants of administration, not exempt by law, at the rate of 10 cents per $100 of the value of the probate estate. A tax ranging from $5 to $25 is imposed on the filing of various types of legal actions.

Taxes on Premiums of Insurance Companies: (1.6 percent of Total Taxes in fiscal year 2023) Insurance companies are required to pay an annual license tax measured by the gross premium income derived from business done in the Commonwealth. The rate of tax varies according to the type of company. Insurance companies subject to this state license tax must make a declaration of estimated tax and pay one-fourth of such estimated tax in quarterly installments.

Other Taxes: Other taxes consist of 2.7% of Total Taxes in fiscal year 2023.

The following pie chart summarizes General Revenue Fund tax revenues by source:

COMPOSITION OF GENERAL FUND TAX REVENUES BY SOURCE
Fiscal Year Ended June 30, 2023



Note: Numbers may not sum to rounding.
Source: Department of Accounts.

Collection of Delinquent Tax

When the Department of Taxation determines that taxes are delinquent, the taxpayer is sent a billing notice. A second notice is sent 30 days later demanding immediate payment within 10 days. If payment is not received at the end of that time, the Department of Taxation may take legal action to obtain payment including the placement of a lien on the taxpayer's wages or bank account. If the delinquency exceeds $100, the Department of Taxation may issue a memorandum of lien against the taxpayer's property. If subsequent to these actions satisfactory payment arrangements are not made, the Department of Taxation may execute the memorandum of lien or initiate court proceedings against the taxpayer.

Penalties for late payment or nonpayment of most taxes are assessed at the rate of 6 percent per month, not to exceed 30 percent of the delinquent tax liability. Interest on late or under payments is charged at an annualized rate of interest established pursuant to Section 6621(a) (2) of the federal Internal Revenue Code, plus 2 percent.

The following table presents total outstanding collectible tax receivables for all tax types at the end of fiscal years 2019 through 2023:

OUTSTANDING COLLECTIBLE TAX RECEIVABLES

Fiscal Year Ended June 30, 2023	Amount[1]
2019	$ 711,396,203
2020	735,765,347
2021	645,283,906
2022	743,057,340
2023	777,890,178

[1] Does not include non-billed or uncollectible receivables

Source: Department of Taxation

General Fund Expenditures

General Fund expenditures relate to resources used for those services traditionally provided by a state government that are not accounted for in any other fund. These services include general government, legislative, public safety, judicial, health and mental health, human resources, licensing and regulation, and primary and secondary education (See table on page B-6).

Education: (44.4 percent of Total Expenditures in fiscal year 2023) Expenditures for education support individuals in developing knowledge, skills and cultural awareness, including elementary and secondary education instruction, supervision and assistance.

Individual and Family Services: (30.8 percent of Total Expenditures in fiscal year 2023) Expenditures for individual and family services support programs to benefit the economic, social and physical well-being of the individual and family, including disease research, control and prevention.

Administration of Justice: (12.0 percent of Total Expenditures in fiscal year 2023) Expenditures for administration of justice relate to the activities of the civil and criminal justice systems. These activities encompass the apprehension, trial, punishment and rehabilitation of law violators, and the deterrence and detection of crime.

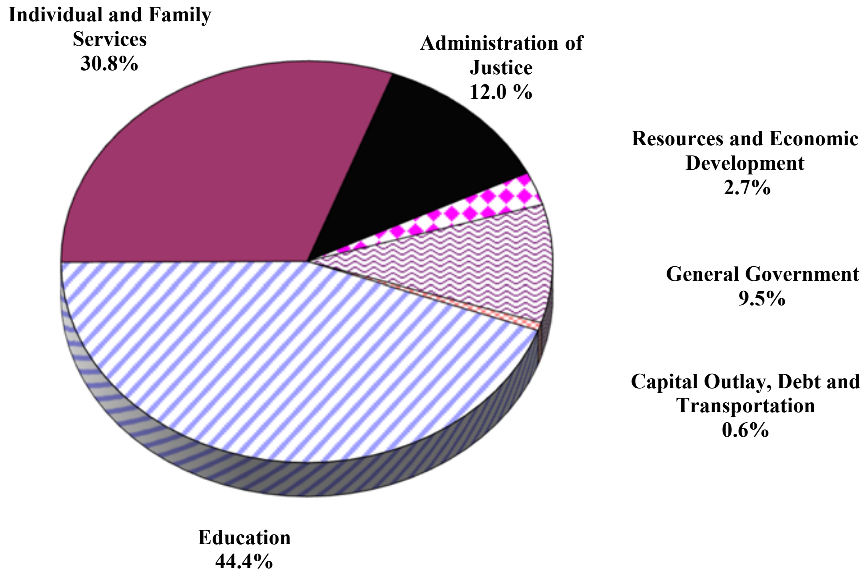
General Government: (9.5 percent of Total Expenditures in fiscal year 2023) General government expenditures support the general activities of state, regional and local levels of government. These activities include financial assistance to localities, enactment of legislative policy, intergovernmental projects, and distribution of sales and use taxes to localities, and payments to localities pursuant to the Personal Property Tax Relief Act of 1998.

Resources and Economic Development: (2.7 percent of Total Expenditures in fiscal year 2023) Resources and economic development expenditures support activities to develop the Commonwealth's economic base, including alternative natural resources, and to regulate this base with regard to the public interest of the Commonwealth.

Capital Outlay & Transportation: (0.5 percent of Total Expenditures in fiscal year 2023) Expenditures for capital outlay relate to the construction and renovation of state-owned buildings and facilities. Transportation expenditures relate to the movement by road, water or air of people, goods and services, and the regulation thereof.

Debt Service: (0.1 percent of Total Expenditures in fiscal year 2023).

DISTRIBUTION OF GENERAL FUND EXPENDITURES BY SOURCE
Fiscal Year Ended June 30, 2023



Note: Numbers may not sum to rounding.
Source: Department of Accounts.

General Fund Balance

With the implementation of GASB No. 54, the fund equity classifications of Reserved and Unreserved have been changed to Restricted, Committed, Assigned, and Unassigned. Restricted fund balances are those that have a restriction imposed by the *Constitution of Virginia* or from a party external to the Commonwealth. Committed fund balances represent amounts that have been legislatively mandated for a specific purpose. Assigned fund balances represent amounts the Commonwealth has identified for a specific purpose, but for which the use is not legislatively mandated. Unassigned fund balances are those that have not been restricted, committed, or assigned to specific purposes. Due to statutory requirements, any unassigned balances in the General Fund on a cash basis are automatically committed for transfer to the Transportation Trust Fund and for nonrecurring expenditures.

2019. General Fund revenues and other sources were more than expenditures and other uses by $1.0 billion in fiscal year 2019. Total revenues increased by 6.0 percent and total expenditures increased by 3.8 percent. Transfers to the General Fund increased by 7.9 percent while transfers out decreased by 6.7 percent. Transfers to and from Component Units in fiscal year 2019 are reported as expenditures and revenues in accordance with GASB Statement No. 34. The table on page B-6 reflects the Fund Balance as of June 30, 2019, in these classifications.

2020. General Fund revenues and other sources were more than expenditures and other uses by $725.3 million in fiscal year 2020. Total revenues increased by 2.1 percent and total expenditures increased by 3.2 percent. Transfers to the General Fund decreased by 2.9 percent while transfers out increased by 6.0 percent. Transfers to and from Component Units in fiscal year 2020 are reported as expenditures and revenues in accordance with GASB Statement No. 34. The table on page B-6 reflects the Fund Balance as of June 30, 2020, in these classifications.

2021. General Fund revenues and other sources were more than expenditures and other uses by $4.0 billion in fiscal year 2021. Total revenues increased by 14.6 percent and total expenditures increased by 1.3 percent. Transfers to the General Fund increased by 15.5 percent while transfers out decreased by 5.6 percent. Transfers to and from Component Units in fiscal year 2021 are reported as expenditures and revenues in accordance with GASB Statement No. 34. The table on page B-6 reflects the Fund Balance as of June 30, 2021, in these classifications.

2022. General Fund revenues and other sources were more than expenditures and other uses by $5.9 billion in fiscal year 2022. Total revenues increased by 15.8 percent and total expenditures increased by 9.7 percent. Transfers to the General Fund increased by 11.4 percent while transfers out decreased by 37.6 percent. Transfers to and from Component Units in fiscal year 2022 are reported as expenditures and revenues in accordance with GASB Statement No. 34. The table on page B-6 reflects the Fund Balance as of June 30, 2022, in these classifications.

2023. General Fund revenues and other sources were more than expenditures and other uses by $1.7 billion in fiscal year 2023. Total revenues decreased by 3.0 percent and total expenditures increased by 13.1 percent. Transfers to the General Fund increased by .4 percent while transfers out decreased by 27.4 percent. Transfers to and from Component Units in fiscal year 2022 are reported as expenditures and revenues in accordance with GASB Statement No. 34. The table on page B-6 reflects the Fund Balance as of June 30, 2023, in these classifications.

Non-General Fund Revenues

Non-General Fund revenues consist of all revenues not accounted for in the General Fund. Included in this category are special taxes and user charges earmarked for specific purposes, the majority of institutional revenues and revenues from the sale of property and commodities, and receipts from the federal government.

Approximately 50 percent of the Non-General Fund revenues are accounted for by grants and donations from the federal government, motor vehicle taxes and institutional revenues. Institutional revenues consist primarily of fees and charges collected by institutions of higher education, medical and mental hospitals and correctional institutions. Motor vehicle related taxes include the motor vehicle fuel tax, motor vehicle sales and use tax, oil excise tax, driver's license fee, title registration fee, motor vehicle registration fee and other miscellaneous revenues.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

The following chart is a summary of revenues and expenditures for the largest of the Commonwealth's Special Revenue Funds, the Commonwealth Transportation Fund, prepared according to generally accepted accounting principles.

COMMONWEALTH TRANSPORTATION FUND

(in thousands)

	2019	2020	2021	2022	2023
Total revenues	$6,232,672	$6,385,623	$7,550,146	$8,348,316	$8,615,735
Total expenditures	5,578,326	5,628,548	6,851,125	7,415,256	7,505,109
Revenues over (under) expenditures	654,346	757,075	699,021	933,060	1,110,626
Other sources (uses) net	-98,906	-412,740	-378,186	-29,553	-266,085
Revenue and other sources (uses) over					
(under) expenditures	555,440	344,335	320,835	903,507	844,541
Beginning fund balance (adjusted)	2,327,278	2,889,679	3,244,917	3,565,752	4,480,218
Ending fund balance	$2,882,718	$3,234,014	$3,565,752	$3,565,752	$5,324,759

Note: Included in the Commonwealth Transportation Fund (formerly Highway Maintenance and Construction Fund) is the activity of the Highway Maintenance and Operating Fund and the Transportation Trust Fund. The Transportation Trust Fund was created in September 1986 during a special session of the Virginia General Assembly.

Source: Department of Treasury; Department of Transportation.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

General Fund Highlights for Fiscal Year 2024

On December 20, 2023, Governor Youngkin presented amendments to the 2023 Special Session Appropriation Act affecting appropriations for the remainder of the 2022-2024 biennium, primarily fiscal year 2024.

These amendments to the 2023 Special Session Appropriation Act were considered by the 2024 Session of the General Assembly which convened on January 10, 2024. The General Assembly adjourned on March 9, 2024, having passed the budget with amendments added which was subsequently returned to the Governor for executive review and action as required by the Constitution of Virginia. The Governor called the General Assembly back for a Reconvened Session on April 17, 2024, at which time he presented the budget with a number of executive amendments. The General Assembly did not take-up any of these amendments but instead agreed to return for a special session to reconsider the budget on May 13, 2024. Having reconsidered the budget and folding in additional amendments, the General Assembly passed HB 6002 which amends FY 2024 appropriations for the 2022-2024 biennium. The Governor signed HB 6002 on May 13, 2024, which became Chapter 1, 2024 Acts of Assembly, Special Session I.

Chapter 1 contains a number of technical adjustments to funding formulas and other required changes in spending items. Overall, the general fund operating spending in Chapter 1 is $444.8 million lower than the total included in Chapter 1 of the 2023 Special Session (2023 Special Session Appropriation Act).

The largest overall spending reductions include over $150 million in the Department of Medical Assistance Services for Medicaid forecast changes and other related savings and $286.9 million in net savings in Direct Aid to Public Education for changes in K-12 enrollment and other associated savings.

The 2024 amendments to the 2023 Special Session Appropriation Act result in a budgeted general fund balance at the end of the 2023-2024 biennium of $2.990 billion.

The table on the following summarizes Chapter 1 (2024 Special Session I).

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

2024 Amendments to the 2023 Special Session Appropriation Act
(Chapter 1, 2024 Acts of Assembly, Special Session I)

	FY 2023	FY 2024	Total
GENERAL FUND			
Revenue			
Unrestricted Beginning Balance	$10,684,532,497	$10,930,591,910	$21,615,124,407
Additions to balance	(3,078,628,035)	(6,603,924,564)	(9,682,552,599)
Official revenue estimate	24,871,135,500	28,279,500,000	53,150,635,500
Transfers	714,716,804	(24,610,948)	690,105,856
Total general fund resources available for appropriation	$33,191,756,766	$32,581,556,398	$65,773,313,164
Appropriations			
Legislative	$118,652,500	$118,643,125	$237,295,625
Judicial	582,028,077	589,625,986	1,171,654,063
Executive	28,976,939,473	29,903,379,608	58,880,319,081
Independent Agencies	6,781,138	27,196,295	33,977,433
Sub-total operating expenses	$29,684,401,188	$30,638,845,014	$60,323,246,202
Capital Outlay	2,057,779,488	402,660,202	2,460,439,690
Total appropriations	$31,742,180,676	$31,041,505,216	$62,783,685,892
NONGENERAL FUNDS			
Revenue			
Balance June 30, 2020	$8,383,240,878	$0	$8,383,240,878
Official revenue estimate	45,429,302,663	46,297,760,335	91,727,062,998
Lottery Proceeds Fund	784,671,715	944,668,276	1,729,339,991
Internal Service Fund	2,404,388,342	2,413,968,065	4,818,356,407
Bond proceeds	157,296,000	98,420,000	255,716,000
Total nongeneral fund revenue available for appropriation	$57,158,899,598	$49,754,816,676	$106,913,716,274
Appropriations			
Legislative	$5,082,324	$5,641,667	$10,723,991
Judicial	37,956,799	37,956,799	75,913,598
Executive Department	50,181,249,806	51,413,278,325	101,594,528,131
Independent Agencies	1,156,667,241	1,161,752,091	2,318,419,332
Sub-total operating expenses	$51,380,956,170	$52,663,189,188	$104,044,145,358
Capital Outlay	926,733,221	520,907,391	1,447,640,612
Total appropriations	$52,307,689,391	$53,184,096,579	$105,491,785,970

Source: Department of Planning and Budget.

Summary of the 2024-2026 Biennium Budget

As part of the reconvened session on May 13, 2024, discussed on page B-14, the General Assembly passed HB 6001 which provides appropriations for the 2024-2026 biennium beginning on July 1, 2024. The Governor signed HB 6001 on May 13, 2024, which became Chapter 2, 2024 Acts of Assembly, Special Session I (the "2024 Appropriation Act").

Key features of the 2024 Appropriation Act include the following

Public Education
$21.6 billion total general and state nongeneral fund biennial investment into K-12, a $1.7 billion (8.6 percent) increase from the previous biennium – major changes/items include:

- Childcare
  - $828 million state funds, 222 percent increase from the previous biennium including $500 million for Childcare Subsidy Program.
- Teacher/education staff compensation
  - $540 million to fund a 3% increase for all funded instructional and support positions in both FY 2025 and FY2026.
- Local school construction
  - $641 million in state nongeneral funds to fund school construction projects. Includes $160 million in competitive school-construction funding grants, $231 million in infrastructure funds, and $250 million in School Construction Loans.

Higher Education
$7.2 billion General Fund operating investment, the largest in the Commonwealth's history, representing growth of 20 percent from the previous biennium.

Public Safety

- $20 million for Operation Ceasefire Grant Funding.
- $28 million to Safer Communities program.
- $18 million for Firearm Violence Intervention and Prevention funding.
- $43 million to support school resource officers in local schools.
- $57 million for community corrections programs.
- $21 million for victim witness programs.
- $16 million for domestic violence support services.

Health and Human Resources
Medicaid $840 million General Fund and $485 million of other funds to fully-fund Medicaid and Children's Health Insurance, including a $95 million Medicaid Reserve.

- Behavioral health
  - $634 million for 3,440 Developmental Disability Waiver slots and other waiver services.
  - $74.3 million to expand Crisis Services, including mobile crisis teams, crisis receiving centers, and STEP-VA services.
  - $72.8 million to support the behavioral health workforce, including $47 million in salary increases at state facilities and Comprehensive Services Boards.
  - $28.9 million in Opioid Response and Prevention funding.
- Other Health and Human Resource investments
  - $97 million to fund the Children's Services Act.
  - $34 million in support of kinship and foster care families.

Conservation and Resiliency Funding
Over $800 million in conservation and resiliency investments including:

- $400 million for upgrades to wastewater projects for Chesapeake Bay nutrient reduction.
- $200 million for water quality improvement activities.
- $100 million for the Virginia Community Flood Preparedness Fund.
- $25 million to the City of Norfolk for the Norfolk Coastal Storm Risk Management Project.
- $50 million for the Richmond Combined Sewer Overflow project.
- $26.5 million for the City of Bristol landfill remediation.

Economic Development

- $175 million over the biennium for the Virginia Housing Trust Fund.
- $114 million to enhance "Virginia's Research Hub," a biotechnology, life sciences, and pharmaceutical manufacturing network among University of Virginia, Virginia Tech, Old Dominion University, and Virginia Commonwealth University.
- $40 million to support the development of business ready sites.
- Authorizes a $40 million treasury loan to the City of Newport News to help secure a federal investment of up to $400 million from the U.S. Navy to build housing infrastructure for sailors stationed at the shipyard.
- $30 million for the Virginia Make Ready initiative, providing critical funding to connect Virginians in underserved communities to the digital economy.
- $14 million to promote Industrial Site Revitalization across the Commonwealth.

Transportation

Hampton Roads Toll Relief

- $101 million for expansion of the existing Toll Relief Program.

Washington Metropolitan Area Transit Authority

- $144.7 million to address current operating shortfall for Washington Metropolitan Area Transit Authority's (WMATA) Metro System.

I-81

- $245 million to accelerate construction projects within the Interstate 81 Corridor Improvement Program including a $70 million for the I-81 Corridor Improvement Fund plus a conditional pledge of an additional $175 million in future funding.

Public Employee Salary Increases (excluding employees working in K-12 education)

- $545.2 million for the biennium to provide a three percent increase in employee compensation
  - $178.8 million for FY 2025.
  - $366.4 million for FY 2026.

Capital Outlay Investments

- $1.9 billion in general fund cash and tax-supported debt for projects:
  - $571.9 million for renovation, replacement, and improvement projects at state agencies and institutions of higher education.
  - $464 million from the General Fund for maintenance reserve.
  - $400 million in bond funding for improvements to wastewater treatment plants.
  - $108.2 million from the General Fund for equipment to support the opening of completed projects.
  - $280 million from the General Fund to supplement construction cost increases on previously authorized projects.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

2024 Appropriation Act
(Chapter 2, 2024 Acts of Assembly, Special Session I)

	FY 2025	FY 2026	Total
GENERAL FUND			
Revenue			
Unrestricted Beginning Balance	$2,989,627,272	$0	$2,989,627,272
Additions to balance	47,000,000	(500,000)	46,500,000
Official revenue estimate	28,563,750,000	30,275,550,000	58,839,300,000
Transfers	1,128,073,149	1,714,755,410	2,842,828,559
Total general fund resources available for appropriation	$32,728,450,421	$31,989,805,410	$64,718,255,831
Appropriations			
Legislative	$150,483,367	$130,308,367	$280,791,734
Judicial	653,077,430	659,976,612	1,313,054,042
Executive	30,944,929,522	31,095,722,325	62,040,651,847
Independent Agencies	36,231,579	78,231,579	114,463,158
Sub-total operating expenses	$31,784,721,898	$31,964,238,883	$63,748,960,781
Capital Outlay	691,677,311	260,000,000	951,677,311
Total appropriations	$32,476,399,209	$32,224,238,883	$64,700,638,092
NONGENERAL FUNDS			
Revenue			
Balance June 30, 2020	$12,189,205,926	$0	$12,189,205,926
Official revenue estimate	50,242,785,460	52,470,704,871	102,713,490,331
Lottery Proceeds Fund	877,926,201	852,926,201	1,730,852,402
Internal Service Fund	2,547,892,953	2,613,216,074	5,161,109,027
Bond proceeds	834,497,540	200,000,000	1,034,497,540
Total nongeneral fund revenue available for appropriation	$66,692,308,080	$56,136,847,146	$122,829,155,226
Appropriations			
Legislative	$5,305,295	$5,305,295	$10,610,590
Judicial	41,225,251	41,225,251	82,450,502
Executive Department	52,948,941,033	54,273,744,215	107,222,685,248
Independent Agencies	2,761,036,241	2,842,439,601	5,603,475,842
Sub-total operating expenses	$55,756,507,820	$57,162,714,362	$112,919,222,182
Capital Outlay	1,302,519,634	503,300,000	1,805,819,634
Total appropriations	$57,059,027,454	$57,666,014,362	$114,725,041,816

Source: Department of Planning and Budget

INDEBTEDNESS OF THE COMMONWEALTH

Section 9 of Article X of the Constitution of Virginia provides for the issuance of debt by or on behalf of the Commonwealth. Sections 9(a), (b) and (c) provide for the issuance of debt to which the Commonwealth's full faith and credit is pledged and Section 9(d) provides for the issuance of debt not secured by the full faith and credit of the Commonwealth, but which may be supported by and paid from Commonwealth tax collections subject to appropriations by the General Assembly. The Commonwealth may also enter into leases and contracts that are classified on its financial statements as long-term indebtedness. Certain authorities and institutions of the Commonwealth may also issue debt. This section discusses the provisions for and limitations on the issuance of general obligation debt and other types of debt of the Commonwealth and its authorities and institutions.

Section 9(a) Debt

Section 9(a) of Article X provides that the General Assembly may contract general obligation debt: (1) to meet certain types of emergencies, (2) to meet casual deficits in the revenue or in anticipation of the collection of revenues of the Commonwealth and (3) to redeem a previous debt obligation of the Commonwealth. Total indebtedness issued pursuant to Section 9(a) (2) may not exceed 30 percent of an amount equal to 1.15 times the annual tax revenues derived from taxes on income and retail sales, as certified by the Auditor of Public Accounts, for the preceding fiscal year and any such indebtedness shall mature within twelve months from the date of its incurrence.

Section 9(b) Debt

Section 9(b) of Article X provides that the General Assembly may authorize the creation of general obligation debt for capital projects. Such debt is required to be authorized by an affirmative vote of a majority of the members elected to each house of the General Assembly and approved in a statewide referendum. The outstanding amount of such debt is limited in the aggregate to an amount equal to 1.15 times the average annual tax revenues derived from taxes on income and retail sales, as certified by the Auditor of Public Accounts, for the three immediately preceding fiscal years (“the 9(b) Debt Limit”). Thus, the amount of such debt that can be issued is the 9(b) Debt Limit less the total amount of such debt outstanding ("Debt Margin"). There is an additional 9(b) debt restriction on the amount of such debt that the General Assembly may authorize in any year. The additional authorization restriction is limited to 25% of the 9(b) Debt Limit less any 9(b)-debt authorized in the current and prior three fiscal years.

The phrase "taxes on income and retail sales" is not defined in the Constitution or by statute. The record made in the process of adopting the Constitution, however, suggests an intention to include only income taxes payable by individuals, fiduciaries and corporations and the state sales and use tax.

Section 9(c) Debt

Section 9(c) of Article X provides that the General Assembly may authorize the creation of general obligation debt for revenue producing capital projects for executive branch agencies and institutions of higher learning. Such debt is required to be authorized by an affirmative vote of two-thirds of the members elected to each house of the General Assembly and approved by the Governor. The Governor must certify before the enactment of the bond legislation and again before the issuance of the bonds that the net revenues pledged are expected to be sufficient to pay principal and interest on the bonds issued to finance the projects.

The outstanding amount of Section 9(c) debt is limited in the aggregate to an amount equal to 1.15 times the average annual tax revenues derived from taxes on income and retail sales, as certified by the Auditor of Public Accounts, for the three immediately preceding fiscal years (“the 9(c) Debt Limit”). While the debt limits under Sections 9(b) and 9(c) are each calculated as the same percentage of the same average tax revenues, these debt limits are separately computed and apply separately to each type of debt.

Effect of Refunding Debt

In general, when the Commonwealth issues bonds to refund outstanding bonds issued pursuant to Section 9(b) or 9(c) of Article X of the Constitution, the refunded bonds are considered paid for purposes of the constitutional limitations upon debt incurrence, and the refunding bonds are counted in the computations of such limitations. Section 9(a) (3) provides that in the case of the refunding of debt incurred in accordance with Section 9(c) of Article X, the debt evidenced by the refunding bonds will be counted against the 9(c) Debt Limit unless the Governor does not provide the net revenue sufficiency certification, in which case the debt evidenced by the refunding bonds will be counted against the 9(b) Debt Limit.

General Obligation Debt Limit and Debt Margin

Using individual and fiduciary income, corporate income and the state sales and use tax revenues as the sources of "taxes on income and retail sales", as of June 30, 2023, the debt limits pursuant to Article X, Section 9 of the Constitution of Virginia are as follows:

COMPUTATION OF LEGAL DEBT LIMIT AND DEBT MARGIN
(in thousands)

	Fiscal Year Ended June 30, 2023		
Taxes	**2021**	**2022**	**2023**
Individual and Fiduciary Income [1]	$17,304,476	$19,361,618	$20,032,168
Corporation Income [2]	1,515,692	1,978,697	2,031,120
State Sales and Use [3]	4,624,545	5,080,554	5,291,556
Total	$23,444,713	$26,420,869	$27,354,844
Average tax revenues for the three fiscal years			$25,740,142
Section 9(a)(2) General Obligation Debt Issuance Limit and Margin [4]:			
Debt Issuance Limit:			
30% of 1.15 times annual tax revenues for fiscal year 2023			$9,437,421
Less 9(a)(2) Bonds Outstanding:			0
Debt Issuance Margin for Section 9(a)(2) General Obligation Bonds			$9,437,421
Section 9(b) General Obligation Debt Issuance Limit and Margin:			
Debt Issuance Limit:			
1.15 times the average tax revenues for three fiscal years as calculated above			$29,601,163
Less 9(b) Bonds Outstanding at June 30, 2023:			
Public Facilities Bonds [6]		$173,122	
Transportation Facilities Refunding Bonds [5][6]		0	
Bond Anticipation Notes		0	
Total 9(b) Bonds Outstanding at June 30, 2023			173,122
Debt Issuance Margin for Section 9(b) General Obligation Bonds			$29,428,041
Debt Authorization Limit:			
25% of 1.15 times average tax revenues for three fiscal years as calculated above			$7,400,291
Less 9(b) debt authorized during the three prior fiscal years			0
Maximum additional 9(b) debt that may be authorized by the General Assembly (subject to referendum):			7,400,291
Section 9(c) General Obligation Debt Issuance Limit and Margin:			
Debt Issuance Limit:			
1.15 times the average tax revenues for three fiscal years as calculated above			$29,601,163
Less 9(c) Bonds Outstanding at June 30, 2023:			
Parking Facilities [6]		$4,646	
Transportation Facilities [6]		0	
Higher Educational Institutions [6]		940,849	
Bond Anticipation Notes		0	
Total 9(c) Bonds Outstanding at June 30, 2023			945,495
Debt Issuance Margin for Section 9(c) General Obligation Bonds			$28,655,668

[1] Includes taxes imposed pursuant to Articles 2 and 9 of Chapter 3, Title 58.1 of the Code of Virginia.
[2] Includes taxes imposed pursuant to Article 10 of Chapter 3, Title 58.1 of the Code of Virginia.
[3] Includes taxes imposed pursuant to Chapter 6, Title 58.1 of the Code of Virginia, less taxes identified in Sections 58.1-605 and 58.1-638.
[4] Debt limit applies only to debt authorized pursuant to Article X, Section 9(a)(2) of the Constitution of Virginia.
[5] These bonds refunded certain Section 9(c) debt and because the Governor did not certify the feasibility of the refinanced project, it must be applied against the Section 9(b) Debt Limit.
[6] Net of unamortized discounts and premiums.

Sources: Department of Accounts and Department of the Treasury.

Tax-Supported Debt–General Obligation

Tax-supported debt of the Commonwealth includes both general obligation debt and debt of agencies, institutions, boards and authorities for which debt service is expected to be made in whole or in part from appropriations of tax revenues.

Outstanding Section 9(b) debt as of June 30, 2023, includes the unamortized portion of $173.1 million of general obligation bonds. In November 1992, $613.0 million in general obligation bonds were authorized and approved by the voters. In November 2002, $1.0 billion in general obligation bonds were authorized and approved by the voters. Various series of refunding bonds were issued to refund certain series of bonds. Outstanding Section 9(c) debt as of June 30, 2023, includes various series of Higher Educational Institutions Bonds (including refunding bonds) issued from 2010 to 2022, and two series of Parking Facilities Bonds (including refunding bonds) issued in 2012 and 2016. Outstanding general obligation debt does not include 9(b) and 9(c) advance refunded bonds for which funds have been deposited in irrevocable escrow accounts in amounts sufficient to meet all required future debt service.

State statutes limit the amount of debt the Commonwealth may issue for each specific type of general obligation debt. As of June 30, 2023, these statutory limits significantly exceed the Commonwealth's outstanding general obligation debt.

Other Tax-Supported Debt

Section 9(d) of Article X provides that the restrictions of Section 9 are not applicable to any obligation incurred by the Commonwealth or any of its institutions, agencies or authorities if the full faith and credit of the Commonwealth is not pledged or committed to the payment of such obligation.

There are currently outstanding various types of 9(d) revenue bonds issued by authorities, political subdivisions and agencies to which the Commonwealth's full faith and credit is not pledged. Certain of these bonds, however, are paid in part or in whole from revenues received as appropriations by the General Assembly from general tax revenues, while others are paid solely from revenues derived from enterprises related to the operation of the financed capital projects or other non-General Fund revenues.

The debt repayments of the Virginia Public Building Authority, the Virginia College Building Authority 21st Century College and Equipment Programs, the Virginia Biotechnology Research Partnership Authority and several other long-term capital leases or notes have been supported all or in large part by General Fund appropriations.

The Commonwealth Transportation Board ("CTB") has issued various series of bonds authorized under the State Revenue Bond Act. These bonds are secured by and payable from funds appropriated by the General Assembly from the Transportation Trust Fund. The Transportation Trust Fund was established by the General Assembly in 1986 as a special non-reverting fund administered and allocated by the Transportation Board for the purpose of increased funding for construction, capital and other needs of state highways, airports, mass transportation and ports. As of June 30, 2023, $2.8 billion in CTB Tax-Supported bonds were outstanding. In 2007, the CTB was authorized by the General Assembly to issue up to $3.0 billion in Capital Projects Revenue Bonds, with an additional $180 million authorized in 2008 and an additional $150 million authorized in 2018 for a total authorization of $3.33 billion. In addition, in 2013, the CTB was authorized to issue up to $595.7 million in Transportation Revenue Bonds for the U.S. Route 58 Corridor Development Program, which the CTB began utilizing in 2022.

The Virginia Port Authority ("VPA") issues bonds secured by its share of the Transportation Trust Fund. As of June 30, 2023, $368.9 million of Commonwealth Port Fund ("CPF") Revenue Bonds were outstanding and there was no authorized but unissued CPF debt.

Leases and Contracts

Long-Term Liabilities. The Commonwealth is involved in numerous agreements to lease buildings, energy efficiency projects and equipment. For a detailed description, see "Notes to the Financial Statements" included in the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023. These lease agreements are for various terms, and each lease contains a non-appropriation clause indicating that continuation of the lease is subject to funding by the General Assembly. The Commonwealth implemented GASB Statement No. 87, Leases, in fiscal year 2022. This resulted in dramatic changes in categorizing leases and lease liability reporting. As a result of the changes the principal balance of all tax-supported Long-Term Liabilities outstanding as of June 30, 2023, was $604.1 million.

SBITAs. The Commonwealth implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), for the fiscal year ended June 30, 2023. The Commonwealth has entered into contractual agreements with various vendors that convey control of the right-to-use another entity's IT asset, alone, or in conjunction with a tangible capital asset in an exchange or exchange-like transaction under GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The Commonwealth has a variety of variable payment clauses within its SBITAs, including variable payments based on future performance, usage of the underlying asset, number of software licenses, or hours of access necessary. Such amounts are recognized as an expense in the period in which the obligation for those payments is incurred. The principal balance of tax- supported SBITAs outstanding was $183.5 million as of June 30, 2023.

Installment Purchases. The Commonwealth also finances the acquisition of certain personal property and equipment through installment purchase agreements. The length of the agreements and the interest rates charged vary. In most cases, the agreements are collateralized by the personal property and equipment acquired. Installment purchase agreements contain non-appropriation clauses indicating that continuation of the installment purchase is subject to funding by the General Assembly. The principal balance of tax-supported installment purchase obligations outstanding was $313.8 million as of June 30, 2023.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

Outstanding Tax-Supported Debt

The following table and chart summarize for the past five fiscal years the outstanding indebtedness of the Commonwealth, its agencies, institutions and authorities for which appropriated tax revenues are required to pay debt service. In certain instances, debt service may be paid with or payable from other non-tax sources (e.g., toll revenues, port revenues and user fees), but the underlying security remains the appropriation of tax revenues by the Commonwealth.

OUTSTANDING TAX-SUPPORTED DEBT

(in thousands)

	2019	2020	2021	2022	2023
General Obligation Debt: [1]					
Section 9(a)	-	-	-	-	-
Section 9(b) [2]	$ 401,873	$ 330,934	$ 278,221	$ 225,600	$ 173,122
Section 9(c) [2]					
Higher Educational Institutions	893,106	886,837	955,729	912,817	940,849
Transportation Facilities	6,061	3,083	-	-	-
Parking Facilities	8,567	7,583	$6,640	$5,664	$4,646
Sub-Total 9(c) [2]	$ 907,734	$ 897,503	$ 962,369	$ 918,481	$ 945,495
Total General Obligation Debt [2]	$ 1,309,607	$ 1,228,437	$ 1,240,590	$ 1,144,081	$ 1,118,617
Section 9(d) Debt:					
Transportation [2]	$ 2,966,581	$ 2,813,942	$ 2,661,007	$ 2,737,497	$ 2,802,412
Virginia Public Building Authority [2]	2,863,660	3,028,198	3,472,631	3,780,877	3,519,630
Virginia Port Authority [2]	234,114	223,708	222,831	210,246	368,903
Virginia College Building Authority 21st Century/Equipment [2]	4,566,772	4,384,599	5,101,393	5,389,998	5,636,772
Virginia Biotechnology Research Partnership Authority [2]	14,220		4,903	-	-
Virginia Aviation Board	-	-	-	-	-
Fairfax County Economic Development Authority	23,366	15,624	7,542	-	-
Total Section 9(d) Debt	$ 10,668,713	$ 10,466,071	$ 11,470,307	$ 12,118,618	$ 12,327,717
Other Long-Term Obligations:					
Capital Leases (2) (4)	$ 38,392	$ 35,318	$ 42,290		
Long Term Lease Obligations (2) (4)				555,071	604,124
Long-Term Subscription Based Information Technology Arrangements (5)					183,467
Installment Purchase Obligations (3)	170,190	216,159	224,013	339,548	313,824
Compensated Absences	666,786	687,473	737,166	713,185	790,099
Pension Liability	6,254,910	7,294,376	8,348,881	4,369,154	5,466,431
Total OPEB Liability	985,589	665,099	556,946	439,039	354,843
Net OPEB Liability	1,581,374	1,644,462	1,693,093	1,474,595	1,422,284
Other Liabilities and Notes Payable	40,752	38,738	41,270	37,096	31,274
Total Other Long-Term Obligations	$ 9,737,993	$ 10,581,625	$ 11,643,659	$ 7,927,688	$ 9,166,346
Total Tax-Supported Debt	$ 21,716,313	$ 22,276,133	$ 24,354,556	$ 21,190,387	$ 22,612,680

(1) The general obligation debt is the only debt or long-term obligation that is backed by the full faith and credit of the Commonwealth.

(2) All amounts are net of unamortized discounts and premiums.

(3) As discussed in Note 28, certain balances above contain Direct Borrowings and Direct Placements.

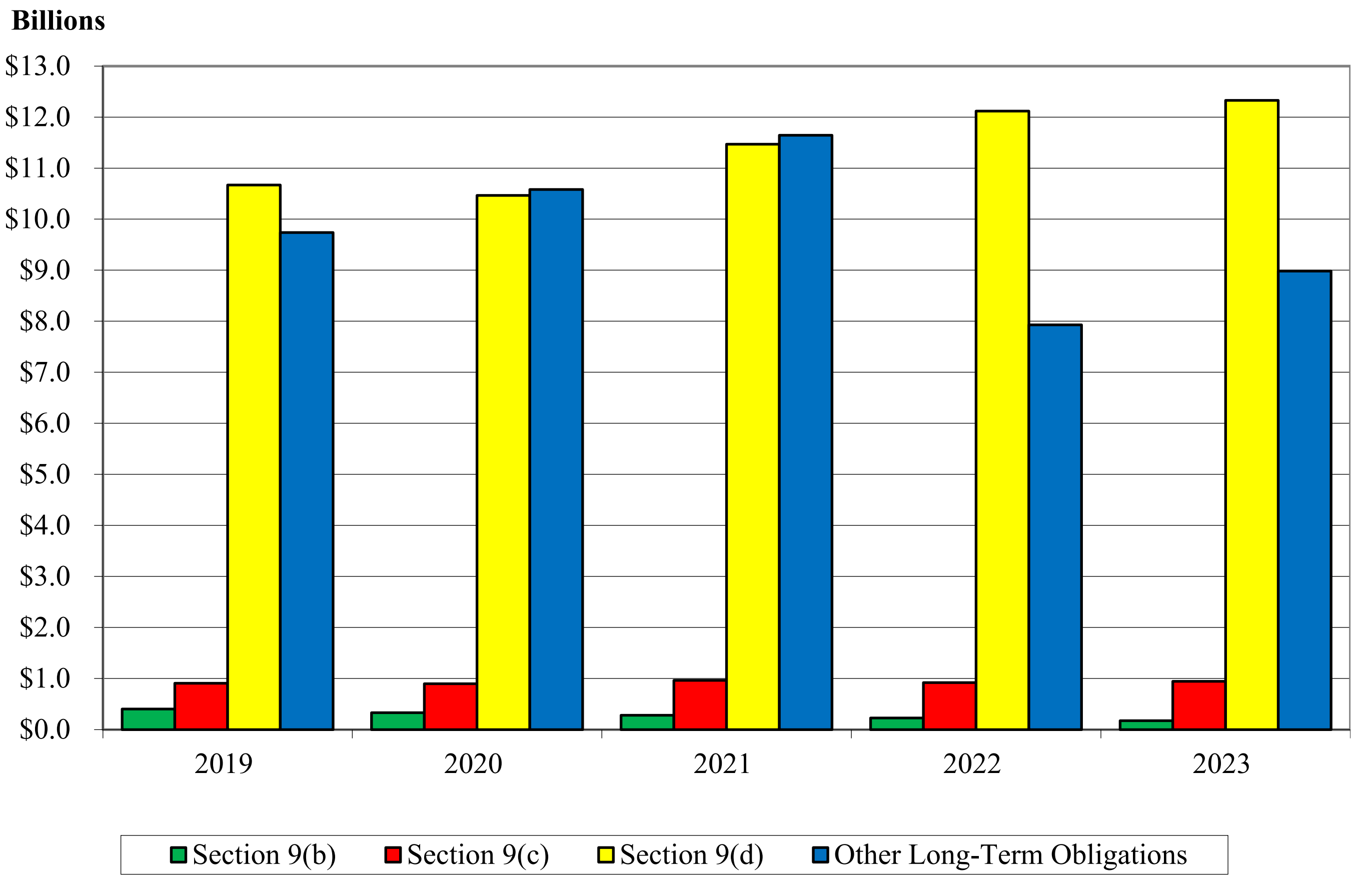
(4) GASB Statement No. 87, *Leases*, was effective starting with fiscal year 2022. This statement changed the lease liability classifications.

(5) GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was effective starting with fiscal year 2023.

Source: Department of the Treasury; Department of Accounts.

Outstanding Tax-Supported Debt

(in thousands)



REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

Outstanding Tax-Supported Debt Service

The following table summarizes annual debt service on outstanding tax-supported debt as of June 30, 2023. The table does not include debt service requirements for long-term lease liabilities, installment purchase obligations and subscription-based information technology arrangements payable from the General Fund of the Commonwealth.

ANNUAL DEBT SERVICE REQUIREMENTS

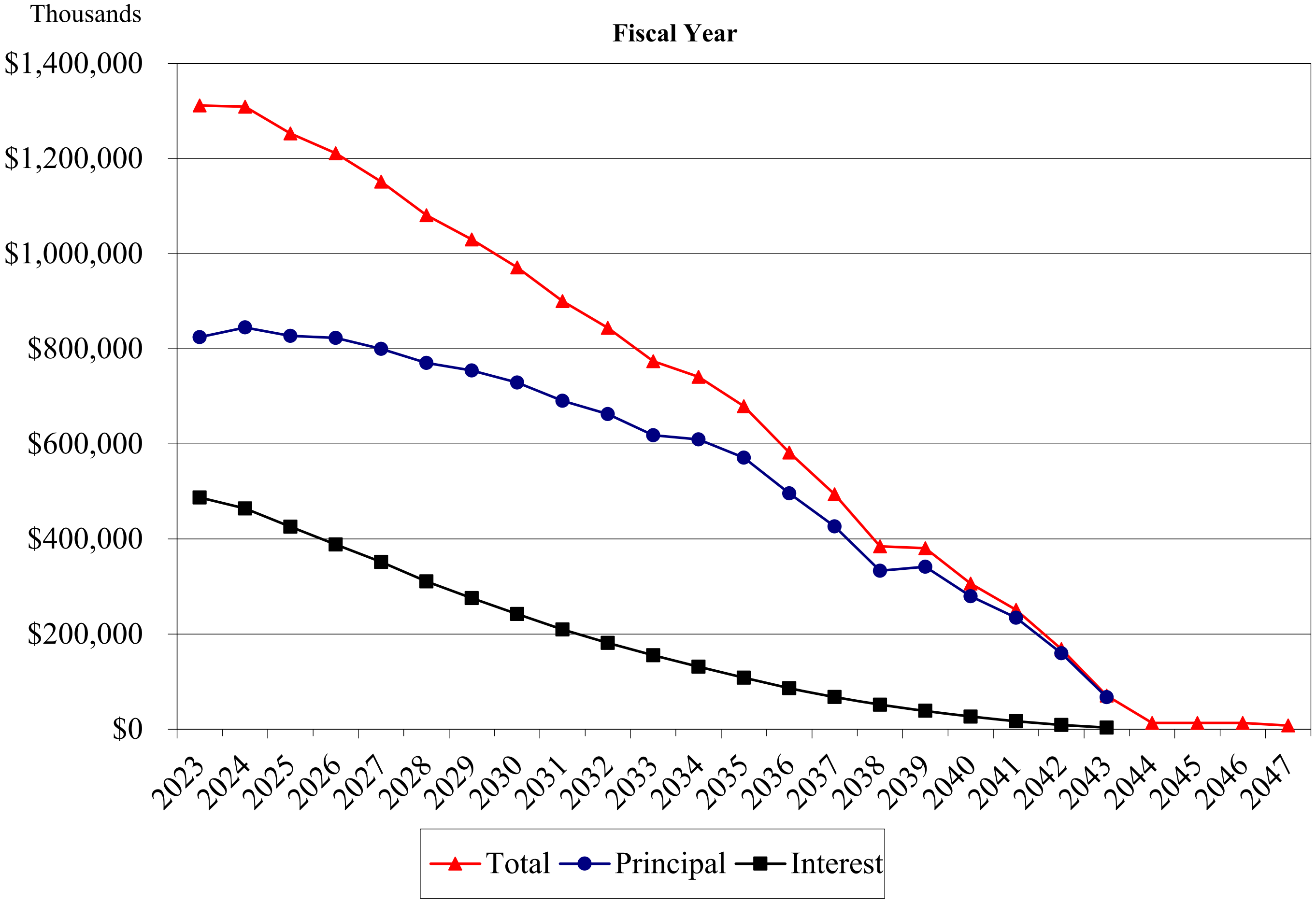
Tax-Supported Debt Outstanding at June 30, 2023
($ in thousands)

Fiscal Year Ending June 30	General Obligation Debt Sections 9(a), 9(b) and 9 (c) [1] Principal	Interest	Total	Other Tax-Supported Debt Section 9(d) [1] [2] Principal	Interest	Total	Total Principal	Interest	Total
2024	$ 116,220	$ 38,283	$ 154,503	$ 763,150	$ 454,783	$ 1,217,933	$ 879,370	$ 493,066	$ 1,372,436
2025	110,550	33,530	144,080	749,164	440,370	1,189,534	859,714	473,900	1,333,614
2026	106,555	29,166	135,721	749,739	405,514	1,155,253	856,294	434,680	1,290,974
2027	97,940	24,795	122,735	735,796	371,464	1,107,260	833,736	396,259	1,229,995
2028	83,725	20,692	104,417	722,855	338,338	1,061,193	806,580	359,030	1,165,610
2029	71,105	17,579	88,684	713,195	304,576	1,017,771	784,300	322,155	1,106,455
2030	64,065	14,911	78,976	690,190	271,501	961,691	754,255	286,412	1,040,667
2031	60,245	12,691	72,936	648,120	239,112	887,232	708,365	251,803	960,168
2032	51,035	10,701	61,736	631,145	210,689	841,834	682,180	221,390	903,570
2033	51,110	9,048	60,158	595,605	183,911	779,516	646,715	192,959	839,674
2034	45,855	7,395	53,250	594,995	158,138	753,133	640,850	165,533	806,383
2035	39,530	5,987	45,517	566,225	134,049	700,274	605,755	140,036	745,791
2036	32,030	4,770	36,800	505,430	111,047	616,477	537,460	115,817	653,277
2037	24,170	3,804	27,974	446,975	91,355	538,330	471,145	95,159	566,304
2038	21,440	3,058	24,498	361,235	73,720	434,955	382,675	76,778	459,453
2039	18,160	2,348	20,508	375,575	59,378	434,953	393,735	61,726	455,461
2040	16,565	1,809	18,374	317,685	44,924	362,609	334,250	46,733	380,983
2041	8,020	1,307	9,327	283,440	32,866	316,306	291,460	34,173	325,633
2042	6,340	1,001	7,341	221,975	22,265	244,240	228,315	23,266	251,581
2043	1,230	723	1,953	132,735	13,674	146,409	133,965	14,397	148,362
2044	1,285	670	1,955	38,240	8,959	47,199	39,525	9,629	49,154
2045	1,340	612	1,952	39,850	7,311	47,161	41,190	7,923	49,113
2046	1,400	551	1,951	41,575	5,571	47,146	42,975	6,122	49,097
2047	1,465	488	1,953	37,945	3,753	41,698	39,410	4,241	43,651
2048	1,530	423	1,953	31,855	2,003	33,858	33,385	2,426	35,811
2049	1,605	346	1,951	18,515	486	19,001	20,120	832	20,952
2050	1,685	266	1,951				1,685	266	1,951
2051	1,770	182	1,952				1,770	182	1,952
2052	1,860	93	1,953				1,860	93	1,953
Subtotal	1,039,830	247,229	1,287,059	11,013,209	3,989,757	15,002,966	12,053,039	4,236,986	16,290,025
Add Accretion on CAB's	0	0	0	18,668	0	18,668	18,668	0	18,668
Add Unamortized Premium	78,787	0	78,787	1,295,897	0	1,295,897	1,374,684	0	1,374,684
Less Unamortized Discount	0	0	0	(57)	0	(57)	(57)	0	(57)
TOTAL	$ 1,118,617	$ 247,229	$ 1,365,846	$ 12,327,717	$ 3,989,757	$ 16,317,474	$ 13,446,334	$ 4,236,986	$ 17,683,320

[1] Does not include long-term leases, installment purchase obligations, regional jail reimbursements under the original treasury board program, compensated absences, pension liability, OPEB liability, pollution rememdiation liability and other liabilities.

[2] Includes principal amount of $6,322 (dollars in thousands) for the primary government, net of acretion on capital appreciation and unamortized premiums and discounts.
Source: Department of the Treasury.

ANNUAL DEBT SERVICE REQUIREMENTS TAX-SUPPORTED
DEBT OUTSTANDING AT JUNE 30, 2023
(in thousands)



Source: Department of Treasury.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

RATIOS OF OUTSTANDING TAX-SUPPORTED DEBT
TO POPULATION AND PERSONAL INCOME AT JUNE 30, 2023

Fiscal Year	Population	Personal Income *	Outstanding Debt	Tax-Supported Debt/Capita	Debt/Income (%)
2015	8,389,864	$ 433,084,780	$ 19,750,033	$ 2,354	4.6
2016	8,444,688	444,688,825	20,877,208	2,472	4.7
2017	8,502,578	462,370,192	21,400,790	2,517	4.6
2018	8,547,016	479,769,649	21,879,456	2,560	4.6
2019	8,597,339	501,809,483	21,716,313	2,526	4.3
2020	8,636,471	530,918,418	22,285,802	2,580	4.2
2021	8,657,365	578,640,962	24,354,556	2,813	4.2
2022	8,683,619	599,039,457	21,190,387	2,440	3.5
2023*	8,715,698	601,252,426	22,612,680	2,594	3.8

Bureau of Economic Analysis SA1-3 Personal Income Summary, 2015-2022 revised population estimates as of September 2023.
BEA State Personal Income for 2015-2022 updated as September 2023, SAINC1 Personal Income by Major Source and Earnings by NAICS Industry. BEA State Personal Income updated as of 2023

Source: Population Division, US Census, Data Release Date: September, 2023
* Personal Income estimated by calculating population by per capita income. 2023 using 2022 per capita figure.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

Authorized and Unissued Tax-Supported Debt

As of June 30, 2023, the following tax-supported debt had been authorized by the General Assembly and remained unissued:

Authorized and Unissued Tax-Supported Debt
as of June 30, 2023
(in thousands)

	As of June 30, 2023
Section 9(b) Debt (Primary Government):	
Higher Educational Institution Bonds	$ -
Park and Recreational Facilities	-
Subtotal Section 9(b) Debt	-
Section 9(c) Debt (Primary Government):	
Higher Educational Institution Bonds	618,175
Parking Facilities Bonds	226
Subtotal Section 9(c) Debt	618,401
Section 9(d) Debt:	
Primary Government:	
Transportation Contract Revenue Bonds (Northern Virginia Transportation District Fund Program)	24,700
U.S. Route 58 Corridor Development Program	226,400
Transportation Capital Projects Revenue Bonds	146,634
Component Units:	
Virginia Public Building Authority (Projects)	1,345,158
Virginia Public Building Authority (Jails)	58,539
Virginia College Building Authority (21st Century)	1,010,009
Virginia College Building Authority (Equipment Program)	91,650
Virginia Port Authority	-
Subtotal Section 9(d) Debt	2,903,090
Total Authorized and Unissued Tax-Supported Debt	$ 3,521,491

Source: Department of Accounts and Department of Treasury.

Moral Obligation Debt

The Virginia Housing Development Authority, the Virginia Resources Authority and the Virginia Public School Authority are authorized to issue bonds secured in part by a moral obligation pledge of the Commonwealth. All three are designed to be self-supporting from their individual loan programs. The Commonwealth may fund deficiencies that may occur in debt service reserves for moral obligation debt. By the terms of the applicable statutes, the Governor is obligated to include in his annual budget submitted to the General Assembly the amount necessary to restore any such reported deficiency, but the General Assembly is not legally required to make any appropriation for such purpose. Neither the Virginia Housing Development Authority nor the Virginia Public School Authority have bonds outstanding that are secured by the moral obligation pledge. To date, the Virginia Resources Authority has not reported to the Commonwealth that any such reserve deficiencies exist. The table below summarizes the Commonwealth's outstanding moral obligation indebtedness for the past five fiscal years.

OUTSTANDING MORAL OBLIGATION DEBT
(in thousands)

Fiscal Year Ended June 30, 2023

	2019	2020	2021	2022	2023
Virginia Resources Authority [1]	$926,540	$933,279	$914,377	$929,911	$906,848
Total	$926,540	$933,279	$914,377	$929,911	$906,848

[1] Net of unamortized discounts and premiums costs.

Source: Virginia Resource Authority

Other Commonwealth Related Debt

There are several authorities and institutions of the Commonwealth that issue debt for which debt service is not paid through appropriations of state tax revenues and for which there is no moral obligation pledge to consider funding debt service or reserve fund deficiencies. A portion of the debt shown is additionally secured by a biennial contingent appropriation in the event available funds are less than the amount required to pay debt service. The following table summarizes for the past five fiscal years outstanding indebtedness of authorities and institutions whose debt falls into these categories.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

OUTSTANDING OTHER DEBT COMMONWEALTH RELATED ENTITIES
(in thousands)

	2019	2020	2021	2022	2023
Institutions of Higher Education [1]	$2,884,656	$3,240,479	$4,106,374	$4,449,563	$4,425,416
Virginia College Building Authority Public Higher Education Financing Program	1,674,580	1,522,505	1,442,450	1,403,940	1,467,225
Virginia College Building Authority Private College Program	697,525	563,777	525,865	532,025	566,505
Virginia Housing Development Authority [1]	3,042,060	3,997,125	4,358,584	4,679,799	4,763,715
Virginia Public School Authority [1]	3,554,603	3,563,368	3,604,298	3,993,860	4,048,594
Virginia Port Authority	285,782	279,396	272,815	266,025	259,020
Commonwealth Transportation Board					
Grant Anticipation Notes (GARVEES) [1]	1,151,850	1,059,387	1,086,897	979,791	873,808
I-81 Revenue Bonds [1]				102,401	100,882
Hampton Roads Sanitation District	891,629	835,479	835,006	868,472	979,742
Total	$14,182,685	$15,061,516	$16,232,289	$17,275,876	$17,484,907

[1] Net of unamortized discounts and premium

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 regularly prepares a Six-Year Capital Outlay Plan (the "Plan") for the Commonwealth. The Plan lists proposed capital projects, and it recommends how the proposed projects should be financed. More specifically, the Plan distinguishes between immediate demands and longer-term needs, assesses the state's ability to meet its highest priority needs, and outlines an approach for addressing priorities in terms of costs, benefits and financing mechanisms. The General Assembly has set out requirements for the funding of capital projects at a level not less than two percent of the General Fund revenues for the biennium, and the portion of that amount that may be recommended for bonded indebtedness.

RETIREMENT PLANS

The Commonwealth contributes to four pension plans each of which is administered by the Virginia Retirement System ("System"). The System acts as a common investment and administrative agent for the Commonwealth, local school boards and political subdivisions in Virginia. The plans administered by the System consist of the Virginia Retirement System ("VRS"), the State Police Officers Retirement System ("SPORS"), the Virginia Law Officers' Retirement System ("VaLORS") and the Judicial Retirement System ("JRS"). Membership in the VRS consists of Commonwealth employees, public school teachers and employees of political subdivisions that have voluntarily joined the system. Membership in SPORS consists of Commonwealth state police officers. Membership in VaLORS consists of law enforcement and corrections officers of the Commonwealth other than state police officers, and membership in JRS consists of judges in the Commonwealth's Circuit Courts, General District Courts, Court of Appeals and Supreme Court. Membership in the applicable retirement plans is mandatory for all eligible employees. VRS is the largest of four systems covering 346,617 active Commonwealth employees, school teachers and covered employees of local governments as of June 30, 2023, as compared with 9,898 active members of SPORS, VaLORS, and JRS combined. In addition, the four plans combined had approximately 210,301 inactive/deferred members who are no longer contributing but have not withdrawn previous contributions and may be eligible for a retirement benefit in the future.

ACTIVE MEMBER DISTRIBUTION OF RETIREMENT PLANS

Fiscal Year Ended June 30, 2023

	2022	2023
State Employees (VRS)……………………...	76,156	79,064
Teachers (VRS)……………………………...	153,204	152,954
Employees of Political Subdivisions (VRS)...	110,675	114,599
State Police Officers (SPORS)……………...	1,875	1,917
Virginia Law Officers (VaLORS)………….	7,342	7,524
Judges (JRS)………………………………...	459	457
Total	349,711	356,515

Source: Virginia Retirement System.

The System's Board of Trustees administers all four plans pursuant to statute. Each plan provides retirement, disability and death benefits. In addition, most members of all four plans are covered by group term life insurance.

The General Assembly established a new retirement plan (Hybrid Retirement Plan) for all new members hired on or after January 1, 2014, who are not in SPORS, VaLORS or VRS as a hazardous duty employee of a political subdivision. All new members hired on or after July 1, 2010, and before January 1, 2014, are in Plan 2. Vested members on January 1, 2013, with service before July 1, 2010, are in Plan 1. Non-vested members on January 1, 2013, with service before July 1, 2010, are in Plan 2. The different provisions for the retirement plans are set forth in the following table:

Retirement Benefit Plan Provisions

AS ESTABLISHED BY TITLE 51.1 OF THE *CODE OF VIRGINIA* (1950), AS AMENDED

All full-time, salaried permanent (professional) employees of state agencies, public school divisions and employees of participating employers are automatically covered by a pension plan upon employment. Members qualify for retirement when they become vested and meet the age and service requirements for their plan, as shown in the following table.

The System administers three different benefit structures for government employees: Plan 1, Plan 2 and the Hybrid Retirement Plan. Each of these is called a plan in statute and each has different provisions with a specific eligibility and benefit structure. These different benefit structures are set out in the following table:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer. • Contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses and any required fees.
Eligible Members Members are covered under Plan 1 if their membership date is prior to July 1, 2010, they were vested before January 1, 2013 and they have not taken a refund. **Hybrid Opt-In Election** VRS non-hazardous duty-covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.	**Eligible Members** Members are eligible for Plan 2 if their membership date is from Jul 1, 2010, to December 31, 2013, and they have not taken a refund. Additionally, members are covered under Plan 2 if they have a membership date prior to July 1, 2010, but were not vested before January 1, 2013. Members covered under VaLORS, SPORS or VRS with enhanced hazardous duty benefits or the hazardous duty alternate option, and whose membership dates are on or after July 1, 2010, are in Plan 2 even if their membership dates are after December 31, 2013.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • State employees • School division employees • Political subdivision employees • Judges appointed or elected to an original term on or after January 1, 2014, regardless of if vested to VRS Plan 1 or VRS Plan 2. • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan1 or ORP.	**Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Members of the State Police Officers' Retirement System (SPORS) • Members of the Virginia Law Officers' Retirement System (VaLORS) • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions State employees, excluding state elected officials, judges in Plan 1 or Plan 2 and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax- deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Same as Plan 1.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages. Mandatory member contributions and the employer match on the mandatory and voluntary member contributions are recorded in a 401(a) account, along with the accrued net investment income. The voluntary member contributions and accrued net investment income are recorded in a 457(b) account. Members are responsible for investing their accounts using the various investment options that are available.
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine eligibility for retirement and to calculate the retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Service Credit** Same as Plan 1.	**Service Credit** *Defined Benefit Component*: Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine eligibility for retirement and to calculate the retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. *Defined Contribution Component:* Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** *Defined Benefit Component:* Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. *Defined Contribution Component:* Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** *Defined Benefit Component:* See definition under Plan 1. *Defined Contribution Component:* The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest creditable compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of the 60 consecutive months of highest creditable compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

The latest valuations of the pension plans were performed by Gabriel, Roeder, Smith & Company under the provisions of the new Government Accounting Standards Board (GASB) Statement No. 67 using June 30, 2022 data, rolled forward to June 30, 2023. The plan fiduciary net position as a percentage of the total pension liability was 82.19% for the VRS state plan, 85.45% for the VRS teacher plan, 91.93% for the aggregate total of the VRS political subdivision plans, 73.81% for SPORS, 74.91% for VaLORS and 88.29% for JRS. The calculations reflect an assumed rate of return on investments of 6.75%. For further discussion of the funding of the pension programs, see “Retirement and Pension Systems” in the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023.

Investments Allocations and Returns. The target asset allocation is set by the Board of Trustees, with no legal limit imposed by the General Assembly. The actual allocation takes into account that private market investments are made gradually in order to prudently reach the target level over multiple years. Amounts not yet invested in private markets are currently allocated to public equity and fixed income.

Asset Allocation for FY 2023

	Actual allocation as of 06/30/2023	**Target allocation range**
Public Equity	33.0%	–32% - 42%
Credit Strategies	13.6%	9 %- 19%
Fixed Income	12.8%	13% - 21%
Real Assets	13.5%	9% - 19%
Private Equity	18.2%	8% - 18%
EMP – Exposure Management Portfolio	0.9%	0%-5%
MAPS – Multi-Asset Public Strategies	3.5%	2% - 4%
PIP – Private Investment Partnership	2.6%	1% - 4%
Cash	1.9%	0%-5%
Total	100.0%	

Source: Virginia Retirement System.

As of June 30, 2023, the rates of return (on an unaudited basis, expressed in percentages and net of fees) on the System’s investments are as follows:

	1 Yr.	**3 Yr.**	**5 Yr.**	**10 Yr.**
Total VRS Fund	6.1%	10.88	8.0%	8.2.

Source: Virginia Retirement System.

The System’s rate of return on investments during the fiscal year ended June 30, 2023, was 6.1% compared to a return of 0.6% for the fiscal year ending June 30, 2022. The increase was due primarily to the performance of the public and private equity fixed income investments in the portfolio as a result of The Federal Reserve raising interest rates by 3.5% during the fiscal year.

SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY BY SYSTEM AND PLAN

AS OF JUNE 30, 2023

(EXPRESSED IN THOUSANDS)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Employers' Net Pension Liability/ (Asset) (a-b)	Plan Fiduciary Net Position as a % of the Total Pension Liability (b/a)	Covered Payroll (c)	New Pension Liability/(Asset) as a % of the Covered Payroll (a-b)/(c)
Virginia Retirement System:						
State	$ 28,411,528	$ 23,351,827	$ 5,059,701	82.19%	$ 5,069,435	99.81%
Teacher	57,574,609	47,467,405	10,107,204	82.45%	9,970,623	101.37%
Political Subdivisions*	29,704,278	27,308,038	2,396,240	91.93%	6,337,774	37.81%
Total Virginia Retirement System	**$ 115,690,415**	**$ 98,127,270**	**$ 17,563,145**		**$ 21,377,832**	
State Police Officers' Retirement System	1,462,948	1,079,755	383,193		156707	
Virginia Law Officers' Retirement System	2,577,980	1,931,061	646,919	74.91%	369,142	175.25%
Judicial Retirement System	767,857	677,958	89,899	88.29%	84,059	106.95%
Grand Total	**$ 120,499,200**	**$ 101,816,044**	**$ 18,683,156**		**$ 21,987,740**	

*Political subdivision data is from the consolidated report provided by Gabriel, Roeder, Smith & Compnay

In addition to the defined benefit programs described above, the Commonwealth also makes contributions to a defined contribution retirement plan for political appointees. Contributions for this plan are based on 12.3% of each appointee's salary. At June 30, 2023, this plan had 479 accounts and total assets of approximately $26,362,344.

The following schedules present comparative information for the most recent five fiscal years. For similar information from prior fiscal years, see the annual financial reports prepared by the System at www.varetire.org.

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(IN THOUSANDS)

	VRS State				
	2023	2022	2021	2020	2019
Total pension liability:					
Service cost	$ 425,233	$ 413,902	$ 404,703	$ 406,776	$ 379,359
Interest	1,803,758	1,779,933	1,704,842	1,666,047	1,627,637
Benefit changes	0	0	0	0	0
Difference between actual and expected experience	706,071	(247,391)	(281,382)	(12,440)	181,189
Assumption changes	0	0	412,575	0	663,566
Benefit payments	(1,610,266)	(1,536,665)	(1,486,951)	(1,427,873)	(1,360,833)
Refunds of contributions	(31,014)	(31,680)	(29,065)	(27,427)	(26,897)
Net change in total pension liability	1,293,782	378,099	724,722	605,083	1,464,021
Total pension liability – beginning	**27,117,746**	**26,739,647**	**26,014,925**	**25,409,842**	**23,945,821**
Total pension liability – ending (a)	**$ 28,411,528**	**$ 27,117,746**	**$ 26,739,647**	**$ 26,014,925**	**$ 25,409,842**
Plan fiduciary net position:					
Contributions – employer	$ 683,049	$ 633,738	$ 609,778	$ 576,443	$ 545,584
Contributions – member	234,317	217,945	207,065	210,896	201,481
Contributions – non-employer	73,052	219,156	—	—	—
Net investment income	1,437,612	(21,579)	5,055,163	361,061	1,211,722
Benefit payments	(1,610,266)	(1,536,665)	(1,486,951)	(1,427,873)	(1,360,833)
Refunds of contributions	(31,014)	(31,680)	(29,065)	(27,427)	(26,897)
Administrative expense	(14,498)	(14,302)	(12,904)	(12,603)	(12,374)
Other	249	296	(737)	(539)	(762)
Net change in plan fiduciary net position	772,501	(533,091)	4,342,349	(320,042)	557,921
Plan fiduciary net position – beginning	**22,579,326**	**23,112,417**	**18,770,068**	**19,090,110**	**18,532,189**
Plan fiduciary net position – ending (b)	**$ 23,351,827**	**$ 22,579,326**	**$ 23,112,417**	**$ 18,770,068**	**$ 19,090,110**
Net pension liability – ending (a-b)	**$ 5,059,701**	**$ 4,538,420**	**$ 3,627,230**	**$ 7,244,857**	**$ 6,319,732**
Plan fiduciary net position as a percentage of the total pension liability (b/a)	82.19 %	83.26 %	86.44 %	72.15 %	75.13 %
Covered payroll (c)	$ 5,069,435	$ 4,661,991	$ 4,399,969	$ 4,440,135	$ 4,197,484
Net pension liability as a percentage of covered payroll ((a-b)/c)	99.81 %	97.35 %	82.44 %	163.17 %	150.56 %

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(IN THOUSANDS)

	VRS Political Subdivisions				
	2023	2022	2021	2020	2019
Total pension liability:					
Service cost	$ 725,694	$ 640,327	$ 613,227	$ 603,766	$ 556,149
Interest	1,900,513	1,840,834	1,674,640	1,593,594	1,535,532
Benefit changes	2,891	9,042	13,157	19,657	3,948
Difference between actual and expected experience	363,648	(294,247)	(164,895)	221,364	45,032
Assumption changes	691	(15)	1,003,382	—	691,407
Benefit payments	(1,395,124)	(1,307,581)	(1,237,074)	(1,157,505)	(1,082,791)
Refunds of contributions	(43,391)	(48,297)	(42,460)	(38,323)	(40,249)
Net change in total pension liability	1,554,922	840,063	1,859,977	1,242,553	1,709,028
Total pension liability – beginning	**28,149,356**	**27,309,293**	**25,449,316**	**24,206,763**	**22,497,735**
Total pension liability – ending (a)	**$ 29,704,278**	**$ 28,149,356**	**$ 27,309,293**	**$ 25,449,316**	**$ 24,206,763**
Plan fiduciary net position:					
Contributions – employer	$ 736,843	$ 608,879	$ 579,989	$ 521,543	$ 499,293
Contributions – member	302,890	276,350	258,562	258,408	248,421
Net investment income	1,678,096	(26,243)	5,779,327	405,051	1,345,759
Benefit payments	(1,395,124)	(1,307,581)	(1,237,074)	(1,157,505)	(1,082,791)
Refunds of contributions	(43,391)	(48,297)	(42,460)	(38,323)	(40,249)
Administrative expense	(16,656)	(16,525)	(14,411)	(13,842)	(13,369)
Other	349	264	161	(274)	(853)
Net change in plan fiduciary net position	1,263,007	(513,153)	5,324,094	(24,942)	956,211
Plan fiduciary net position – beginning	**26,045,031**	**26,558,184**	**21,234,090**	**21,259,032**	**20,302,821**
Plan fiduciary net position – ending (b)	**$ 27,308,038**	**$ 26,045,031**	**$ 26,558,184**	**$ 21,234,090**	**$ 21,259,032**
Net pension liability – ending (a-b)	**$ 2,396,240**	**$ 2,104,325**	**$ 751,109**	**$ 4,215,226**	**$ 2,947,731**
Plan fiduciary net position as a percentage of the total pension liability (b/a)	91.93 %	92.52 %	97.25 %	83.44 %	87.82 %
Covered payroll (c)	6,337,774	5,699,596	5,403,267	$ 5,368,250	$ 5,118,622
Net pension liability as a percentage of covered payroll ((a-b)/c)	37.81 %	36.92 %	13.90 %	78.52 %	57.59 %

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(IN THOUSANDS)

	VRS Teacher				
	2023	2022	2021	2020	2019
Total pension liability:					
Service cost	$ 901,517	$ 823,885	$ 948,915	$ 938,143	$ 889,003
Interest	3,660,139	3,568,410	3,355,158	3,269,776	3,184,697
Benefit changes	—	—	—	—	—
Difference between actual and expected experience	1,099,742	(361,725)	(178,349)	(404,985)	(174,815)
Assumption changes	—	—	845,179	—	1,472,649
Benefit payments	(2,773,752)	(2,635,945)	(2,553,153)	(2,448,204)	(2,331,038)
Refunds of contributions	(45,366)	(43,437)	(38,464)	(36,211)	(36,715)
Net change in total pension liability	2,842,280	1,351,188	2,379,286	1,318,519	3,003,781
Total pension liability – beginning	**54,732,329**	**53,381,141**	**51,001,855**	**49,683,336**	**46,679,555**
Total pension liability – ending (a)	**$ 57,574,609**	**$ 54,732,329**	**$ 53,381,141**	**$ 51,001,855**	**$ 49,683,336**
Plan fiduciary net position:					
Contributions – employer	$ 1,576,963	$ 1,485,307	$ 1,416,135	$ 1,327,774	$ 1,280,964
Contributions – member	465,101	439,139	419,415	418,909	403,258
Contributions - non-employer	147,457	442,371	61,344	—	—
Net investment income	2,913,862	(66,609)	9,887,249	689,010	2,311,028
Benefit payments	(2,773,752)	(2,635,945)	(2,553,153)	(2,448,204)	(2,331,038)
Refunds of contributions	(45,366)	(43,437)	(38,464)	(36,211)	(36,715)
Administrative expense	(28,677)	(27,876)	(24,543)	(23,649)	(22,843)
Other	86	737	832	(1,169)	(1,448)
Net change in plan fiduciary net position	2,255,674	(406,313)	9,168,815	(73,540)	1,603,206
Plan fiduciary net position – beginning	**45,211,731**	**45,618,044**	**36,449,229**	**36,522,769**	**34,919,563**
Plan fiduciary net position – ending (b)	**$ 47,467,405**	**$ 45,211,731**	**$ 45,618,044**	**$ 36,449,229**	**$ 36,522,769**
Net pension liability – ending (a-b)	**$ 10,107,204**	**$ 9,520,598**	**$ 7,763,097**	**$ 14,552,626**	**$ 13,160,567**
Plan fiduciary net position as a percentage of the total pension liability (b/a)	82.45 %	82.61 %	85.46 %	71.47 %	73.51 %
Covered payroll (c)	$ 9,970,623	$ 9,319,260	$ 8,843,887	$ 8,766,667	$ 8,387,503
Net pension liability as a percentage of covered payroll ((a-b)/c)	101.37 %	102.16 %	87.78 %	166.00 %	156.91 %

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(IN THOUSANDS)

	SPORS				
	2023	2022	2021	2020	2019
Total pension liability:					
Service cost	$ 25,401	$ 23,688	$ 22,042	$ 22,167	$ 20,079
Interest	90,683	86,396	79,549	77,231	72,715
Benefit changes		—	—	—	—
Difference between actual and expected experience	66,727	25,538	(9,431)	4,466	45,330
Assumption changes		—	58,257	—	31,773
Benefit payments	(75,578)	(71,466)	(73,227)	(64,991)	(62,683)
Refunds of contributions	(240)	(378)	(271)	(552)	(805)
Net change in total pension liability	106,993	63,778	76,919,000	38,321	106,409
Total pension liability – beginning	**1,355,955**	**1,292,177**	**1,215,258**	**1,176,937**	**1,070,528**
Total pension liability – ending (a)	**$ 1,462,948**	**$ 1,355,955**	**$ 1,292,177**	**$ 1,215,258**	**$ 1,176,937**
Plan fiduciary net position:					
Contributions – employer	$ 46,936	$ 36,494	$ 33,788	$ 32,497	$ 31,437
Contributions – member	7,952	7,131	6,489	6,600	6,379
Contributions – special	3,653	10,958	—	—	—
Net investment income	66,245	(902)	229,138	16,333	54,792
Benefit payments	(75,578)	(71,466)	(73,227)	(64,991)	(62,683)
Refunds of contributions	(240)	(378)	(271)	(552)	(805)
Administrative expense	(595)	(602)	(531)	(360)	(488)
Other	(1)	—	—	(38)	(61)
Net change in plan fiduciary net position	48,372	(18,765)	195,386	(10,511)	28,571
Plan fiduciary net position – beginning	**1,031,383**	**1,050,148**	**854,762**	**865,273**	**836,702**
Plan fiduciary net position – ending (b)	**$ 1,079,755**	**$ 1,031,383**	**$ 1,050,148**	**$ 854,762**	**$ 865,273**
Net pension liability – ending (a-b)	**$ 383,193**	**$ 324,572**	**$ 242,029**	**$ 360,496**	**$ 311,664**
Plan fiduciary net position as a percentage of the total pension liability (b/a)	73.81 %	76.06 %	81.27 %	70.34 %	73.52 %
Covered payroll (c)	$ 156,707	$ 138,644	$ 128,252	$ 130.759	$ 126,483
Net pension liability as a percentage of covered payroll ((a-b)/c)	244.53 %	234.10 %	188.71 %	275.69 %	246.41 %

.

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(DOLLARS IN THOUSANDS)

	VaLORS				
	2023	**2022**	**2021**	**2020**	**2019**
Total pension liability:					
Service cost	$ 46,317	$ 44,326	$ 47,606	$ 48,003	$ 44,526
Interest	$ 165,299	159,759	149,677	143,708	139,307
Benefit changes		—	—	—	—
Difference between actual and expected experience	$ 35,308	15,632	(25,405)	22,645	11,067
Assumption changes		—	66,216	—	62,090
Benefit payments	$ (138,022)	(129,974)	(124,045)	(117,137)	(109,193)
Refunds of contributions	$ (4,990)	(6,284)	(5,791)	(4,893)	(4,933)
Net change in total pension liability	$ 103,912	83,459	108,258	92,326	142,864
Total pension liability – beginning	**2,474,068**	**2,390,609**	**2,282,351**	**2,190,025**	**2,047,161**
Total pension liability – ending (a)	**$ 2,577,980**	**$ 2,474,068**	**$ 2,390,609**	**$ 2,282,351**	**$ 2,190,025**
Plan fiduciary net position:					
Contributions – employer	$ 90,433	$ 73,960	$ 76,415	$ 79,914	$ 75,327
Contributions – member	18,769	17,276	17,602	18,712	17,871
Contributions – special	6,629	19,887	—	—	—
Net investment income	118,276	(1,666)	405,217	28,579	93,872
Benefit payments	(138,022)	(129,974)	(124,045)	(117,137)	(109,193)
Refunds of contributions	(4,990)	(6,284)	(5,791)	(4,893)	(4,933)
Administrative expense	(1,063)	(1,074)	(943)	(623)	(831)
Other	(12)	(8)	—	(73)	(103)
Net change in plan fiduciary net position	90,020	(27,883)	368,455	4,479	72,010
Plan fiduciary net position – beginning	**1,841,041**	**1,868,924**	**1,500,469**	**1,495,990**	**1,423,980**
Plan fiduciary net position – ending (b)	**$ 1,931,061**	**$ 1,841,041**	**$ 1,868,924**	**$ 1,500,469**	**$ 1,495,990**
Net pension liability – ending (a-b)	**$ 646,919**	**$ 633,027**	**$ 521,685**	**$ 781,882**	**$ 694,035**
Plan fiduciary net position as a percentage of the total pension liability (b/a)	74.91 %	74.41 %	78.18 %	65.74 %	68.31 %
Covered payroll (c)	$ 369,142	$ 338,768	$ 348,650	$ 369,996	$ 349,998
Net pension liability as a percentage of covered payroll ((a-b)/c)	175.25 %	186.86 %	149.63 %	211.32 %	198.3 %

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(IN THOUSANDS)

	JRS				
	2023	**2022**	**2021**	**2020**	**2019**
Total pension liability:					
Service cost	$ 19,735	$ 18,630	$ 19,335	$ 20,650	$ 18,767
Interest	50,938	50,036	44,788	44,234	44,139
Benefit changes		—	—	—	—
Difference between actual and expected experience	(12,421)	(7,256)	(10,245)	(9,446)	(7,158)
Assumption changes		—	53,040	—	14,077
Benefit payments	(50,572)	(47,679)	(47,750)	(46,546)	(43,587)
Refunds of contributions	(15)	(41)	(135)	(12)	—
Net change in total pension liability	7,665	13,690	59,033	8,880	26,238
Total pension liability – beginning	**760,192**	**746,502**	**687,469**	**678,589**	**652,351**
Total pension liability – ending (a)	**$ 767,857**	**$ 760,192**	**$ 746,502**	**$ 687,469**	**$ 678,589**
Plan fiduciary net position:					
Contributions – employer	$ 25,705	$ 24,016	$ 22,856	$ 24,819	$ 22,893
Contributions – member	2,320	2,033	1,868	3,436	3,208
Contributions – special	2,083	6,250	—	—	—
Net investment income	41,850	(477)	147,200	10,491	35,372
Benefit payments	(50,572)	(47,678)	(47,750)	(46,546)	(43,587)
Refunds of contributions	(15)	(41)	(135)	(12)	—
Administrative expense	(378)	(386)	(343)	(232)	(315)
Other		97	—	(42)	(39)
Net change in plan fiduciary net position	$ 20,993	$ (16,186)	$ 123,696	(8,086)	17,532
Plan fiduciary net position – beginning	**656,965**	**673,151**	**549,455**	**557,541**	**540,009**
Plan fiduciary net position – ending (b)	**$ 677,958**	**$ 656,965**	**$ 673,151**	**$ 549,455**	**$ 557,541**
Net pension liability – ending (a-b)	**$ 89,899**	**$ 103,227**	**$ 73,351**	**$ 138,014**	**$ 121,048**
Plan fiduciary net position as a percentage of the total pension liability (b/a)	88.29 %	86.42 %	90.17 %	79.92 %	82.16 %
Covered payroll (c)	$ 84,059	$ 79,540	$ 74,594	$ 74,769	$ 68,330
Net pension liability as a percentage of covered payroll ((a-b)/c)	106.95 %	129.78 %	98.33 %	184.59 %	177.15 %

OTHER LONG-TERM LIABILITIES

Employee Benefits Other than Pension Benefits

Employees of the Commonwealth accrue annual leave at a rate of four to nine hours semi-monthly, depending on their length of service. The maximum accumulation is dependent on years of service, but in no case may it exceed 54 days. All employees hired after January 1, 1999, are required to enroll in the Virginia Sickness and Disability Program ("VSDP"). Under the VSDP, employees receive a specified number of sick and personal leave hours, depending on their length of service, and any balances at the end of the calendar year revert. Individuals employed at January 1, 1999, had the option of converting to the VSDP or remaining in the original sick leave plan. If converting, the employee's sick leave balance could be used to purchase retirement credits or be converted to disability credits. If an employee opted to remain in the original sick leave program, sick leave accrues at a rate of five hours semimonthly. Employees who leave State service after a minimum of five years employment receive the lesser of 25 percent of the value of their disability credits or accumulated sick leave at the current earnings rate or $5,000. All employees leaving State service are paid for accrued annual leave up to the lessor of the maximum calendar year limit or 42 days at their current earnings rate.

The VSDP was established for all full-time, classified state employees, including state police officers, and other state law enforcement and correctional officers. Part-time, classified state employees who work at least 20 hours per week on a salaried basis and who accrue leave are also covered. After a seven calendar-day waiting period following the first incident of disability, the VSDP provides short-term disability benefits from 60% to 100% of compensation up to a maximum of 125 work days. After a 180 calendar day waiting period, eligible employees receive long-term disability benefits equal to 60% of compensation until they return to work, until age 65 (age 60 for state police officers and other state law enforcement and correctional officers), or until death. Eligibility periods for non-work-related disability coverage and certain income replacement levels apply for employees hired on or after July 1, 2009.

In addition to providing pension benefits, the Commonwealth provides life insurance for active and retired employees and a retiree health insurance credit to offset a portion of the cost of health insurance premiums for qualifying state retirees under VRS, SPORS, JRS and VaLORS. The estimated costs of these benefits are funded over the working lives of the employees through employer contributions and investment income.

Self-Insurance

The Commonwealth provides several types of self-insurance for the benefit of state agencies and institutions. The Department of the Treasury, Division of Risk Management, administers self-insurance programs for general (tort) liability, medical malpractice and automobile liability. The Department of Human Resource Management administers the state employee health care self-insurance fund. At June 30, 2022, $568.8 million was reported as the combined estimated claims payable for self- insurance.

Medicaid Payable

The Department of Medical Assistance Services estimates, based on past experience, the total amount of claims that will be paid from the Medicaid program in the future that relate to services provided before year end. At June 30, 2022, the estimated liability related to normal operations totaled $2.3 billion. Of this amount, $479.8 million is reflected in the General Fund, $1.6 billion in the Federal Trust Special Revenue Fund and $1,890 million in the Health and Social Services Fund (nonmajor special revenue).

For a more detailed explanation of Other Long-Term Liabilities, see "Notes to the Financial Statements" in The Commonwealth Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023.

Other Post-Employment Benefits (OPEB) – Financial Statement Reporting

The Commonwealth currently has five postemployment benefit programs other than the retirement plans described above ("OPEB Programs"). They are: Retiree Health Insurance Credit, Group Life Insurance, Virginia Sickness and Disability Program, Pre-Medicare Retiree Health Insurance Program and Line of Duty Death and Health Insurance Benefit.

The Governmental Accounting Standards Board (GASB) issued accounting and reporting standards for other postemployment benefits. The VRS implemented GASB Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, in their published financial statements for the fiscal year ended June 30, 2017. The Commonwealth, as an employer, implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* for the fiscal year ended June 30, 2018. Updated data has been included by VRS and the Commonwealth in their reports for subsequent fiscal years.

SCHEDULE OF EMPLOYERS' NET OPEB LIABILITY BY PROGRAM AND PLAN
AS OF JUNE 30, 2023

(EXPRESSED IN THOUSANDS)

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Employers' Net OPEB Liability/ (Asset) (a-b)	Plan Fiduciary Net OPEB as a % of the Total OPEB Liability (b/a)	Covered Payroll (c)	New Opeb Liability/(Asset) as a % of the Covered Payroll (a-b)/ (c)
Group Life Insurance Fund	**$ 3,907,052**	**$ 2,707,739**	**$ 1,199,913**	**69.30%**	**$ 23,592,896**	5.08%
Health Insurance Credit Fund:						
State	1,102,220	280,599	821,621	25.46%	8,241,227	9.97%
Teacher	1,475,471	264,054	1,211,417	17.90%	9,971,090	12.15%
Political Subdivisions*	77,344	40,057	37,287	51.79%	1,755,661	2.12%
Constitutional Officers	40,001	9,767	30,234	24.42%	847,657	3.57%
Social Services Employees	14,972	5,145	9,827	34.36%	342,719	2.87%
Registrars	558	256	302	45.88%	19,199	1.57%
Total Health Insurance Credit	**$ 2,710,566**	**$ 599,878**	**$ 2,110,688**		**$ 21,177,553**	
Disability Insurance Trust Fund	**$ 318,901**	**$ 634,779**	**$ (315,878)**	**199.05%**	**$ 5,103,828**	-6.19%
Virginia Local Disability Program:						
Teacher	10,672	10,007	665	93.77%	933,836	0.07%
Political Subdivisions	9,525	11,134	(1,609)	116.89%	612,072	-0.26%
Total Virginia Local Disability Program	**$ 20,197**	**$ 21,141**	**$ (944)**		**$ 1,545,908**	
Line of Duty Act Trust Fund	**$ 406,211**	**$ 5,311**	**$ 400,900**	**1.31%**	**	N/A
Grand Total	**$ 7,362,927**	**$ 3,968,848**	**$ 3,394,679**		**$ 51,420,185**	

*Political subdivision data is from the consolidated report provided by Gabriel, Roeder, Smith & Compnay
**Contributions into the Line of Duty Act Trust Fund are based on the number of participants in the program usiing a per capita-based contribution versus a payroll-based contribution.

Source: VRS ACFR Statement of Changes in Fiduciary Net Position: Defined Benefit Pension Trust Funds and Other Employee Benefits Trust Funds VRSACFR Schedule of Employers' Net OPEB Liabilities by Program and Plan.

The following schedules present comparative information for the most recent five fiscal years. For similar information from prior fiscal years, see the annual financial reports prepared by the System at www.varetire.org.

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS

(IN THOUSANDS)

Change in the Net OPEB Liability	Group Life Insurance Fund 2023	Group Life Insurance Fund 2022	Group Life Insurance Fund 2021	Group Life Insurance Fund 2020	Group Life Insurance Fund 2019
Total OPEB liability:					
Service cost	$ 88,493	$ 79,890	$ 96,894	$ 98,367	$ 86,912
Interest	247,906	241,074	232,052	221,684	210,950
Changes in benefit terms	—	—	—	—	—
Difference between actual and expected experience	74,372	(54,700)	63,189	25,709	56,736
Changes of assumptions	—	—	(166,464)	—	122,011
Benefit payments	(175,804)	(171,525)	(172,263)	(212,060)	(199,879)
Net change in total OPEB liability	234,967	94,739	53,408	133,700	276,730
Total OPEB liability - beginning	3,672,085	3,577,346	3,523,938	3,390,238	3,113,508
Total OPEB liability - ending (a)	$ 3,907,052	$ 3,672,085	$ 3,577,346	$ 3,523,938	$ 3,390,238
Plan fiduciary net position:					
Contributions - employer	$ 127,427	$ 117,664	$ 111,797	$ 107,252	$ 102,175
Contributions - member	108,029	86,846	86,509	162,925	155,153
Contributions – special employer	3,053	9,154	—	—	—
Contributions – non-employer contributing entity	7,093	21,284	—	—	—
Net investment income	173,481	(5,235)	534,709	36,276	113,440
Benefit payments	(175,804)	(171,525)	(172,263)	(212,060)	(199,879)
Third Party Administrator charges	—	—	—	—	—
Administrative expense	(1,268)	(1,184)	(862)	(824)	(709)
Other	(2,261)	(2,089)	(1,918)	(1,439)	(1,981)
Net change in plan fiduciary net position	239,750	54,915	557,972	92,130	168,199
Plan fiduciary net position - beginning	2,467,989	2,413,074	1,855,102	1,762,972	1,594,773
Plan fiduciary net position - ending (b)	$ 2,707,739	$ 2,467,989	$ 2,413,074	$ 1,855,102	$ 1,762,972
Net OPEB liability - ending (a-b)	$ 1,199,313	$ 1,204,096	$ 1,164,272	$ 1,668,836	$ 1,627,266
Plan fiduciary net position as a percentage of the total OPEB liability (b/a)	69.3 %	67.21 %	67.45 %	52.64 %	52. %
Covered payroll (c)	$ 23,592,896	$ 21,787,891	$ 20,679,890	$ 20,612,888	$ 19,633,771
Net OPEB liability as a percentage of covered payroll ((a-b)/c)	5.08 %	5.53 %	5.63 %	8.10 %	8.29 %

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS

(IN THOUSANDS)

	Virginia Local Disability Program				
	Disability Insurance Trust Fund	Disability Insurance Trust Fund	Disability Insurance Trust Fund	Disability Insurance Trust Fund	Disability Insurance Trust Fund
Change in the Net OPEB Liability	**2023**	**2022**	**2021**	**2020**	**2019**
Total OPEB liability:					
Service cost	$ 33,331	$ 30,802	$ 32,679	$ 32,988	$ 29,232
Interest	21,978	19,115	17,222	18,774	15,788
Changes in benefit terms	—	—	—	—	—
Difference between actual and expected experience	(13,168)	20,274	(22,057)	(46,473)	29,489
Changes of assumptions	—	—	(1,387)	—	4,180
Benefit payments	(31,004)	(29,625)	(28,790)	(27,804)	(24,376)
Net change in total OPEB liability	11,137	40,566	(2,333)	(22,515)	54,313
Total OPEB liability - beginning	307,764	267,198	269,531	292,046	237,733
Total OPEB liability - ending (a)	$ 318,901	$ 307,764	$ 267,198	$ 269,531	$ 292,046
Plan fiduciary net position:					
Contributions - employer	$ 31,138	$ 28,249	$ 26,542	$ 26,994	$ 25,263
Contributions - member	—	—	—	—	—
Contributions – special employer	—	—	—	—	—
Contributions – non-employer contributing entity	—	—	—	—	—
Net investment income	38,938	(507)	131,373	9,445	30,494
Benefit payments	(31,004)	(29,625)	(28,790)	(27,804)	(24,376)
Third Party Administrator charges	(7,350)	(7,247)	(7,137)	(6,611)	(6,431)
Administrative expense	(797)	(483)	(600)	(631)	(787)
Other	938	610	311	586	1,117
Net change in plan fiduciary net position	31,863	(9,003)	121,699	1,979	25,280
Plan fiduciary net position - beginning	602,916	611,919	490,220	488,241	462,961
Plan fiduciary net position - ending (b)	$ 634,779	$ 602,916	$ 611,919	$ 490,220	$ 488,241
Net OPEB liability - ending (a-b)	$ (315,878)	$ (295,152)	$ (344,721)	$ (220,689)	$ (196,195)
Plan fiduciary net position as a percentage of the total OPEB liability (b/a)	199.05 %	195.90 %	229.01 %	181.88 %	167.18 %
Covered payroll (c)	$ 5,103,828	$ 4,637,755	4,355,154	$ 4,365,296	$ 4,077,627
Net OPEB liability as a percentage of covered payroll ((a-b)/c)	(6.19)%	(6.36)%	(7.92)%	(5.06)%	(4.81)%

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS

(IN THOUSANDS)

	Virginia Local Disability Program				
	Teachers	Teachers	Teachers	Teachers	Teachers
Change in the Net OPEB Liability	**2023**	**2022**	**2021**	**2020**	**2019**
Total OPEB liability:					
Service cost	$ 1,950	$ 1,598	$ 1,366	$ 1,109	$ 871
Interest	586	411	237	144	92
Changes in benefit terms	—	—	—	—	—
Difference between actual and expected experience	1,888	1,102	(379)	406	(19)
Changes of assumptions	—	—	339	—	63
Benefit payments	(959)	(788)	(366)	(213)	(167)
Net change in total OPEB liability	3,465	2,323	1,197	1,446	840
Total OPEB liability - beginning	7,207	4,884	3,687	2,241	1,401
Total OPEB liability - ending (a)	$ 10,672	$ 7,207	$ 4,884	$ 3,687	$ 2,241
Plan fiduciary net position:					
Contributions - employer	$ 4,387	$ 3,783	$ 3,166	$ 2,426	$ 1,966
Contributions - member	—	—	—	—	—
Contributions – special employer	—	—	—	—	—
Contributions – non-employer contributing entity	—	—	—	—	—
Net investment income	547	(56)	1,031	45	83
Benefit payments	(959)	(788)	(366)	(213)	(167)
Third Party Administrator charges	(1,176)	(1,116)	(988)	(935)	(829)
Administrative expense	(112)	(93)	(140)	(97)	(39)
Other	—	—	—	—	—
Net change in plan fiduciary net position	2,687	1,730	2,703	1,226	1,014
Plan fiduciary net position - beginning	7,320	5,590	2,887	1,661	647
Plan fiduciary net position - ending (b)	$ 10,007	$ 7,320	$ 5,590	$ 2,887	$ 1,661
Net OPEB liability - ending (a-b)	$ 665	$ (113)	$ (706)	$ 800	$ 580
Plan fiduciary net position as a percentage of the total OPEB liability (b/a)	93.77 %	101.57 %	114.46 %	78.3 %	74.12 %
Covered payroll (c)	$ 933,836	$ 804,858	$ 672,908	$ 591,499	$ 479,535
Net OPEB liability as a percentage of covered payroll ((a-b)/c)	0.07 %	(0.01)%	(0.10)%	0.14 %	0.12 %

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS

(IN THOUSANDS)

	Virginia Local Disability Program				
	Political Subdivisions	Political Subdivisions	Political Subdivisions	Political Subdivisions	Political Subdivisions
Change in the Net OPEB Liability	**2023**	**2022**	**2021**	**2020**	**2019**
Total OPEB liability:					
Service cost	$ 2,585	$ 2,039	$ 1,820	$ 1,553	$ 1,191
Interest	633	458	278	261	105
Changes in benefit terms	—	—	—	—	—
Difference between actual and expected experience	83	517	(603)	(1,250)	1,224
Changes of assumptions	—	—	(271)	—	69
Benefit payments	(1,136)	(810)	(385)	(236)	(188)
Net change in total OPEB liability	2,165	2,204	839	328	2,401
Total OPEB liability - beginning	7,360	5,156	4,317	3,989	1,588
Total OPEB liability - ending (a)	$ 9,525	$ 7,360	$ 5,156	$ 4,317	$ 3,989
Plan fiduciary net position:					
Contributions - employer	$ 5,200	$ 3,888	$ 3,338	$ 2,684	$ 2,226
Contributions - member	—	—	—	—	—
Contributions – special employer	—	—	—	—	—
Contributions – non-employer contributing entity	—	—	—	—	—
Net investment income	649	(56)	1,086	48	93
Benefit payments	(1,136)	(811)	(385)	(236)	(188)
Third Party Administrator charges	(1,394)	(1,146)	(1,042)	(1,034)	(940)
Administrative expense	(133)	(93)	(148)	(107)	(45)
Other	—	—	—	—	—
Net change in plan fiduciary net position	3,186	1,782	2,849	1,355	1,146
Plan fiduciary net position - beginning	7,948	6,166	3,317	1,962	816
Plan fiduciary net position - ending (b)	$ 11,134	$ 7,948	$ 6,166	$ 3,317	$ 1,962
Net OPEB liability - ending (a-b)	$ (1,609)	$ (588)	$ (1,010)	$ 1,000	$ 2,027
Plan fiduciary net position as a percentage of the total OPEB liability (b/a)	116.89 %	107.99 %	119.59 %	76.84 %	49.19 %
Covered payroll (c)	$ 612,072	$ 468,489	401,715	$ 372,635	$ 309,020
Net OPEB liability as a percentage of covered payroll ((a-b)/c)	(0.26)%	(0.13)%	(0.25)%	0.27 %	0.66 %

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS

(IN THOUSANDS)

Health Insurance Credit

Change in the Net OPEB Liability	State 2023	State 2022	State 2021	State 2020	State 2019
Total OPEB liability:					
Service cost	$ 17,076	$ 18,311	$ 20,432	$ 20,143	$ 19,446
Interest	68,998	69,707	68,014	67,289	68,023
Changes in benefit terms	68,280	—	—	—	—
Difference between actual and expected experience	(18,609)	(34,169)	(20,219)	(5,703)	(13,402)
Changes of assumptions	—	13,522	12,326	—	22,700
Benefit payments	(77,273)	(76,023)	(71,536)	(70,440)	(72,857)
Net change in total OPEB liability	58,472	(8,652)	9,017	11,289	23,910
Total OPEB liability - beginning	1,043,748	1,052,400	1,043,383	1,032,094	1,008,184
Total OPEB liability - ending (a)	$ 1,102,220	$ 1,043,748	$ 1,052,400	$ 1,043,383	$ 1,032,094
Plan fiduciary net position:					
Contributions – employer	$ 92,376	$ 85,324	$ 81,191	$ 84,849	$ 79,926
Contributions – special employer	27,159	8,523	38,656	—	—
Contributions – non-employer contributing entity	—	—	—	—	—
Net investment income	14,169	(358)	34,790	2,185	6,189
Benefit payments	(77,273)	(76,023)	(71,536)	(70,440)	(72,857)
Administrative expense	(374)	(357)	(589)	(230)	(135)
Transfers	(18)	(387)	—	—	—
Other	(15)	(7)	(30)	(9)	(8)
Net change in plan fiduciary net position	56,024	16,715	82,482	16,355	13,115
Plan fiduciary net position - beginning	224,575	207,860	125,378	109,023	95,908
Plan fiduciary net position - ending (b)	$ 280,599	$ 224,575	$ 207,860	$ 125,378	$ 109,023
Net OPEB liability - ending (a-b)	$ 821,621	$ 819,173	$ 844,540	$ 918,005	$ 923,071
Plan fiduciary net position as a percentage of the total OPEB liability (b/a)	25.46 %	21.52 %	19.75 %	12.02 %	10.56 %
Covered payroll (c)	$ 8,241,227	$ 7,612,495	$ 7,239,781	$ 7,237,090	$ 6,844,807
Net OPEB liability as a percentage of covered payroll ((a-b)/c)	9.97 %	10.76 %	11.67 %	12.68 %	13.49 %

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS

(IN THOUSANDS)

	Health Insurance Credit				
	Teacher	Teacher	Teacher	Teacher	Teacher
Change in the Net OPEB Liability	**2023**	**2022**	**2021**	**2020**	**2019**
Total OPEB liability:					
Service cost	$ 18,138	$ 18,621	$ 21,713	$ 21,738	$ 20,979
Interest	97,248	97,797	94,626	93,964	93,526
Changes in benefit terms	—	—	—	—	—
Difference between actual and expected experience	(14,161)	(38,198)	(9,325)	(13,054)	(2,398)
Changes of assumptions	—	10,085	15,792	—	35,149
Benefit payments	(96,645)	(95,288)	(93,607)	(92,086)	(90,456)
Net change in total OPEB liability	4,580	(6,983)	29,199	10,562	56,800
Total OPEB liability - beginning	1,470,891	1,477,874	1,448,675	1,438,113	1,381,313
Total OPEB liability - ending (a)	$ 1,475,471	$ 1,470,891	$ 1,477,874	$ 1,448,675	$ 1,438,113
Plan fiduciary net position:					
Contributions – employer	$ 120,623	$ 112,832	$ 107,172	$ 105,210	$ 100,643
Contributions – special employer	—	—	—	—	—
Contributions – non-employer contributing entity	4,004	12,013	—	—	—
Net investment income	14,645	(919)	37,093	2,291	7,350
Benefit payments	(96,645)	(95,289)	(93,607)	(92,086)	(90,455)
Administrative expense	(359)	(334)	(501)	(258)	(152)
Transfers	(38)	(755)	—	—	—
Other	(21)	(8)	(13)	(12)	(9)
Net change in plan fiduciary net position	42,209	27,540	50,144	15,145	17,377
Plan fiduciary net position - beginning	221,845	194,305	144,161	129,016	111,639
Plan fiduciary net position - ending (b)	$ 264,054	$ 221,845	$ 194,305	$ 144,161	$ 129,016
Net OPEB liability - ending (a-b)	$ 1,211,417	$ 1,249,046	$ 1,283,569	$ 1,304,514	$ 1,309,097
Plan fiduciary net position as a percentage of the total OPEB liability (b/a)	17.90 %	15.08 %	13.15 %	9.95 %	8.97 %
Covered payroll (c)	$ 9,971,090	$ 9,320,159	$ 8,843,941	$ 8,766,759	$ 8,387,684
Net OPEB liability as a percentage of covered payroll ((a-b)/c)	12.15 %	13.40 %	14.51 %	14.88 %	15.61 %

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS

(IN THOUSANDS)

	Health Insurance Credit				
	Political Subdivisions	Political Subdivisions	Political Subdivisions	Political Subdivisions	Political Subdivisions
Change in the Net OPEB Liability	**2023**	**2022**	**2021**	**2020**	**2019**
Total OPEB liability:					
Service cost	$ 1,134	$ 1,545	$ 1,532	$ 1,063	$ 997
Interest	5,968	5,468	5,113	2,797	2,721
Changes in benefit terms	97	1,513	—	32,238	—
Difference between actual and expected experience	(15,216)	(2,642)	(669)	624	964
Changes of assumptions	(9)	6,225	1,656	220	1,066
Benefit payments	(4,303)	(4,460)	(3,098)	(2,996)	(2,564)
Net change in total OPEB liability	(12,329)	7,649	4,534	33,946	3,184
Total OPEB liability - beginning	89,673	82,024	77,490	43,544	40,360
Total OPEB liability - ending (a)	$ 77,344	$ 89,673	$ 82,024	$ 77,490	$ 43,544
Plan fiduciary net position:					
Contributions – employer	$ 6,752	$ 5,683	$ 5,239	$ 2,553	$ 2,406
Contributions – special employer	—	—	—	—	—
Contributions – non-employer contributing entity	—	—	—	—	—
Net investment income	2,236	3	6,711	490	1,490
Benefit payments	(4,303)	(4,460)	(3,098)	(2,996)	(2,564)
Administrative expense	(55)	(62)	(86)	(47)	(32)
Transfers	(113)		—	—	—
Other	—	1,142	2	(2)	(2)
Net change in plan fiduciary net position	4,517	2,306	8,768	(2)	1,298
Plan fiduciary net position - beginning	35,540	33,234	24,466	24,468	23,170
Plan fiduciary net position - ending (b)	$ 40,057	$ 35,540	$ 33,234	$ 24,466	$ 24,468
Net OPEB liability - ending (a-b)	$ 37,287	$ 54,133	$ 48,790	$ 53,024	$ 19,076
Plan fiduciary net position as a percentage of the total OPEB liability (b/a)	51.79 %	39.63 %	40.52 %	31.57 %	56.19 %
Covered payroll (c)	$ 1,755,661	$ 1,574,328	$ 1,489,771	$ 1,477,727	$ 1,081,702
Net OPEB liability as a percentage of covered payroll ((a-b)/c)	2.12 %	3.44 %	3.27 %	3.59 %	1.76 %

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS

(IN THOUSANDS)

Change in the Net OPEB Liability	Health Insurance Credit Constitutional Officers 2023	Constitutional Officers 2022	Constitutional Officers 2021	Constitutional Officers 2020	Constitutional Officers 2019
Total OPEB liability:					
Service cost	$ 637	$ 920	$ 776	$ 746	$ 687
Interest	2,261	2,257	2,118	2,050	2,010
Changes in benefit terms	6,010	—	—	—	—
Difference between actual and expected experience	(727)	(1,240)	(241)	223	97
Changes of assumptions	—	492	567	—	759
Benefit payments	(2,069)	(2,121)	(2,047)	(1,969)	(1,824)
Net change in total OPEB liability	6,112	308	1,173	1,050	1,729
Total OPEB liability - beginning	33,889	33,581	32,408	31,358	29,629
Total OPEB liability - ending (a)	$ 40,001	$ 33,889	$ 33,581	$ 32,408	$ 31,358
Plan fiduciary net position:					
Contributions – employer	$ 3,101	$ 2,836	$ 2,666	$ 2,526	$ 2,794
Contributions – special employer	92	276	—	—	—
Contributions – non-employer contributing entity	—	—	—	—	—
Net investment income	925	(27)	954	87	238
Benefit payments	(2,069)	(2,121)	(2,047)	(1,970)	(1,825)
Administrative expense	(24)	(27)	(16)	(9)	(6)
Transfers	138	—	—	—	—
Other	—	(1)	(1)	—	—
Net change in plan fiduciary net position	2,163	936	1,556	634	1,201
Plan fiduciary net position - beginning	7,604	6,668	5,112	4,479	3,278
Plan fiduciary net position - ending (b)	$ 9,767	$ 7,604	$ 6,668	$ 5,113	$ 4,479
Net OPEB liability - ending (a-b)	$ 30,234	$ 26,285	$ 26,913	$ 27,295	$ 26,879
Plan fiduciary net position as a percentage of the total OPEB liability (b/a)	24.42 %	22.44 %	19.86 %	15.78 %	14.28 %
Covered payroll (c)	$ 847,657	$ 774,013	$ 733,933	$ 719,390	$ 682,376
Net OPEB liability as a percentage of covered payroll ((a-b)/c)	3.57 %	3.40 %	3.67 %	3.79 %	3.94 %

REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS

(IN THOUSANDS)

	Health Insurance Credit				
	Social Services Employees	Social Services Employees	Social Services Employees	Social Services Employees	Social Services Employees
Change in the Net OPEB Liability	**2023**	**2022**	**2021**	**2020**	**2019**
Total OPEB liability:					
Service cost	$ 180	$ 290	$ 301	$ 291	$ 260
Interest	982	993	964	958	960
Changes in benefit terms	—	—	—	—	—
Difference between actual and expected experience	(15)	(524)	(254)	(106)	(27)
Changes of assumptions	—	276	229	—	327
Benefit payments	(1,074)	(1,113)	(1,078)	(1,058)	(1,012)
Net change in total OPEB liability	73	(78)	162	85	508
Total OPEB liability - beginning	14,899	14,977	14,815	14,730	14,222
Total OPEB liability - ending (a)	$ 14,972	$ 14,899	$ 14,977	$ 14,815	$ 14,730
Plan fiduciary net position:					
Contributions – employer	$ 1,876	$ 1,212	$ 1,160	$ 689	$ 1,847
Contributions – special employer	1,032	122	—	—	—
Contributions – non-employer contributing entity	—	—	—	—	—
Net investment income	743	(4)	335	34	122
Benefit payments	(1,074)	(1,113)	(1,078)	(1,058)	(1,012)
Administrative expense	(20)	(5)	(6)	(3)	(3)
Transfers	30	—	—	—	—
Other	—	—	—	—	—
Net change in plan fiduciary net position	2,587	212	411	(338)	954
Plan fiduciary net position - beginning	2,558	2,346	1,935	2,273	1,319
Plan fiduciary net position - ending (b)	$ 5,145	$ 2,558	$ 2,346	$ 1,935	$ 2,273
Net OPEB liability - ending (a-b)	$ 9,827	$ 12,341	$ 12,631	$ 12,880	$ 12,457
Plan fiduciary net position as a percentage of the total OPEB liability (b/a)	34.36 %	17.17 %	15.66 %	13.06 %	15.43 %
Covered payroll (c)	$ 342,719	$ 314,734	$ 300,727	$ 298,257	$ 279,503
Net OPEB liability as a percentage of covered payroll ((a-b)/c)	2.87 %	3.92 %	4.20 %	4.32 %	4.46 %

The Commonwealth's OPEB programs promise benefits to individuals who perform services for government today to be paid following the conclusion of their service. Historically, the Commonwealth and most other government employers financed other post-employment benefit programs on a pay-as-you-go basis. The new reporting standards require expenses associated with these programs to be calculated and reported on an actuarial basis even though payment is deferred until after an individuals' service ends. As of June 30, 2023, the Commonwealth's estimated annual required OPEB contribution was $560.2 million and the estimated Net OPEB liabilities were $3.5 billion.

For a more detailed explanation of Other Post-Employment Benefits (OPEB), see "Notes to the Financial Statements" in Commonwealth Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023.

LABOR RELATIONS

It is against public policy for Commonwealth or local officials to recognize any labor union as a representative of public employees or to engage in collective bargaining with any labor union. Public employee of the Commonwealth do not have a legal right to strike, and no strike by employees of the Commonwealth has ever taken place. Any such employee who engages in any organized strike or willfully refuses to perform his duties shall, according to state law, be deemed to have terminated his employment. However, the General Assembly in the 2020 session, passed a bill permitting counties, cities, towns, and local school boards to adopt a local ordinance to permit collective bargaining by employees of those governing bodies. The bill was signed into law by the Governor with an effective date of May 1, 2021.

LITIGATION

The Commonwealth, its officials and employees are named as defendants in legal proceedings that occur in the normal course of governmental operations, some of which involve claims for substantial amounts. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the Commonwealth with respect to these lawsuits. However, any ultimate liability resulting from these suits is not expected to have a material adverse effect on the financial condition of the Commonwealth.

APPENDIX B-2

COMMONWEALTH OF VIRGINIA
SUPPLEMENTAL FINANCIAL INFORMATION

The financial and operating data contained in Appendix B-2 are as of the dates and for the periods indicated.

Report Date: September 17, 2024

This page intentionally left blank.

PART I

Updated Debt Information

The information in this Appendix – Part I supplements and updates the related debt information of the Commonwealth contained in Appendix B last supplemented June 27, 2024.

Select Preliminary Information Relative to the Indebtedness of the Commonwealth Fiscal Year Ended June 30, 2024

COMPUTATION OF LEGAL DEBT LIMIT AND DEBT MARGIN *

(in thousands)

Taxes	Fiscal Year Ended June 30 2022	2023	2024*
Individual and Fiduciary Income [1]	$19,361,618	$20,032,168	$20,310,406
Corporation Income [2]	1,978,697	2,031,120	1,907,065
State Sales and Use [3]	5,080,554	5,291,556	5,283,586
Total	$26,420,869	$27,354,844	$27,501,057
Average tax revenues for the three fiscal years			$27,092,257

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 2024*		$9,487,865
Less 9(a)(2) Bonds Outstanding:		0
Debt Issuance Margin for Section 9(a)(2) General Obligation Bonds		$9,487,865
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		$31,156,095
Less 9(b) Bonds Outstanding at June 30, 2024*:		
Public Facilities Bonds [6]	$120,065	
Transportation Facilities Refunding Bonds [5][6]	0	
Bond Anticipation Notes	0	
Total 9(b) Bonds Outstanding at June 30, 2024*		120,065
Debt Issuance Margin for Section 9(b) General Obligation Bonds		$31,036,030
Debt Authorization Limit:		
25% of 1.15 times average tax revenues for three fiscal years as calculated above		$7,789,024
Less 9(b) debt authorized during the three prior fiscal years		0
Maximum additional 9(b) debt that may be authorized by the General Assembly (subject to referendum):		7,789,024
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		$31,156,095
Less 9(c) Bonds Outstanding at June 30, 2024*:		
Parking Facilities [6]	$3,582	
Transportation Facilities [6]	0	
Higher Educational Institutions [6]	929,445	
Bond Anticipation Notes	0	
Total 9(c) Bonds Outstanding at June 30, 2024*		933,027
Debt Issuance Margin for Section 9(c) General Obligation Bonds		$30,223,068

[1] Includes taxes imposed pursuant to Articles 2 and 9 of Chapter 3, Title 58.1 of the Code of Virginia.
[2] Includes taxes imposed pursuant to Article 10 of Chapter 3, Title 58.1 of the Code of Virginia.
[3] Includes taxes imposed pursuant to Chapter 6, Title 58.1 of the Code of Virginia, less taxes identified in Sections 58.1-605 and 58.1-638.
[4] Debt limit applies only to debt authorized pursuant to Article X, Section 9(a)(2) of the Constitution of Virginia.
[5] These bonds refunded certain Section 9(c) debt and because the Governor did not certify the feasibility of the refinanced project, it must be applied against the Section 9(b) Debt Limit.
[6] Net of unamortized discounts and premiums.

Sources: Department of Accounts and Department of the Treasury.
* Preliminary & Unaudited

OUTSTANDING TAX-SUPPORTED DEBT
(in thousands)

	2020	2021	2022	2023	2024*
General Obligation Debt: (1)					
Section 9(a)	-	-	-	-	-
Section 9(b)	$ 330,934	$ 278,221	$ 225,600	$ 173,122	$ 120,065
Section 9(c)					
Higher Educational Institutions	886,837	955,729	912,817	940,849	929,445
Transportation Facilities	3,083	-	-	-	-
Parking Facilities	7,583	6,640	5,664	4,646	3,582
Sub-Total 9(c)	$ 897,503	$ 962,369	$ 918,481	$ 945,495	$ 933,027
Total General Obligation Debt	$ 1,228,437	$ 1,240,590	$ 1,144,081	$ 1,118,617	$ 1,053,092
Section 9(d) Debt: (1)					
Transportation	$ 2,813,942	$ 2,661,007	$ 2,737,497	$ 2,802,412	$ 2,346,124
Virginia Public Building Authority	3,028,198	3,472,631	3,780,877	3,519,630	3,524,062
Virginia Port Authority	223,708	222,831	210,246	368,903	325,580
Virginia College Building Authority 21st Century/Equipment	4,384,599	5,101,393	5,389,998	5,636,772	5,872,402
Virginia Biotechnology Research Partnership Authority	9,669	4,903	-	-	-
Fairfax County Economic Development Authority	15,624	7,542	-	-	-
Total Section 9(d) Debt	$ 10,475,740	$ 11,470,307	$ 12,118,618	$ 12,327,717	$ 12,068,168
Other Long-Term Obligations: (2)					
Capital Leases (3)	$ 35,318	$ 42,290			
Long Term Lease Obligations (3)			$ 555,071	$ 604,124	$ 604,124
Long-Term Subscription Based Information Technology Arrangements (4)				183,467	183,467
Installment Purchase Obligations	216,159	224,013	339,548	313,824	313,824
Compensated Absences	687,473	737,166	713,185	790,099	790,099
Pension Liability	7,294,376	8,348,881	4,369,154	5,466,431	5,466,431
Total OPEB Liability	665,099	556,946	439,039	354,843	354,843
Net OPEB Liability	1,644,462	1,693,093	1,474,595	1,422,284	1,422,284
Other Liabilities and Notes Payable	38,738	41,270	37,096	31,274	31,274
Total Other Long-Term Obligations	$ 10,581,625	$ 11,643,659	$ 7,927,688	$ 9,166,346	$ 9,166,346
Total Tax-Supported Debt	$ 22,285,802	$ 24,354,556	$ 21,190,387	$ 22,612,680	$ 22,287,606

(1) Net of unamortized discounts/premiums for fiscal years 2020-2023. Not all fiscal year 2024 Section 9(d) debt adjustments are available. Adjustments for Transportation and Virginia Port Authority are not yet available.

(2) Fiscal Year 2024 Other Long-Term Obligations Data unavailable at this time. Data shown is carried forward from fiscal year 2023.

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

(4) GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was effective starting with fiscal year 2023.

Source: Department of the Treasury; Department of Accounts.

* Preliminary & Unaudited

ANNUAL DEBT SERVICE REQUIREMENTS
Tax-Supported Debt Outstanding at June 30, 2024*
(in thousands)

Fiscal Year Ending June 30	General Obligation Debt Sections 9(a), 9(b) and 9(c)[1]			Other Tax-Supported Debt Section 9(d) [1] [2]			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2025	110,020	38,452	148,472	778,934	472,717	1,251,651	888,954	511,169	1,400,123
2026	107,155	32,958	140,113	779,269	451,376	1,230,646	886,424	484,334	1,370,759
2027	98,860	28,272	127,132	767,456	415,700	1,183,156	866,316	443,972	1,310,288
2028	85,110	23,923	109,033	753,765	375,047	1,128,812	838,875	398,970	1,237,845
2029	72,700	20,602	93,302	746,240	339,554	1,085,794	818,940	360,155	1,179,095
2030	65,885	17,714	83,599	728,795	304,448	1,033,243	794,680	322,163	1,116,843
2031	62,380	15,274	77,654	689,235	269,964	959,199	751,615	285,238	1,036,853
2032	53,380	13,078	66,458	659,885	239,352	899,237	713,265	252,429	965,694
2033	53,665	11,211	64,876	626,850	210,983	837,833	680,515	222,194	902,709
2034	48,630	9,359	57,989	628,435	183,497	811,932	677,065	192,855	869,920
2035	42,745	7,764	50,509	601,965	157,588	759,553	644,710	165,351	810,061
2036	35,400	6,387	41,787	544,925	132,684	677,609	580,325	139,071	719,396
2037	27,720	5,252	32,972	488,620	110,846	599,466	516,340	116,099	632,439
2038	25,160	4,328	29,488	405,140	90,951	496,091	430,300	95,280	525,580
2039	22,070	3,432	25,502	421,860	74,228	496,088	443,930	77,660	521,590
2040	20,670	2,698	23,368	367,685	57,266	424,951	388,355	59,963	448,318
2041	12,285	2,031	14,316	335,605	43,037	378,642	347,890	45,068	392,958
2042	10,775	1,555	12,330	276,410	30,169	306,579	287,185	31,724	318,909
2043	5,845	1,100	6,945	189,540	19,212	208,752	195,385	20,312	215,697
2044	6,085	862	6,947	97,510	12,025	109,535	103,595	12,886	116,481
2045	1,340	612	1,952	59,315	7,797	67,112	60,655	8,409	69,064
2046	1,400	551	1,951	41,575	5,571	47,146	42,975	6,123	49,098
2047	1,465	488	1,953	37,945	3,754	41,699	39,410	4,243	43,653
2048	1,530	423	1,953	31,855	2,004	33,859	33,385	2,427	35,812
2049	1,605	346	1,951	18,515	486	19,001	20,120	832	20,952
2050	1,685	266	1,951	-	-	-	1,685	266	1,951
2051	1,770	182	1,952	-	-	-	1,770	182	1,952
2052	1,860	93	1,953	-	-	-	1,860	93	1,953
Subtotal	$979,195	$249,211	$1,228,406	$11,077,329	$4,010,257	$15,087,587	$12,056,524	$4,259,469	$16,315,993
Add Accretion on CAB's	-	-	-	-	-	-	-	-	-
Add Unamortized Premium	$73,897	$0	$73,897	$990,839	$0	$990,839	$1,064,736	$0	$1,064,736
Less Unamortized Discount	-	-	-	-	-	-	-	-	-
TOTAL	$1,053,092	$249,211	$1,302,303	$12,068,168	$4,010,257	$16,078,426	$13,121,260	$4,259,469	$17,380,729

[1] Totals include adjustments for unamortized premium excluding any adjustments for Transportation and Virginia Port Authority.

[2] Does not include leases, installment purchase obligations, subscription-based information technology arrangements, compensated absences, pension liability, OPEB Liability, pollution remediation liability and other liabilities.

Source: Department of the Treasury.
* Preliminary & Unaudited

AUTHORIZED AND UNISSUED TAX-SUPPORTED DEBT*
(in thousands)

	As of June 30, 2023	New Debt Authorized	Debt Issued	Other Adjust-ments	As of June 30, 2024
Section 9(b) Debt (Primary Government):					
Higher Educational Institution Bonds	$ -	$ -	$ -	$ -	$ -
Park and Recreational Facilities	-	-	-	-	-
Subtotal Section 9(b) Debt	-	-	-	-	-
Section 9(c) Debt (Primary Government):					
Higher Educational Institution Bonds	618,174	124,285	64,145	(7,364)	670,950
Parking Facilities Bonds	226	-	-	-	226
Subtotal Section 9(c) Debt	618,400	124,285	64,145	(7,364)	671,176
Section 9(d) Debt:					
Primary Government:					
Transportation Contract Revenue Bonds (Northern Virginia Transportation District Fund Program)	24,700	-	-	-	24,700
U.S. Route 58 Corridor Development Program	226,400	-	-	-	226,400
Transportation Capital Projects Revenue Bonds	146,634	-	-	-	146,634
Component Units:					
Virginia Public Building Authority (Projects)	1,345,158	498,278	252,405	(27,595)	1,563,437
Virginia Public Building Authority (Jails)	58,539	-	-	(22,395)	36,144
Virginia College Building Authority (21st Century)	1,010,009	402,601	556,905	(43,095)	812,610
Virginia College Building Authority (Equipment Program)	91,650	192,800	85,310	(6,340)	192,800
Virginia Port Authority	-	-	-	-	-
Subtotal Section 9(d) Debt	2,903,091	1,093,680	894,620	(99,425)	3,002,725
Total Authorized and Unissued Tax-Supported Debt	$ 3,521,491	$ 1,217,965	$ 958,765	$ (106,790)	$ 3,673,901

* Preliminary and Unaudited

Part II

General Fund Preliminary (Unaudited) Annual Report for
Fiscal Year Ended June 30, 2024

The attached Preliminary Report dated August 13, 2024, prepared by the Acting Comptroller, is comprised of cash basis financial statements and is presented on an unaudited basis. Final, audited results are not expected to be available until December 2024. Such final results will be presented on an accrual basis and may differ from the preliminary, unaudited results described in the Preliminary Report, and such differences may be material.

COMMONWEALTH OF VIRGINIA

GENERAL FUND
PRELIMINARY (UNAUDITED)
ANNUAL REPORT

For the Fiscal Year Ended June 30, 2024

Presented on a Cash Basis

Sharon H. Lawrence
Acting Comptroller
August 13, 2024

This page intentionally left blank

TABLE OF CONTENTS

This page intentionally left blank

COMMONWEALTH of VIRGINIA

SHARON H. LAWRENCE, CPA, CGMA
ACTING COMPTROLLER

Office of the Comptroller

P. O. BOX 1971
RICHMOND, VIRGINIA 23218-1971

August 13, 2024

The Honorable Glenn Youngkin
Governor
Commonwealth of Virginia
State Capitol
Richmond, Virginia 23219

Dear Governor Youngkin:

In compliance with the provisions of Section 2.2-813 of the *Code of Virginia*, I hereby submit my preliminary annual report on the financial condition of the General Fund of the Commonwealth for the fiscal year ended June 30, 2024.

The Commonwealth ended fiscal year 2024 with a total fund balance in the General Fund of $15.6 billion measured on the cash basis of accounting. This is an increase of $469.2 million from last year's ending fund balance of $15.1 billion. Planned (budgeted) decreases in the General Fund balance for this year were $5.1 billion. The difference between the planned decrease and actual increase is primarily attributed to revenue collections and other sources being approximately $1.6 billion more than expected and expenditures and other uses being approximately $4.0 billion less than budgeted. This report includes funds that are defined as part of the General Fund pursuant to Governmental Accounting Standards Board Statement No. 54 (GASBS No. 54), *Fund Balance Reporting and Governmental Fund Type Definitions.* Accordingly, $2.6 billion of the ending fund balance is attributable to these funds, such as the Water Quality Improvement Fund and the Commonwealth's Development Opportunity Fund. Additional information on fund equity is located in Note 5, and fund balance classifications are shown in the first graph on page 9.

Revenue Stabilization Fund

The Revenue Stabilization Fund is routinely segregated from the General Fund, but Virginia law directs that the Revenue Stabilization Fund be included as a component of the General Fund for financial reporting purposes. Therefore, it is included here both as a cash asset and as a restricted component of fund balance. The Revenue Stabilization Fund can be used only for constitutionally authorized purposes.

The Revenue Stabilization Fund has principal and interest on deposit of $2.8 billion restricted as a part of the General Fund balance. During fiscal year 2024, in accordance with the provisions of Article X, Section 8 of the *Constitution of Virginia*, a deposit of $904.7 million was made to the fund. This deposit includes the advance reservation of $498.7 million from the Revenue Reserve Fund provided in Chapter 1, 2022 Acts of Assembly Special Session I, for the fiscal year 2024 mandatory deposit. No deposit is required during fiscal year 2025 based on fiscal year 2023 revenue collections. Also, no deposit is required during fiscal year 2026 based on fiscal year 2024 revenue collections.

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 2024.

Revenue Reserve Fund

The Revenue Reserve Fund is routinely segregated from the General Fund, but Virginia law directs that the Revenue Reserve Fund be included as a component of the General Fund for financial reporting purposes. Therefore, it is included here as both a cash asset and as a committed component of fund balance.

Section 2.2-1831.2 of the *Code of Virginia* established the Revenue Reserve Fund. As of June 30, 2024, the fund has principal and interest on deposit of $1.9 billion committed as part of the General Fund balance. This amount is set aside to mitigate certain anticipated revenue shortfalls when appropriations based on previous revenue forecasts exceed expected revenues in subsequent forecasts.

A deposit of $289.6 million was made during fiscal year 2024. This amount represents the fiscal year 2023 revenue collected in excess of the estimate reduced by the statutory deposit to the Water Quality Fund for excess revenues. Additionally, there was a withdrawal of $498.7 million for the advance reservation to the Revenue Stabilization Fund per Chapter 1, 2022 Acts of Assembly Special Session I, for the fiscal year 2024 mandatory deposit.

Sections 2.2-1831.3 of the *Code of Virginia* specifies the required deposits to the fund. Whenever there is a fiscal year in which there is not a mandatory deposit to the Revenue Stabilization Fund, a deposit is required if the general fund revenue exceeds the official estimate. The amount to be deposited shall not exceed one percent of the general fund revenues collected in the prior fiscal year. The Department of Planning and Budget has identified a deposit of $288.7 million to be made during fiscal year 2025. This amount represents the fiscal year 2024 revenue collected in excess of the estimate reduced by the amounts appropriated in Chapter 1, 2024 Acts of Assembly Special Session I, for the I-81 Corridor Improvement Program and Water Quality Improvement Fund Matching Grants, as well as the statutory deposit to the Water Quality Fund for excess revenues.

Amounts Available for Reappropriation

Section 4-1.05a.1 of Chapter 1, 2024 Acts of Assembly Special Session I requires reappropriation of 2024 fiscal year unexpended appropriations for Legislative and Judicial Departments, as well as Independent Agencies and states that institutions of higher education reappropriations are subject to Section 23.1-1002 of the *Code of Virginia.* Additionally, this Section specifies that unexpended balances in the Executive Department will be reappropriated where required by the *Code of Virginia*, where necessary for the payment of preexisting obligations, or where the Governor determines reappropriation is appropriate. Section 4-0.01b provides that all appropriations, however, are declared to be conditioned on the receipt of sufficient revenue to support them.

Based on an analysis by the Department of Planning and Budget of unexpended appropriations and balances at June 30, 2024, the following amounts have been committed: $2.4 billion for capital outlay project needs; $41.1 million for health care services; $20.9 million for central capital planning; $29.2 million for communication sales and use tax distributions; $31.2 million for natural disaster sum sufficient amounts; $1.0 billion for mandatory reappropriations; $175.0 million for I-81 Corridor Improvement Program; $400.0 million for Water Quality Improvement Fund Matching Grants; $93.7 million pending transfer to the Water

Quality Improvement Fund; $90.0 million for Virginia military survivors and dependents education program; $2.2 billion for the Revenue Reserve Fund; $70,000 for the Taxpayer Relief Fund; $200,000 for Individual Income Tax Rebate Fund; and $750,000 for local government fiscal distress relief.

In addition, the Department of Planning and Budget has identified $3.0 billion as available balances to meet the requirements of Chapter 2, 2024 Acts of Assembly Special Session I. The Department of Planning and Budget has also identified the following amounts to be assigned: $308.8 million for discretionary reappropriations, $88.5 million for additional Medicaid contingency and $205.9 million for additional taxpayer relief and other budgetary priorities.

Additionally, restricted balances of $13.1 million, committed balances of $2.5 billion and assigned balances of $93.1 million are being reported due to the inclusion of additional funds pursuant to GASBS No. 54.

Virginia Water Quality Improvement Fund

Section 10.1-2128 of the *Code of Virginia* established the Virginia Water Quality Improvement Fund. The Fund has $763.7 million on deposit committed as part of the General Fund balance. The Fund was established to provide Water Quality Improvement Grants to various entities to assist in pollution prevention and reduction. The Fund shall consist of amounts appropriated by the General Assembly. Unless otherwise specified by the general appropriation act, these appropriations shall consist of ten percent of revenues collected in excess of the official estimate and ten percent of any unrestricted and uncommitted fund balance not required for reappropriation. In the legislative context, committed refers to planned future usage versus the fund balance classification.

For the year ended June 30, 2024, $59.4 million and $34.3 million that represent ten percent of the revenue collected in excess of the official estimate reduced by the amounts appropriated in Chapter 1, 2024 Acts of Assembly Special Session I, for the I-81 Corridor Improvement Program and Water Quality Improvement Fund Matching Grants, and ten percent of any unrestricted and uncommitted fund balance not required for reappropriation, respectively, have been committed. Additional information is located in Note 10.

Basis of Presentation

This preliminary annual report is comprised of cash basis financial statements that present the financial condition, results of operations, and changes in fund balance of the Commonwealth's General Fund. The notes to the financial statements are an important and integral part of the statements.

This preliminary report is presented on an unaudited basis. In preparing this report, we relied upon the internal accounting controls of the Commonwealth that are designed to provide management with reasonable, but not absolute, assurances that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are properly recorded to permit the preparation of financial statements.

Final Report and Award

The final Annual Report of the Comptroller, due on December 15, 2024, will include certain accruals and other information required for conformance with generally accepted accounting principles. It will be audited by the Auditor of Public Accounts.

We are proud to report that the Annual Comprehensive Financial Report for the year ended June 30, 2023, was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA). Virginia's Annual Report has received this award for 38 consecutive years. In addition, Virginia received a companion award from the GFOA for its fiscal year 2023 Popular Report, entitled *Virginia Financial Perspective.* Virginia's Popular Report has received this award for 29 consecutive years.

Respectfully submitted,

Sharon H. Lawrence

This page intentionally left blank

SUMMARY OF GENERAL FUND ACTIVITY

◊ ◊

Commonwealth of Virginia
Preliminary Balance Sheet
General Fund - Cash Basis (Unaudited)
June 30, 2024
(Dollars in Thousands)

Assets		
Cash, Cash Equivalents, and Investments	$ 15,752,363	
Cash and Travel Advances	371	
Other Assets	457	
Due From Other Funds (Note 4)	3,680	
Total Assets		$ 15,756,871
Liabilities and Fund Equity		
Liabilities:		
Payments Awaiting Disbursement	161,519	
Deposits Pending Distribution	15,453	
Due To Other Funds (Note 4)	18,000	
Total Liabilities		$ 194,972
Fund Equity (Note 5):		
Restricted Fund Balance:		
Revenue Stabilization Fund (Note 6)	2,767,048	
Lottery Proceeds Fund (Note 7)	24,304	
Water Supply Assistance Grant Fund	13,105	
Total Restricted Fund Balance	2,804,457	
Committed Fund Balance (Note 8):		
Amount Required for Reappropriation of 2024 Unexpended Balances for Capital Outlay and Restoration Projects	2,433,408	
Virginia Health Care Fund	41,145	
Central Capital Planning Fund	20,902	
Communication Sales and Use Tax (Note 9)	29,191	
Commonwealth's Development Opportunity Fund	128,448	
Natural Disaster Sum Sufficient	31,158	
Amount Required for Mandatory Reappropriation	1,018,046	
I-81 Corridor Improvement Program	175,000	
Water Quality Improvement Fund Matching Grants	400,000	
Virginia Water Quality Improvement Fund (Note 10)	763,711	
Virginia Water Quality Improvement Fund - Part A (Note 10)	59,372	
Virginia Water Quality Improvement Fund - Part B (Note 10)	34,315	
Virginia Military Survivors and Dependents Education Program	90,000	
Revenue Reserve Fund (Note 11)	1,926,068	
Revenue Reserve 2025 (Note 11)	288,732	
Taxpayer Relief Fund	70	
Individual Income Tax Rebate Fund	200	
Local Government Fiscal Distress	750	
Economic and Technological Development	831,559	
Educational and Training programs	571,555	
Health and Public Safety	114,492	
Environmental Quality and Natural Resource Preservation	103,668	
Other	9,676	
Total Committed Fund Balance	9,071,466	
Assigned Fund Balance (Note 8):		
Amount Required by Chapter 2	2,989,627	
Health and Public Safety	25,940	
Environmental Quality and Natural Resource Preservation	16,022	
Economic and Technological Development	10,764	
Employee Benefit Administration	9,500	
Educational and Training programs	7,331	
Amount Required for Discretionary Reappropriations	308,838	
Amount to Support additional Medicaid Contingency	88,500	
Amount for Additional Taxpayer Relief and Other Budgetary Priorities	205,880	
Other	23,574	
Total Assigned Fund Balance	3,685,976	
Total Fund Equity		$ 15,561,899
Total Liabilities and Fund Balance		$ 15,756,871

The accompanying notes are an integral part of this statement.

Commonwealth of Virginia
Preliminary Statement of Revenues, Expenditures,
and Changes in Fund Balance
General Fund - Cash Basis (Unaudited)
For the Fiscal Years Ended June 30, 2020 through June 30, 2024
(Dollars in Thousands)

	Year Ended				
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Revenues:					
Taxes:					
Individual and Fiduciary Income	$ 20,310,406	$ 18,983,556	$ 20,410,206	$ 17,303,666	$ 15,351,592
Sales and Use	5,283,586	5,291,545	5,080,580	4,624,549	4,112,843
Corporation Income	1,907,065	2,031,120	1,978,697	1,515,692	1,011,650
Communications Sales and Use (Note 9)	277,892	292,848	301,446	314,768	347,101
Deeds, Contracts, Wills, and Suits	412,602	437,137	665,602	694,822	493,389
Premiums of Insurance Companies	468,192	450,877	426,830	363,105	360,588
Alcoholic Beverage Sales	314,127	307,412	300,153	296,059	267,214
Tobacco Products	224,958	246,132	278,626	286,632	153,638
Estate	-	-	27	810	80
Public Service Corporations	106,903	104,449	102,586	101,114	97,039
Other Taxes	203,376	100,080	88,835	46,116	35,873
Total Taxes	29,509,107	28,245,156	29,633,588	25,547,333	22,231,007
Rights and Privileges	120,841	126,834	113,371	95,255	94,695
Sales of Property and Commodities	46,429	28,879	20,185	19,507	39,463
Assessments and Receipts for Support of Special Services	8,052	5,514	5,897	5,960	5,813
Institutional Revenue	38,912	32,955	33,673	32,283	37,963
Interest, Dividends, and Rents	969,643	442,145	82,207	94,461	136,821
Fines, Forfeitures, Court Fees, Penalties, and Escheats	258,227	258,492	220,132	225,120	214,750
Federal Grants and Contracts	11,547	11,259	11,725	9,693	8,029
Receipts from Cities, Counties, and Towns	8,358	7,659	7,122	6,597	8,469
Private Donations, Gifts and Contracts	791	431	336	481	904
Tobacco Master Settlement	50,822	56,987	62,813	100,515	54,134
Other	341,127	466,650	403,039	293,859	223,456
Total Revenues (Note 2)	31,363,856	29,682,961	30,594,088	26,431,064	23,055,504
Expenditures:					
General Government	3,578,649	2,715,673	2,783,669	2,532,665	2,872,703
Education	13,687,155	12,708,311	11,330,277	9,968,154	9,526,097
Transportation	20,574	6,349	164	147	140
Resources and Economic Development	918,748	770,440	616,873	532,353	530,365
Individual and Family Services	9,063,203	8,809,425	7,369,472	7,051,802	6,884,183
Administration of Justice	3,692,419	3,447,349	3,142,616	3,000,321	2,983,904
Capital Outlay	376,807	144,107	59,151	2,898	4,535
Debt Service:					
Principal Retirement	24,589	35,256	20,571	-	-
Interest and Charges	4,675	2,834	2,904	-	-
Total Expenditures	31,366,819	28,639,744	25,325,697	23,088,340	22,801,927
Revenues Over (Under) Expenditures	(2,963)	1,043,217	5,268,391	3,342,724	253,577
Other Financing Sources (Uses):					
Transfers:					
Operating Transfers In	1,278,203	1,168,403	1,172,516	1,052,608	911,229
Operating Transfers Out	(806,085)	(493,910)	(570,986)	(414,818)	(439,543)
Total Other Financing Sources (Uses)	472,118	674,493	601,530	637,790	471,686
Revenues and Other Sources Over (Under) Expenditures and Other Uses	469,155	1,717,710	5,869,921	3,980,514	725,263
Fund Balance, July 1					
Restricted (Note 5)	2,712,576	2,690,501	1,783,359	650,540	638,838
Committed (Note 5)	7,770,839	5,692,557	2,469,243	1,355,193	1,473,273
Assigned (Note 5)	4,609,329	4,991,976	3,252,511	1,518,866	687,225
Fund Balance, July 1	15,092,744	13,375,034	7,505,113	3,524,599	2,799,336
Fund Balance, June 30					
Restricted (Note 5)	2,804,457	2,712,576	2,690,501	1,783,359	650,540
Committed (Note 5)	9,071,466	7,770,839	5,692,557	2,469,243	1,355,193
Assigned (Note 5)	3,685,976	4,609,329	4,991,976	3,252,511	1,518,866
Fund Balance, June 30	$ 15,561,899	$ 15,092,744	$ 13,375,034	$ 7,505,113	$ 3,524,599

The accompanying notes are an integral part of this statement.

Commonwealth of Virginia
Preliminary Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
General Fund - Cash Basis (Unaudited)
For the Fiscal Year Ended June 30, 2024
(Dollars in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual	Final Budget/ Actual Variance Favorable (Unfavorable)
Revenues:				
Taxes:				
Individual and Fiduciary Income	$ 19,080,900	$ 19,062,900	$ 20,310,406	$ 1,247,506
Sales and Use	4,994,224	5,066,699	5,283,586	216,887
Corporation Income	1,790,300	2,213,500	1,907,065	(306,435)
Communications Sales and Use (Note 9)	335,000	310,000	277,892	(32,108)
Deeds, Contracts, Wills, and Suits	608,700	433,600	412,602	(20,998)
Premiums of Insurance Companies	425,300	446,300	468,192	21,892
Alcoholic Beverage Sales	311,200	324,000	314,127	(9,873)
Tobacco Products	297,500	297,500	224,958	(72,542)
Public Service Corporations	103,500	104,300	106,903	2,603
Other Taxes	70,201	94,231	203,376	109,145
Rights and Privileges	101,555	128,271	120,841	(7,430)
Sales of Property and Commodities	11,560	22,405	46,429	24,024
Assessments and Receipts for Support of Special Services	6,587	6,190	8,052	1,862
Institutional Revenue	57,807	35,562	38,912	3,350
Interest, Dividends, and Rents	113,622	678,864	969,643	290,779
Fines, Forfeitures, Court Fees, Penalties, and Escheats	230,321	252,970	258,227	5,257
Federal Grants and Contracts	10,953	10,953	11,547	594
Receipts from Cities, Counties, and Towns	7,800	8,400	8,358	(42)
Private Donations, Gifts and Contracts	276	243	791	548
Tobacco Master Settlement	47,500	47,500	50,822	3,322
Other	343,679	276,648	341,127	64,479
Total Revenues (Note 2)	28,948,485	29,821,036	31,363,856	1,542,820
Expenditures:				
Current:				
General Government	3,443,405	3,976,809	3,578,649	398,160
Education	12,690,305	14,563,219	13,687,155	876,064
Transportation	110,030	194,966	20,574	174,392
Resources and Economic Development	795,099	1,897,212	918,748	978,464
Individual and Family Services	9,435,671	9,287,778	9,063,203	224,575
Administration of Justice	3,501,011	3,853,727	3,692,419	161,308
Capital Outlay	692,730	1,591,048	376,807	1,214,241
Debt Service:				
Principal Retirement	24,589	24,589	24,589	-
Interest and Charges	4,675	4,675	4,675	-
Total Expenditures	30,697,515	35,394,023	31,366,819	4,027,204
Revenues Over (Under) Expenditures	(1,749,030)	(5,572,987)	(2,963)	5,570,024
Other Financing Sources (Uses):				
Transfers:				
Operating Transfers In	1,009,286	1,232,656	1,278,203	45,547
Operating Transfers Out	(476,079)	(804,001)	(806,085)	(2,084)
Total Other Financing Sources (Uses)	533,207	428,655	472,118	43,463
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,215,823)	(5,144,332)	469,155	5,613,487
Fund Balance, July 1	15,092,744	15,092,744	15,092,744	-
Fund Balance, June 30	$ 13,876,921	$ 9,948,412	$ 15,561,899	$ 5,613,487

The accompanying notes are an integral part of this statement.

Commonwealth of Virginia
Preliminary Comparison of Selected Sum-Sufficient Final Budget
Appropriations with Actual Expenditures
General Fund - Cash Basis (Unaudited)
For the Fiscal Year Ended June 30, 2024
(Dollars in Thousands)

	Original Budget Appropriations	Final Budget Appropriations	Actual Expenditures	Amount (Over) Under Final Budget
Enactment of Laws	$ 59,437	$ 111,844	$ 59,408	$ 52,436
Financial Assistance to Localities -- From Sale of Alcoholic Beverages and Other Distributions	30,380	12,508	12,206	302
Financial Assistance for Special State Revenue Sharing -- From Sales Tax	1,975,608	1,911,900	1,723,447	188,453
Cash Management Improvement Act Payment to the Federal Government	5,007	5,007	5,007	-
Totals	$ 2,070,432	$ 2,041,259	$ 1,800,068	$ 241,191

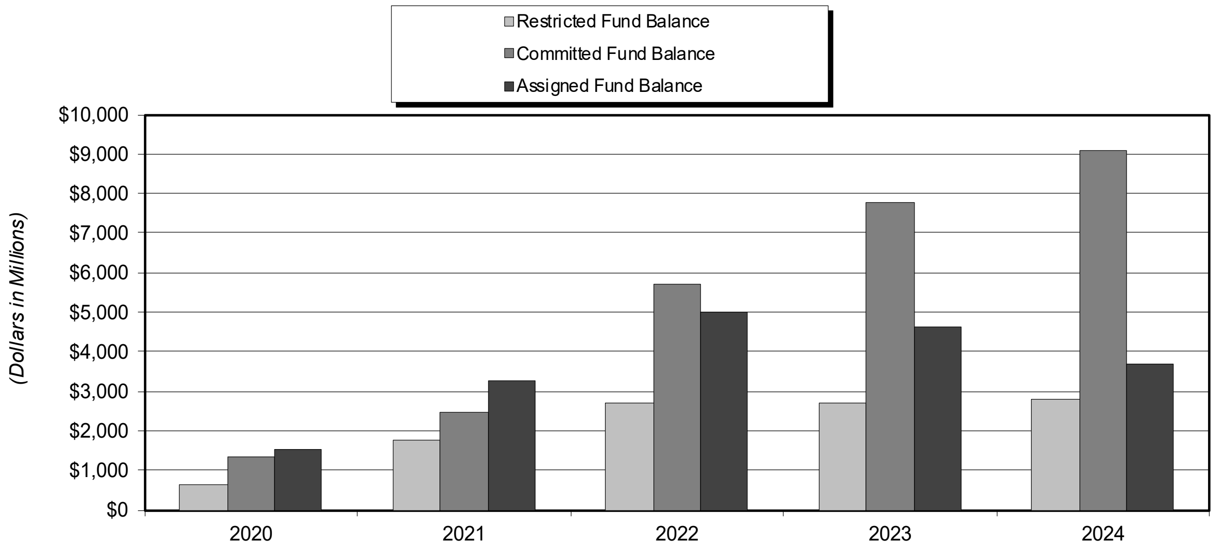
This page intentionally left blank

GENERAL FUND GRAPHICS AND SUPPLEMENTAL SCHEDULES

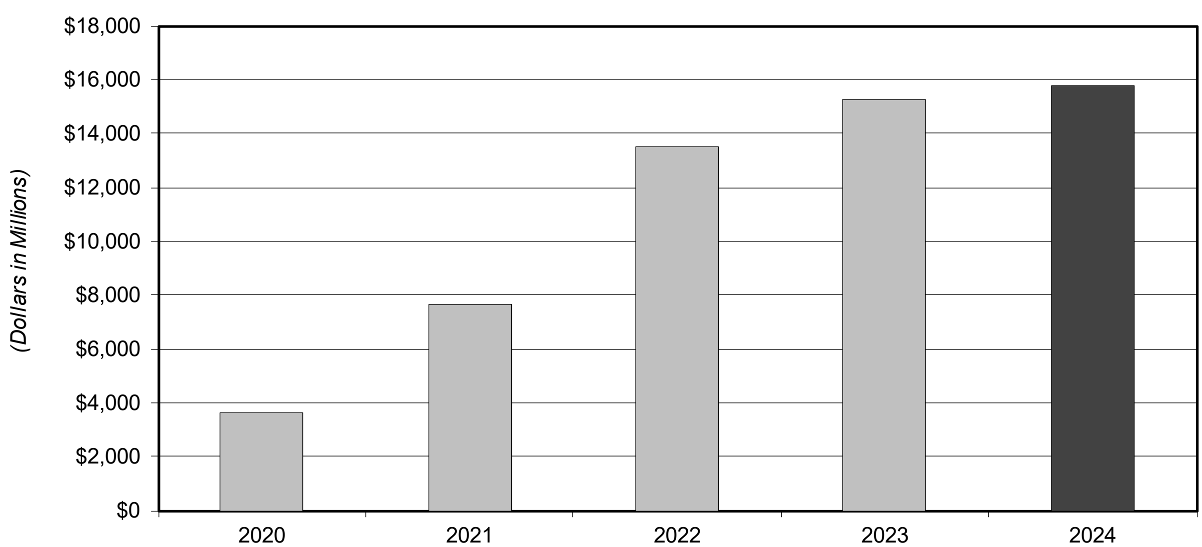
◊ ◊

This page intentionally left blank

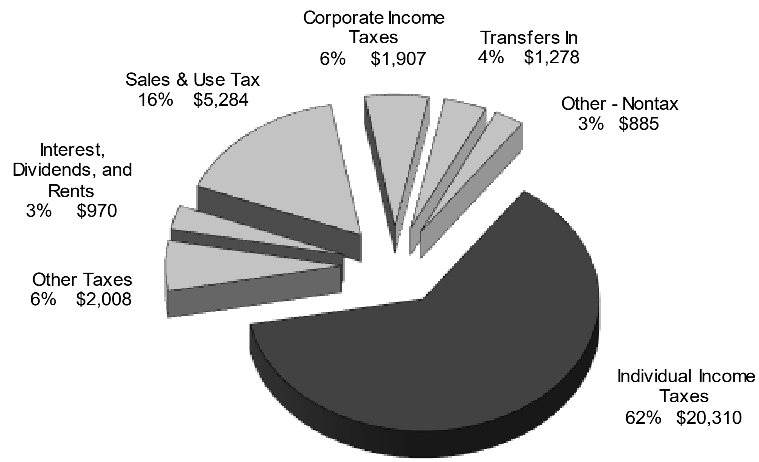
General Fund
Fund Balance
Fiscal Years 2020-2024



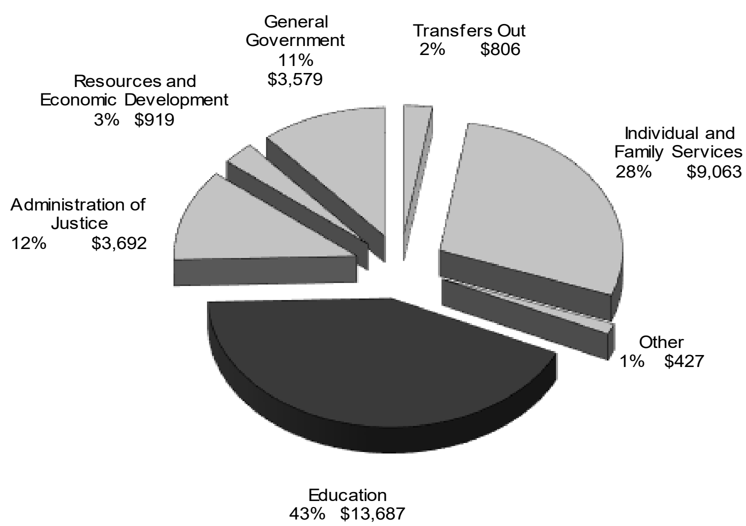
General Fund
Cash, Cash Equivalents, and Investments
Fiscal Years 2020-2024



General Fund
Revenues by Revenue Class and Other Sources
Fiscal Year 2024
(Dollars in Millions)

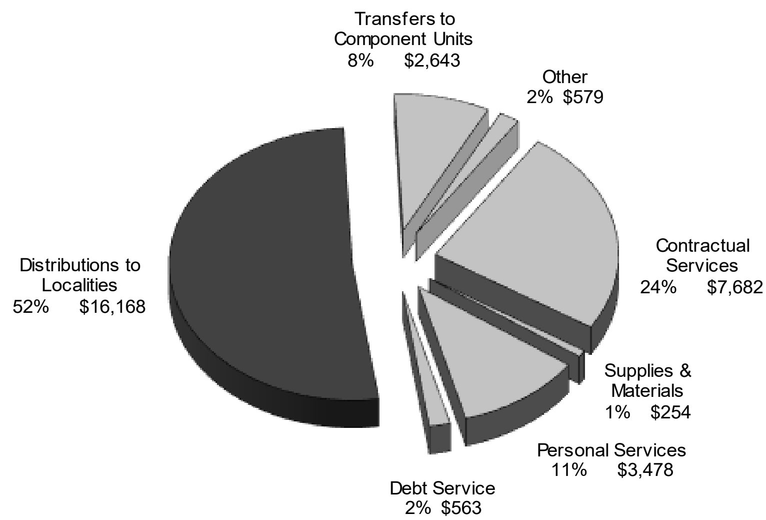


General Fund
Expenditures by Function and Other Uses
Fiscal Year 2024
(Dollars in Millions)

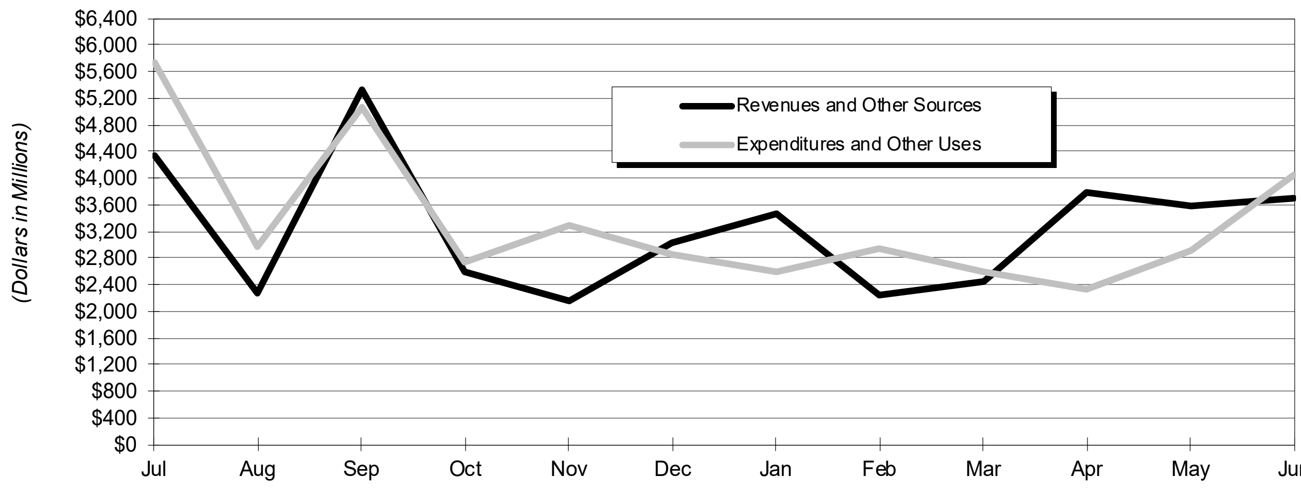


Note: General Government expenditures include $950.0 million paid to localities pursuant to the Personal Property Tax Relief Act of 1998, $850.3 million in 2023 Individual Income Tax Rebate payments and $276.0 million in communication sales tax distributions. This represents 58.0 percent of the General Government expenditures.

General Fund
Expenditures by Object
Fiscal Year 2024
(Dollars in Millions)



General Fund
Revenues and Other Sources and
Expenditures and Other Uses by Month
Fiscal Year 2024



Note: July expenditures include $1.4 billion in payments to Higher Education. Additionally, September Other Sources and Uses include $906.8 million associated with the 2023 Individual Income Tax Rebate.

Source: The Monthly Analysis of Cash and Investments Report, which is limited to budgetary general fund.

General Fund
Expenditures by Function and Significant Service Area
Fiscal Year 2024
(Dollars in Thousands)

Function:	Significant Service Area:	Amount	Totals
Education	Grades K-12	$ 10,107,040	
	Higher Education	3,395,624	
	Other	184,491	
			$ 13,687,155
Individual and Family Services	Medical Assistance Services	6,455,060	
	Behavioral Health and Developmental Services	1,310,220	
	Social Services	504,306	
	Children's Services	326,618	
	Health	239,668	
	Other	227,331	
			9,063,203
Administration of Justice	Corrections	1,948,483	
	Sheriffs and Inmate Confinement - Compensation Board	635,198	
	Courts	523,855	
	State Police	442,288	
	Other	142,595	
			3,692,419
General Government	Car Tax Relief (PPTRA)	950,000	
	Individual Income Tax Rebate	850,308	
	Debt Service - Component Units	563,174	
	Communication Sales Tax Distribution	276,015	
	Constitutional Officers - Compensation Board	231,029	
	Criminal Justice - Locality Assistance	221,682	
	Tax Administration	119,124	
	Virginia Retirement System - Various State Employee Plans	55,100	
	Other	312,217	
			3,578,649
Resources and Economic Development	Conservation and Recreation	333,749	
	Housing and Community Development	102,435	
	Economic Development Partnership	93,599	
	Environmental Quality	92,956	
	Agriculture	47,950	
	Innovation Partnership Authority	42,486	
	Forestry	25,414	
	Tourism	25,285	
	Historic Resources	19,421	
	Marine Resources	18,497	
	Health - Water Improvement and Environmental Safety	17,212	
	Labor and Industry	17,113	
	Energy	16,144	
	Fort Monroe	9,500	
	Social Services - Regulation of Facilities and Services	9,305	
	Other	47,682	
			918,748
Other	Capital Outlay	376,807	
	Transportation	20,574	
	Debt Service - Principal Retirement	24,589	
	Debt Service - Interest and Charges	4,675	426,645
			$ 31,366,819

General Fund
Other Financing Sources and Uses by Significant Service Area
Fiscal Year 2024
(Dollars in Thousands)

Other Financing Sources (Transfers In):

Significant Service Area	Amount	Total
Lottery	$ 944,668	
ABC Transfers	244,602	
Transfers from Other Funds	88,933	
		$ 1,278,203

Other Financing Uses (Transfers Out):

Significant Service Area	Amount	Total
Debt Service	$ 403,958	
Transportation Programs	321,404	
Transfers to Other Funds	80,723	
		$ 806,085

This page intentionally left blank

GENERAL FUND NOTES

◊ ◊

COMMONWEALTH OF VIRGINIA

NOTES TO PRELIMINARY FINANCIAL STATEMENTS

JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying General Fund financial statements of the Commonwealth of Virginia have been prepared on a cash basis of accounting. Revenues and expenditures are recorded according to the provisions of the Appropriation Act; therefore, no accruals of revenues or expenditures have been included.

The General Fund includes transactions related to cash received and used for those services traditionally provided by a state government, which are not reported in other funds. It is a governmental fund, and therefore, its focus is on the measurement of financial position and related changes thereto, rather than on income determination.

All funds will be presented using the appropriate bases of accounting as defined by generally accepted accounting principles in the Annual Report of the Comptroller, due on December 15, 2024.

B. Budget

Budgetary amounts shown in the General Fund Statement of Revenue Collections and Estimates represent Chapter 769, 2023 Acts of Assembly Reconvened Session (original), and Chapter 1, 2024 Acts of Assembly Special Session I (final), as adjusted for executive and other administrative actions. The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly. The Governor, as required by the *Code of Virginia*, submits to the General Assembly a State budget composed of all proposed expenditures, estimated revenues and borrowings for a biennium.

The budget is prepared on a biennial basis; however, the budget of the General Fund contains 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 budget is controlled at the program level. Under certain circumstances, the Director of the Department of Planning and Budget 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. Increases in General Fund appropriations must be approved by the General Assembly.

2. ANALYSIS OF GENERAL FUND REVENUE

The Department of Accounts produces a monthly General Fund Statement of Revenue Collections and Estimates which is published on the Secretary of Finance's website. The following analysis relates components of the Preliminary General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual with the monthly revenue report for June 30, 2024. The inclusion of additional funds in the Preliminary General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual has no impact on either the budgetary or statutory purposes of the funds considered General Fund for financial reporting purposes.

(Dollars in Thousands)	Final Revenue Budget	Total Actual Revenue
Amount per Preliminary Financial Statements	$ 29,821,036	$ 31,363,856
Amount per Monthly Statement of Revenue	28,279,500	29,448,224
	$ 1,541,536	$ 1,915,632
Variance Attributable to the Following:		
Public Education Standards of Quality Fund - Sales and Use Tax revenue included on the Preliminary Financial Statements	$ 550,899	$ 573,835
Virginia Communications Sales and Use Tax Fund - Sales and Use Tax revenue included on the Preliminary Financial Statements	310,000	277,892
Virginia Natural Resources Commitment Fund - Deeds, Contracts, Wills & Suits Tax revenue included on the Preliminary Financial Statements	8,000	5,967
Virginia Health Care Fund - Tobacco Products Tax revenue included on the Preliminary Financial Statements	297,500	224,958
Virginia Communications Sales and Use Tax Fund - Rights and Privileges revenue included on the Preliminary Financial Statements	658	561
Revenue Stabilization Fund - Interest, Dividends and Rents revenue included on the Preliminary Financial Statements	-	80,390
Lottery Proceeds Fund - Interest, Dividends and Rents revenue included on the Preliminary Financial Statements	1,765	6,360
Water Supply Assistance Grant Fund - Interest, Dividends and Rents revenue included on the Preliminary Financial Statements	28	414
Revenue Reserve Fund - Interest, Dividends and Rents revenue included on the Preliminary Financial Statements	-	90,711
Virginia Natural Resources Commitment Fund - Interest, Dividends and Rents revenue included on the Preliminary Financial Statements	300	17,859
Virginia Water Quality Improvement Fund - Interest, Dividends and Rents revenue included on the Preliminary Financial Statements	235	11,422
Commonwealth's Development Opportunity Fund - Interest, Dividends and Rents revenue included on the Preliminary Financial Statements	-	4,808
Virginia Communications Sales and Use Tax Fund - Interest, Dividends and Rents revenue included on the Preliminary Financial Statements	-	1,145
Virginia Health Care Fund - Fines, Forfeitures, Court Fees, Costs, Penalties, and Escheats revenue included on the Preliminary Financial Statements	2	-
Water Supply Assistance Grant Fund - Fines, Forfeitures, Court Fees, Costs, Penalties, and Escheats revenue included on the Preliminary Financial Statements	9	3
Virginia Health Care Fund - Tobacco Master Settlement revenue included on the Preliminary Financial Statements	47,500	50,822
Virginia Health Care Fund - Medicaid Claims Payable Recoveries revenue included as other revenue on the Preliminary Financial Statements	184,000	216,722
Commonwealth's Development Opportunity Fund - Other Revenue included on the Preliminary Financial Statements	-	3,297
Virginia Water Quality Improvement Fund - Other Revenue included on the Preliminary Financial Statements	-	184
Virginia Natural Resources Commitment Fund - Other Revenue included on the Preliminary Financial Statements	-	11,950
Lottery Proceeds Fund - Other Revenue included on the Preliminary Financial Statements	-	4
Transfers from Fiduciary Funds and Component Units included in revenue on the Preliminary Financial Statements	16,095	14,594
Other items included in revenue on the Preliminary Financial Statements	124,545	321,734
	$ 1,541,536	$ 1,915,632

3. APPROPRIATION ACT TRANSFERS

For fiscal year ended June 30, 2024, Appropriation Act transfers are $2.8 billion. The following analysis shows where Appropriation Act transfers are reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

(Dollars in Thousands)	Appropriation Act Transfers	
Transfers In	$ 1,231,836	(a)
Transfers Out	(21,588)	
Intrafund Transfers between General Fund and:		
Public Education Standards of Quality Fund	573,835	
Individual Income Tax Rebate Fund	906,800	
Other Nongeneral Funds	100,850	
Revenue - Other	12,584	
Total Appropriation Act Transfers	$ 2,804,317	

(a) Includes ABC transfers of approximately $244.6 million

4. DUE FROM / TO OTHER FUNDS

These amounts are included in the accompanying statements pursuant to the requirements of GASBS No. 54. The due from amount primarily represents future reimbursements to be received from the Virginia Distribution Center. The due to amount primarily represents an internal borrowing that will finance Emergency Management Assistance Compact mission assignments.

5. FUND EQUITY

Restricted fund balances are those that have a restriction by the *Constitution of Virginia* or from a party external to the Commonwealth. Committed fund balances are amounts that can only be used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The authority in the Commonwealth is the General Assembly and Governor. Assigned fund balances are those that the government intends to use for a planned purpose, but which are not restricted or committed. Unassigned fund balances are those that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific or planned purposes within the General Fund. Pursuant to Section 2.2-1514 of the *Code of Virginia*, any unassigned balances in the General Fund are automatically committed for transfer to the Commonwealth Transportation Fund and nonrecurring expenditures. For fiscal year 2024, sufficient cash is not available after other planned uses to require deposits for the Commonwealth Transportation fund and nonrecurring expenditures.

6. REVENUE STABILIZATION FUND

The Revenue Stabilization Fund is routinely segregated from the General Fund, but Virginia law directs that the Revenue Stabilization Fund be included as a component of the General Fund for financial reporting purposes. Therefore, it is included here both as a cash asset and as a restricted component of fund balance. The Revenue Stabilization Fund can be used only for constitutionally authorized purposes.

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*, no deposit is required during fiscal year 2025 based on fiscal year 2023 revenue collections. Also, no deposit is required during fiscal year 2026 based on fiscal year 2024 revenue collections. A deposit of $904.7 million was made during fiscal year 2024, which includes the advance reservation of $498.7 million from the Revenue Reserve Fund provided in Chapter 1, 2022 Acts of Assembly Special Session I, for the fiscal year 2024 mandatory deposit.

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 2024.

The Revenue Stabilization Fund has principal and interest on deposit of $2.8 billion restricted as a part of General Fund balance. Pursuant to the constitutional amendment of Article X, Section 8, effective January 1, 2011, the amount on deposit cannot exceed fifteen percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years.

7. LOTTERY PROCEEDS FUND

In accordance with Article X, Section 7-A of the *Constitution of Virginia,* lottery proceeds must be distributed to the Commonwealth's localities and the school divisions to be expended for the purposes of public education. Further, Section 58.1-4022.1 of the *Code of Virginia* directs the Lottery Proceeds Fund be included as a component of the General Fund for financial reporting purposes. Accordingly, the financial activity of the Lottery Proceeds Fund for fiscal year 2024 is included in the Preliminary Statement of Revenues, Expenditures, and Changes in Fund Balance. The remaining cash balance of $24.3 million is restricted as a component of the General Fund balance.

Additionally, $944.7 million, which included the estimated net income for fiscal year 2024 of $858.5 million and the residual transfer of $86.2 million related to fiscal year 2023 net income, was deposited into the Lottery Proceeds Fund during fiscal year 2024 in accordance with Chapter 1, 2024 Acts of Assembly Special Session I, Section 3-1.01G. The final audited residual net profit, estimated at $75.6 million will be deposited in fiscal year 2025.

8. COMMITTED AND ASSIGNED FUND BALANCE

Committed Fund Balance represents 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 accompanying Balance Sheet includes amounts that share the same purpose and title, such as Economic and Technological Development as both Committed and Assigned components of fund balance. The distinction between these classifications results from whether there is a statutory restriction on certain amounts contained within the fund.

A. OTHER COMMITTED FUND BALANCE

As of June 30, 2024, the breakdown of Other Committed Fund Balance is as follows.

Other Committed		Amount (In Thousands)
Capital Outlay	$	5,799
Agriculture and Forestry		3,473
Governmental Operations - Administrative Services		281
Contract and Debt Administration		123
Total Other Committed Fund Balance	$	9,676

B. OTHER ASSIGNED FUND BALANCE

As of June 30, 2024, the breakdown of Other Assigned Fund Balance is as follows.

Other Assigned		Amount (In Thousands)
Governmental Operations - Administrative Services	$	15,014
Governmental Operations - Legislative Services		7,152
Capital Outlay		927
COVID-19		458
Transportation Activities		11
Regulatory Oversight		9
Agriculture and Forestry		3
Total Other Assigned Fund Balance	$	23,574

9. COMMUNICATION SALES AND USE TAX FUND

The Appropriation Act directs the Communications Sales and Use Tax Fund be included as a component of the General Fund for financial reporting purposes. The Commonwealth collects communication sales and use taxes and disburses these amounts to localities. The remaining cash balance of $29.2 million is reported as committed fund balance.

10. VIRGINIA WATER QUALITY IMPROVEMENT FUND

Section 10.1-2128 of the *Code of Virginia* established the Virginia Water Quality Improvement Fund. The Fund has $763.7 million on deposit committed as part of the General Fund balance. The Fund was established to provide Water Quality Improvement Grants to various entities to assist in pollution prevention and reduction. The Fund shall consist of amounts appropriated by the General Assembly. Unless otherwise specified by the general appropriation act, these appropriations shall consist of ten percent of revenues collected in excess of the official estimate and ten percent of any unrestricted and uncommitted fund balance not required for reappropriation. In the legislative context, committed refers to planned future usage versus the fund balance classification.

For the year ended June 30, 2024, $59.4 million and $34.3 million that represent ten percent of the revenue collected in excess of the official estimate as adjusted to eliminate amounts appropriated in Chapter 1, 2024 Acts of Assembly Special Session I, for the I-81 Corridor Improvement Program and Water Quality Improvement Fund Matching Grants, and ten percent of any unrestricted and uncommitted fund balance not required for reappropriation, respectively, have been committed.

In fiscal year 2024, $88.8 million and $42.2 million representing ten percent of the 2022 revenue collected in excess of the official estimate reduced by the estimated rebate provided to taxpayers and ten percent of fiscal year 2022 unrestricted and uncommitted fund balance not required for reappropriation, respectively, were deposited to the fund.

Additionally, $408.7 million and $104.7 million which represented ten percent of the 2023 revenue collected in excess of the official estimate as adjusted to eliminate the impact of 2022 estimated rebate provided to taxpayers and ten percent of fiscal year 2023 unrestricted and uncommitted fund balance were appropriated and transferred to the Water Quality Improvement Fund during fiscal year 2024, per Chapter 1, 2023 Acts of Assembly Special Session I, Items 374 and 380. The required deposits calculated resulting from the 2024 revenue collections are anticipated to be transferred during fiscal year 2026.

11. REVENUE RESERVE FUND

The Revenue Reserve Fund is routinely segregated from the General Fund, but Virginia law directs that the Revenue Reserve Fund be included as a component of the General Fund for financial reporting purposes. Therefore, it is included here as both a cash asset and as a committed component of fund balance.

Section 2.2-1831.2 of the *Code of Virginia* established the Revenue Reserve Fund. As of June 30, 2024, the fund has principal and interest on deposit of $1.9 billion committed as part of the General Fund balance. This amount is set aside to mitigate certain anticipated revenue shortfalls when appropriations based on previous revenue forecasts exceed expected revenues in subsequent forecasts.

A deposit of $289.6 million was made during fiscal year 2024. This amount represents the fiscal year 2023 revenue collected in excess of the estimate reduced by the statutory deposit to the Water Quality Fund for excess revenues. Additionally, there was a withdrawal of $498.7 million for the advance reservation to the Revenue Stabilization Fund per Chapter 1, 2022 Acts of Assembly Special Session I, for the fiscal year 2024 mandatory deposit.

Sections 2.2-1831.3 of the *Code of Virginia* specifies the required deposits to the fund. Whenever there is a fiscal year in which there is not a mandatory deposit to the Revenue Stabilization Fund, a deposit is required if the general fund revenue exceeds the official estimate. The amount to be deposited shall not exceed one percent of the general fund revenues collected in the prior fiscal year. The Department of Planning and Budget has identified a deposit of $288.7 million to be made during fiscal year 2025. This amount represents the fiscal year 2024 revenue collected in excess of the estimate reduced by the amounts appropriated in Chapter 1, 2024 Acts of Assembly Special Session I, for the I-81 Corridor Improvement Program and Water Quality Improvement Fund Matching Grants, as well as the statutory deposit to the Water Quality Fund for excess revenues.

Additionally, the combined balance of the Revenue Reserve Fund and the Revenue Stabilization Fund cannot exceed 20.0 percent of the total Commonwealth’s average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years.

GLOSSARY

◊ ◊

FINANCIAL STATEMENTS AND NOTES

BALANCE SHEET

1. **Cash, Cash Equivalents, and Investments** – All cash, cash equivalents, and investments are maintained by the Treasurer of Virginia. Cash includes demand deposits, time deposits, and certificates of deposit. Cash equivalents are investments with an original maturity of three months or less. Short-term investments held are stated at cost, which approximates market value.

2. **Cash and Travel Advances** – Funds advanced to agencies to make immediate cash payments for authorized purposes or advanced to agency employees to cover expenses incurred while traveling on State business.

3. **Other Assets** – Amounts for balances that are miscellaneous in nature that are not specifically classified elsewhere.

4. **Due From Other Funds** – Amounts to be received from other nongeneral funds.

5. **Payments Awaiting Disbursement** – This represents amounts where a payment has been recorded in the general ledger and the disbursement has not yet been made.

6. **Deposits Pending Distribution** – This represents miscellaneous amounts held by several agencies in suspense accounts pending distribution.

7. **Due to Other Funds** – Amounts owed to other nongeneral funds.

8. **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. Restricted Fund Balance represents:

   - **Revenue Stabilization Fund** – This portion of fund balance consists of amounts on deposit or constitutionally required for future deposit. Amounts can only be used within the constraints imposed by the *Constitution of Virginia.*
   - **Lottery Proceeds Fund** – This portion of fund balance consists of amounts required to be distributed to localities and used for education purposes pursuant to constitutional provisions.
   - **Water Supply Assistance Grant Fund** – This portion of fund balance consists of amounts provided as matching funds for moneys available through the Federal Safe Drinking Water Act.

9. **Committed Fund Balance** – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the General Assembly and Governor. Committed Fund Balance represents:

   - **Amount Required for Reappropriation, Capital Outlay/Restoration of Projects and Mandatory Reappropriations** – This portion of fund balance represents fiscal year 2024 unexpended appropriations which the Department of Planning and Budget will reappropriate in the next fiscal year.
   - **Virginia Health Care Fund** – This portion of fund balance represents amounts collected from tobacco taxes and a portion of the Tobacco Master Settlement Agreement receipts and is to be used for the provision of health care services.
   - **Central Capital Planning Fund** – This portion of fund balance represents amounts for preplanning and detailed planning costs for potential capital outlay projects.
   - **Communication Sales and Use Tax** – This portion of fund balance represents Communication Sales and Use Tax collections that will be distributed to localities subsequent to June 30.
   - **Commonwealth's Development Opportunity Fund** – This portion of fund balance represents amounts the Governor may use as incentives to attract economic development prospects.
   - **Natural Disaster Sum Sufficient** – This portion of fund balance represents the estimated costs of responding to and recovering from damage caused by hurricanes, blizzards, severe storms/tornadoes, floods, and civil unrest.

- **I-81 Corridor Improvement Program** – This portion of fund balance represents fiscal year 2024 revenue collections in excess of the estimate that will support the I-81 Corridor Improvement Program as required by Chapter 1, 2024 Acts of Assembly Special Session I, Item 487.50 C1.
- **Water Quality Improvement Fund Matching Grants** – This portion of fund balance represents fiscal year 2024 revenue collections in excess of the official estimate that will provide matching grants for eligible wastewater projects for Chesapeake Bay nutrient reductions as required by Chapter 1, 2024 Acts of Assembly Special Session I, Item 487.50 C2.
- **Virginia Water Quality Improvement Fund, including Part A and Part B** – This portion of fund balance represents amounts currently on deposit in, or to be transferred to, the Virginia Water Quality Improvement Fund upon appropriation by the General Assembly. Amounts deposited to this fund are used to provide Water Quality Improvement Grants to various entities to assist in pollution prevention and reduction.
- **Virginia Military Survivors and Dependents Education Program** – This portion of fund balance represents fiscal year 2024 revenue collections in excess of the estimate that will offset the impact of financial aid waivers and stipends as required by Chapter 4, Acts of Assembly 2024 Special Session I.
- **Revenue Reserve Fund** – This portion of fund balance consists of amounts on deposit. As required by *Code of Virginia*, Section 2.2-1831.2, this portion of fund balance can be used when certain anticipated revenue shortfalls occur.
- **Taxpayer Relief Fund** – This fund captured the estimated revenues generated by tax reform provisions in fiscal year 2019 that exceeded revenues reasonably expected to be collected due to general economic growth and absent the federal policy changes. This portion of fund balance represents the remaining amount that is expected to be refunded to taxpayers.
- **Individual Income Tax Rebate Fund** – This fund captured the estimated amount to be provided to individuals as a rebate for taxable years beginning on and after January 1, 2021, but before January 1, 2022, pursuant to Chapter 1, 2023 Acts of Assembly Special Session I, Item 3-5.22. This portion of fund balance represents the remaining amount that is expected to be refunded to taxpayers.
- **Local Government Fiscal Distress** – This portion of fund balance may be used to provide technical assistance and intervention actions to local governments deemed to be fiscally distressed.
- **Economic and Technological Development** – This portion of fund balance represents amounts that will be used to promote growth in the Commonwealth’s economy.
- **Educational and Training Programs** – This portion of fund balance represents amounts that will be used to promote and improve the Commonwealth’s educational and training programs.
- **Health and Public Safety** – This portion of fund balance represents amounts that will be used to further the health and public safety of the Commonwealth’s citizenry.
- **Environmental Quality and Natural Resource Preservation** – This portion of fund balance represents amounts that will be used to improve and preserve the Commonwealth’s natural resources.

10. **Assigned Fund Balance** – Includes amounts that are constrained by the government’s intent to be used for planned purposes, but are neither restricted nor committed. Assigned Fund Balance represents:

    - **Amount Required by Chapter 2** – This portion of fund balance represents the amount that must be carried forward to the following year to balance the biennial budget.
    - **Health and Public Safety** – This portion of fund balance represents amounts anticipated to be used to further the health and public safety of the Commonwealth’s citizenry.
    - **Environmental Quality and Natural Resource Preservation** – This portion of fund balance represents amounts anticipated to be used to improve and preserve the Commonwealth’s natural resources.
    - **Economic and Technological Development** – This portion of fund balance represents amounts anticipated to be used to promote growth in the Commonwealth’s economy.

- **Employee Benefit Administration** – This portion of fund balance represents amounts anticipated to be used to administer employee benefits in the Commonwealth.
- **Educational and Training Programs** – This portion of fund balance represents amounts anticipated to be used to promote and improve the Commonwealth's educational and training programs.
- **Amount Required for Discretionary Reappropriation** – This portion of fund balance represents fiscal year 2024 unexpended appropriations which the Department of Planning and Budget anticipates reappropriating in the next fiscal year.
- **Amount for Additional Taxpayer Relief and Other Budgetary Priorities** – This portion of fund balance represents the amount that is anticipated to be used to provide additional taxpayer relief in future years and other budgetary priorities. This taxpayer relief is separate from the Taxpayer Relief Fund and the Individual Income Tax Rebate Fund.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Revenues:

11. **Taxes** – Charges of money imposed by the Commonwealth on persons or property for public purposes.

12. **Rights and Privileges** – Registration fees, licenses, and permits. Examples include domestic and foreign corporate registration fees and marriage licenses.

13. **Sales of Property and Commodities** – Revenue collected from sales of Commonwealth assets and goods. Examples include sales of State publications.

14. **Assessments and Receipts for Support of Special Services** – Revenues collected for services provided by the Commonwealth's agencies. An example is audit services provided to cities, counties, and towns.

15. **Institutional Revenue** – Revenue generated primarily by healthcare services provided by the two veteran care centers and from sales by the Departments of Corrections. Examples include the sale of farm and dairy products.

16. **Interest, Dividends, and Rent** – Interest earnings and rental income. Examples include interest on Commonwealth bank accounts and investments and interest on delinquent taxes. Interest allocated to various other funds is not included here.

17. **Fines, Forfeitures, Court Fees, Penalties, and Escheats** – Fines, penalties, etc., primarily collected by the Department of Taxation and the court system. Examples include court processing fees and penalties for nonpayment of taxes.

18. **Federal Grants and Contracts** – Revenue collected from the Federal government that can be used for any purpose within the mission of the receiving agencies.

19. **Receipts from Cities, Counties, and Towns** – Revenue collected from city and county treasurers representing miscellaneous fees and allowances of local law enforcement officials.

20. **Private Donations, Gifts, and Contracts** – This amount represents donations and grants from individuals and private companies to State programs.

21. **Tobacco Master Settlement** – This amount represents the revenue generated from the Tobacco Master Settlement Agreement with tobacco companies.

22. **Other Revenue** – All other revenue collections that are not included in the above categories. Examples include refunds of expenditures and miscellaneous disbursements made in prior years and recovery of Statewide indirect costs.

Expenditures:

23. **General Government** – Expenditures to support the general activities of the state, regional, and local levels of government. Examples include administrative and support services, general financial assistance to localities, information systems management and direction. In fiscal year 2024, this included $850.3 million for the Individual Income Tax Rebate provided to citizens for tax year 2023. Also included is tax relief reported as expenditures pursuant to the Personal Property Tax Relief Act (PPTRA) of 1998. During Special Session I (2004), the General Assembly established a limit of $950.0 million on the amount for personal property tax relief beginning with fiscal year 2007.

24. **Education** – Expenditures to assist individuals in developing knowledge, skills, and cultural awareness. Examples include elementary and secondary education, instruction, supervision and assistance and higher education.

25. **Transportation** – Expenditures related to the movement of people, goods, and services and their regulation. Examples include ground, water and air transportation.

26. **Resources and Economic Development** – Expenditures to develop the economic base, including alternative natural resources and to regulate it with regard to varied public interests of the Commonwealth. Examples include resource management, economic development, promotion and improvement, as well as the regulation of professions and occupations.

27. **Individual and Family Services** – Expenditures to support the economic, social and physical well-being of the individual and family. Included are disease research, prevention and control, state health services, and community health services.

28. **Administration of Justice** – Expenditures related to civil and criminal justice, including apprehension, trial, punishment, and rehabilitation of law violators. Examples include crime deterrence, suppression and control, adjudication, confinement and community custody.

29. **Capital Outlay** – Construction and preparation of Commonwealth assets.

30. **Debt Service Principal Retirement** – Expenditures associated with the retirement of long-term debt principal for the current fiscal year associated with installment purchases, leases, subscription-based information technology arrangements, debt not accounted for in the Debt Service Fund etc.

31. **Debt Service Interest and Charges** – Expenditures associated with the payment of interest and charges relating to long-term debt for the current fiscal year associated with installment purchases, leases, subscription-based information technology arrangements, debt not accounted for in the Debt Service Fund etc.

Other Financing Sources (Uses):

32. **Operating Transfers In** – This balance reflects transfers in from other nongeneral funds.

33. **Operating Transfers Out** – This balance represents transfers from the General Fund to other nongeneral funds which includes transfers to the Debt Service Fund.

◊ ◊

If you have any questions or comments regarding information
contained in this report, please contact us at
Finrept@doa.virginia.gov

Copies of this report may be downloaded from
The Department of Accounts' web site at
http://www.doa.virginia.gov

APPENDIX C

COMMONWEALTH OF VIRGINIA
DEMOGRAPHIC AND ECONOMIC INFORMATION

Report Date: January 30, 2024

PAGE INTENTIONALLY LEFT BLANK

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 region is the largest geographical land of the state, and is characterized by low, rolling hills. The Blue Ridge Mountain region, which lies to the west of the Piedmont Plateau region, is the main eastern mountain range of the Appalachian Mountains. The Appalachian Ridge and Valley region stretches from southwest to northeast along Virginia's western border and includes the Shenandoah Valley. The Appalachian Plateau region lies in the far southwestern portion of Virginia. In Kentucky it is called the Cumberland Plateau. The topography of this region is characterized by rivers, streams, and forests. Approximately one-third of all land in Virginia is used for farming and other agricultural services. This variety of terrain, the location of the Commonwealth on the Atlantic Seaboard at the southern extremity of the northeast population corridor, and its close proximity to the nation's capital all have had a significant influence on the development of the present economic structure of the Commonwealth.

According to the U.S. Census Bureau, the Commonwealth's 2023 estimated population was 8,715,698, which was 2.60 percent of the United States total population. Among the 50 states, it ranked twelfth in population size. With 39,490 square miles of land area, its 2023 population density was 220.7 persons per square mile, compared with 98 persons per square mile for the United States generally.

Population Trends

From 2014 to 2023, Virginia's population increased 4 percent versus 5 percent for the nation. Population trends since 2014 for the Commonwealth and the United States are shown in the following table:

POPULATION TRENDS

	Virginia			United States		
Year	Population	Increase Over Preceding Year		Population	Increase Over Preceding Year	
2014	8,326,289	0.8	%	318,622,525	0.8	%
2015	8,382,993	0.7		321,039,839	0.8	
2016	8,414,380	0.4		323,405,935	0.7	
2017	8,463,587	0.6		324,985,539	0.5	
2018	8,501,286	0.4		326,687,501	0.5	
2019	8,556,642	0.7		328,239,523	0.5	
2020*	8,637,193	0.9		331,526,933	1.0	
2021*	8,657,348	0.2		332,048,977	0.2	
2022*	8,679,099	0.3		333,271,411	0.4	
2023*	8,715,698	0.4		334,914,895	0.5	

Source: U.S. Census Bureau.

**Virginia 2020 - 2023 estimates through July 1, 2023; Census Data Release Date: December 2023*

Age Distribution of Population

Compared to the national average, a higher proportion of the Commonwealth's population is in the adult/working ages of 20 through 64. Similarly, a lower proportion of Virginia's population is comprised of persons ages 65 and older and of persons ages 5 through 19. In 2022, the population of the Commonwealth and of the United States was distributed by age as follows:

AGE DISTRIBUTION

2023

Age	Virginia	United States
Under 5 years	5.61 %	5.56 %
5 through 19 years	18.50	18.76
20 through 44 years	33.84	33.58
45 through 64 years	25.17	24.76
65 years and older	16.87	17.34
	100.00 %	100.00 %

Source: Virginia and US 2022 Data as of July 2022; US Census Bureau
Data Release Date: June 2023

Geographic Distribution of Population

The Commonwealth has a high percentage of its citizens living in urban areas. Virtually all the Commonwealth's population growth between 1950 and 1970 occurred in urban areas. During the 1970s, however, non-metropolitan areas grew at a slightly faster rate than metropolitan areas. Since 1980, this trend has reversed with the metropolitan areas growing at three times the rate of the rest of the Commonwealth. Of the Commonwealth's total population, 78 percent resides in eleven metropolitan statistical areas (MSAs).

The largest and fastest growing metropolitan area in the Commonwealth is the Northern Virginia portion of the Washington-Arlington-Alexandria MSA. In 2022 the entire metropolitan area had an estimated population of 6.3 million, of which, approximately 41% lived in the Northern Virginia portion. Northern Virginia has long been characterized by the large number of people employed in both civilian and military work with the federal government. It is also one of the nation's leading high-technology centers for computer software and telecommunications. This region is also the home of George Mason University, Virginia's largest university and the Commonwealth's largest public research university by student population.

Spanning Hampton Roads is the Virginia Beach-Norfolk-Newport News MSA, which has large military installations and major port facilities. It had an estimated 2022 population of 1.8 million and is an important center of manufacturing and tourism. The Richmond MSA is the third largest metropolitan area with an estimated 2022 population of 1.3 million. The Richmond MSA is a leading center of diversified manufacturing activity including chemicals, tobacco, printing, paper, metals and machinery. Richmond is also the capital of the Commonwealth and its financial center, which includes the Fifth District Federal Reserve Bank. The Roanoke MSA is the manufacturing, trade and transportation center for the western part of the Commonwealth. Other manufacturing centers located in the western part of the Commonwealth are the Lynchburg and Kingsport-Bristol-Bristol MSAs, and total estimated 2022 population for these three MSA's was just under 900,000. Located at the foot of the Blue Ridge Mountains is the Charlottesville MSA, a community with an estimated 2022 population of approximately 223,000 and home of the University of Virginia and significant manufacturing industries. Just west of the Charlottesville MSA is the Staunton-Waynesboro MSA with an estimated 2022 population of approximately 126,000.

The Harrisonburg and Winchester MSAs are located along the northwestern corridor of Virginia with a combined 2022 population of just under 300,000. These MSAs are the main retail, service and manufacturing centers in the Shenandoah Valley. With an estimated 2022 population of 165,000, the Blacksburg-Christiansburg-Radford MSA is located in the New River Valley in southwestern Virginia. The Town of Blacksburg is the home of Virginia Polytechnic Institute & State University, Virginia's second largest university and ranked as one of the nation's leading research institutions. The 2022 population figures for all eleven Commonwealth MSAs are shown below.

2022 METROPOLITAN STATISTICAL AREA
POPULATION AND PER CAPITA INCOME

MSA	Population	Per Capita Income
Blacksburg-Christiansburg-Radford	165,812	$46,345
Charlottesville	223,825	80,969
Harrisonburg	136,555	51,466
Kingsport-Bristol-Bristol	311,272	47,442
Lynchburg	263,613	48,255
Richmond	1,339,182	68,205
Roanoke	314,340	55,243
Staunton - Waynesboro	126,776	49,962
Virginia Beach-Norfolk-Newport News	1,806,840	57,873
Washington-Arlington-Alexandria	6,373,756	83,010
Winchester	146,455	59,702
MSA Total	11,208,426	
Commonwealth of Virginia	8,715,698	$68,985

Kingsport-Bristol-Bristol MSA includes Tennessee.
Washington-Arlington-Alexandria MSA includes Washington and Maryland.

Source: U.S. Bureau of Economic Analysis – St. Louis FED.

Distributed throughout Virginia are smaller urban areas, most of which historically have been trade centers for the surrounding areas and continue to be so today. These communities have attracted many of the new manufacturing facilities located in the Commonwealth in recent years. The remainder of the Commonwealth's population lives in rural areas, including most of the towns and the remaining smaller cities.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

ECONOMIC FACTORS

Taxable Retail Sales

Over the past ten years, taxable retail sales in Virginia increased by $34.4 billion, or 36.4 percent. This growth is greater than the cumulative rate of inflation for this same period. The following table illustrates the changes in taxable retail sales for calendar years 2013 through 2022.

Taxable Retail Sales
2013-2022

Calendar Year	Taxable Retail Sales	% Change
2013	$ 94,597,893,918	1.4
2014	96,243,826,673	1.7
2015	100,219,956,703	4.1
2016	101,740,768,841	1.5
2017	103,741,107,029	2.0
2018	106,075,146,508	2.2
2019	107,779,678,044	1.6
2020	104,358,304,833	(3.2)
2021	118,655,571,778	13.7
2022	129,002,040,313	8.7

Source: Virginia Department of Taxation, January 2023.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

Personal Income

According to the U.S. Bureau of Economic Analysis, estimated personal income for all Virginians in 2022 was over $600 billion, resulting in a per capita income of $68,985. The Commonwealth's per capita income ranked twelfth among all fifty states and was greater than the national average of $65,471.

From 2013 to 2022, the Commonwealth averaged an annual rate of growth of 3.4 percent in per capita income, which was lower than the national average annual rate of growth of 3.9 percent for the same period.

PERSONAL INCOME TRENDS

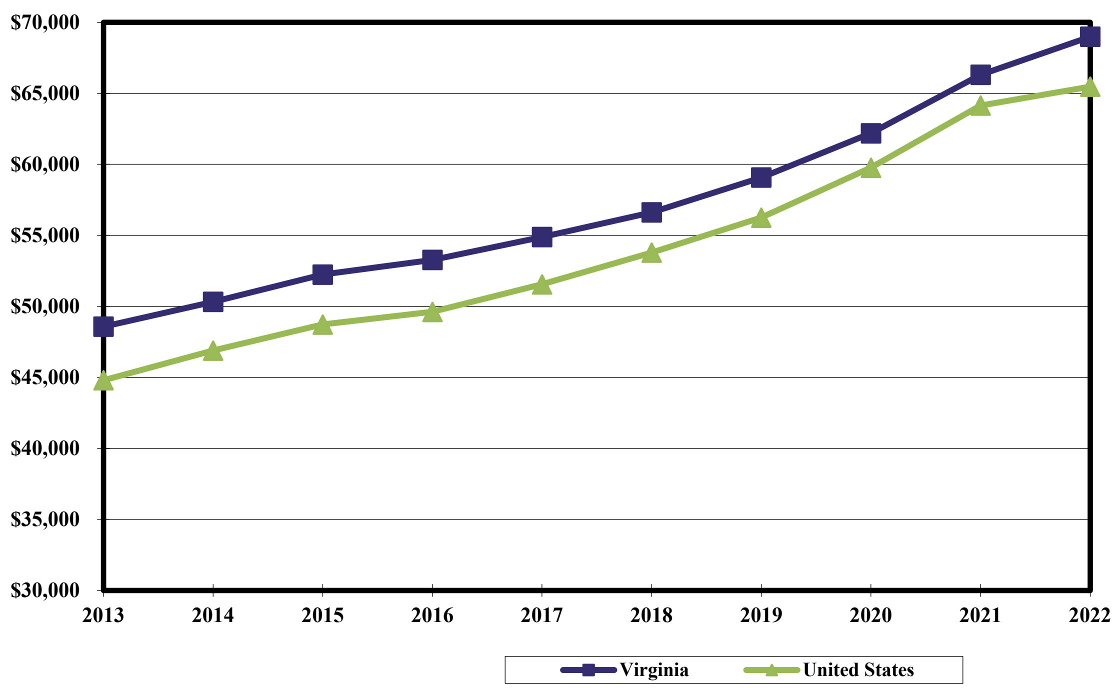
2013-2022

	Virginia			United States		
Year		Per Capita Personal Income	Change Over Preceding Year (%)		Per Capita Personal Income	Change Over Preceding Year (%)
2013	$	48,573	(1.5)	$	44,798	0.6
2014		50,318	3.6		46,887	4.7
2015		52,238	3.8		48,725	3.9
2016		53,268	2.0		49,613	1.8
2017		54,879	3.0		51,550	3.9
2018		56,619	3.2		53,786	4.3
2019		59,073	4.3		56,250	4.6
2020		62,189	5.3		59,765	6.2
2021		66,305	6.6		64,143	7.3
2022		68,985	4.0		65,470	2.1

Source: Bureau of Economic Analysis revised estimates for 2013-2022; Data Release Date: September 2023

PERSONAL INCOME TRENDS

2013-2022



Sources of Personal Income

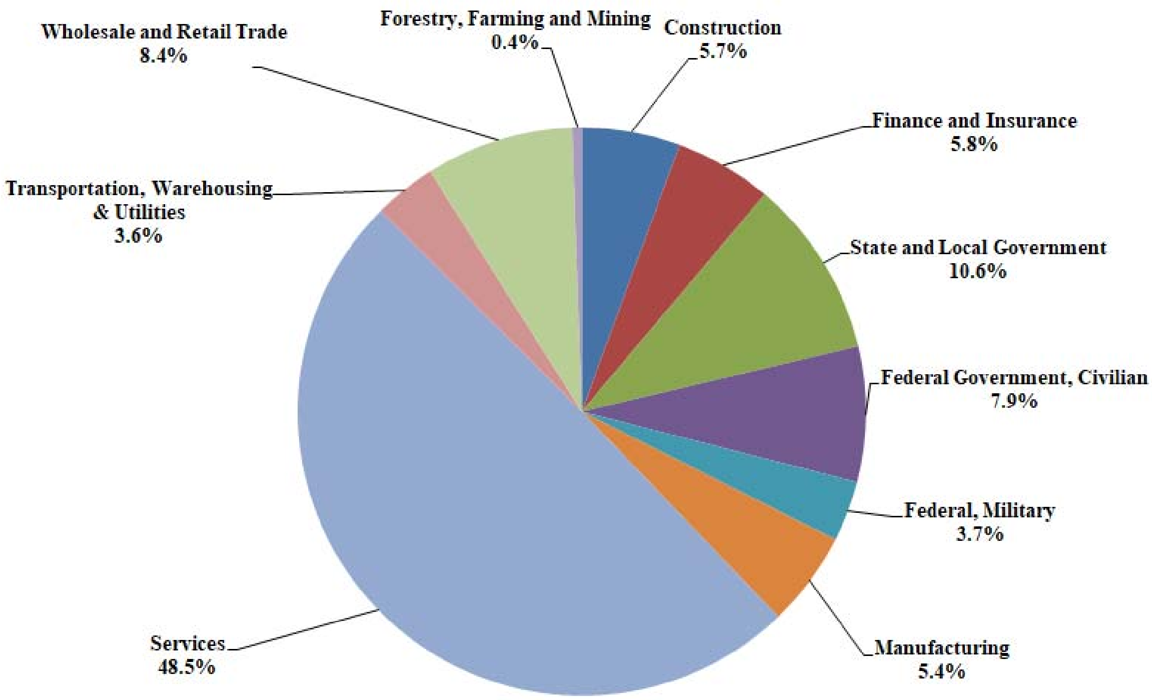
The sources of personal income in the Commonwealth and the comparable sources of personal income for the United States for 2022 are shown in the following table. The pie chart on the following page represents the nonagricultural personal income by major industry.

SOURCES OF PERSONAL INCOME
2022

	Virginia (in Millions)	Percentage of Personal Income Before Residence Adjustment [1]: Virginia	Percentage of Personal Income Before Residence Adjustment [1]: United States
Forestry, fisheries, related activities and other	$ 441	0.1 %	0.3 %
Construction	23,007	5.6	6.0
Farming	1,087	0.3	0.8
Finance and insurance	22,767	5.5	7.1
Government:			
State and local	41,734	10.2	11.0
Federal, civilian	31,559	7.7	2.6
Federal, military	14,119	3.4	1.0
Manufacturing	22,225	5.4	8.8
Mining	673	0.2	1.1
Services	203,872	49.6	45.9
Transportation, warehousing & utilities	14,981	3.6	5.0
Wholesale and retail trade	34,416	8.4	10.3
Subtotal	$ 410,883	100.0 %	100.0 %
Less:			
Contributions for government social insurance	(47,747)		
Plus:			
Dividends, interest and rent	117,276		
Transfer payments	97,721		
Personal income before residence adjustment	$ 578,133		
Residence adjustment [1]	20,909		
Total Personal Income	$ 599,042		

[1] Total personal income is reported by place of residence. However, income by industry is shown by place of work. Thus, this adjustment was necessary to account for income earned by Virginia residents who worked outside the Commonwealth. These were primarily federal government employees who lived in Northern Virginia but worked in Washington, D.C.
Source: Bureau of Economic Analysis estimates for 2022 Data Release Date, November 2023.

DISTRIBUTION OF VIRGINIA NONAGRICULTURAL SOURCES OF GROSS PERSONAL INCOME
BY MAJOR INDUSTRY
2022



Source: Bureau of Economic Analysis estimates for 2022. Data Release Date, November 2023
Numbers may not add to 100 due to rounding.

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 NUMBER OF BUILDING PERMITS ISSUED FOR RESIDENTIAL CONSTRUCTION IN VIRGINIA [1]

Year	Value of Construction in in Current Dollars (in millions)	Percent Change from Preceding Year	Number of Permits Issued	Percent Change from Preceding Year
2014	$ 4,564	(10.7%)	28,673	(12.5%)
2015	4,530	(0.8%)	28,704	0.1%
2016	5,473	20.8%	31,132	8.5%
2017	5,747	5.0%	33,760	8.4%
2018	5,831	1.5%	31,977	(5.3%)
2019	5,794	(0.6%)	32,418	1.4%
2020	5,385	(7.0%)	33,443	3.2%
2021	7,061	31.1%	35,765	6.9%
2022	7,994	13.2%	38,070	6.4%
2023	6,845	(14.4%)	32,908	(13.6%)

(1) Excludes mobile homes.

Source: US Census Bureau 2022 & November Year to Date 2023. Weldon Cooper Center Annual Report Years 2014-2021

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 are the assessed value of real estate and personal property as determined by the various taxing jurisdictions and the combined value of real estate and personal property for public service corporations as determined by the State Corporation Commission. Cities and counties are required by law to assess real estate at 100 percent of market value.

ASSESSED VALUES OF REAL ESTATE AND TANGIBLE PERSONAL PROPERTY

Tax Year Ended 31-Dec	Real Estate	Public Service Corporations	Personal Property	Total
2011	$949,019,441,456	$38,455,832,384	$71,600,491,421	$1,059,075,765,261
2012	954,082,225,088	40,142,313,094	76,551,011,940	1,070,775,550,122
2013	968,744,700,482	41,415,115,231	73,286,019,303	1,083,445,835,016
2014	1,001,173,297,581	42,105,842,848	81,234,501,278	1,124,513,641,707
2015	1,031,975,708,795	44,154,961,529	84,093,951,056	1,160,224,621,380
2016	1,060,436,113,127	46,266,995,318	88,866,533,959	1,195,569,642,404
2017	1,091,729,146,212	48,006,343,392	92,876,379,259	1,232,611,868,863
2018	1,130,944,150,752	50,028,306,681	97,202,215,738	1,278,174,673,171
2019	1,172,449,791,555	49,209,543,843	98,726,651,736	1,320,385,987,134
2020	1,218,079,093,525	51,149,852,247	100,052,236,313	1,369,281,182,085
2021	1,272,658,725,400	50,881,143,994	117,017,760,421	1,440,557,629,815

Source: Department of Taxation's 2022 Annual Report. Information for 2022 and 2023 not yet available.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

Employment

According to the Virginia Employment Commission monthly employment report released in December 2023, 4.5 million residents of the Commonwealth were estimated to be in the civilian labor force, which includes agricultural and nonagricultural employment, the temporarily unemployed, the self-employed and residents who commute to jobs in other states.

Virginia is a "right-to-work" state with diverse sources of income. In part because of its proximity to Washington DC, Virginia has a larger share of federal and military employees than most states. More than ten percent of Virginia's workers are federal employees or active military.

Of the eleven Metropolitan Areas (MSAs) included in the table on page C-4, seasonally adjusted total nonfarm employment data is produced for ten of them; no data is produced for the Kingston-Bristol MSA.

Over the year November 2022 to November 2023, nine of ten MSAs experienced job gains, and one remained unchanged. The largest job gain occurred in Northern Virginia (+25,500). The second largest job gain occurred in Richmond (+17,400). The third largest job gain occurred in Charlottesville (+4,500). The other gains were in Virginia Beach-Norfolk-Newport News (+4,500; Harrisonburg (+3,000); Roanoke (+2,400); Winchester (+900); Lynchburg (+400); and Staunton (+200). The Blacksburg-Christiansburg-Radford MSA remained unchanged.

The following table and chart indicate the distribution by category of nonagricultural employment in the Commonwealth and the table shows comparative information to the United States.

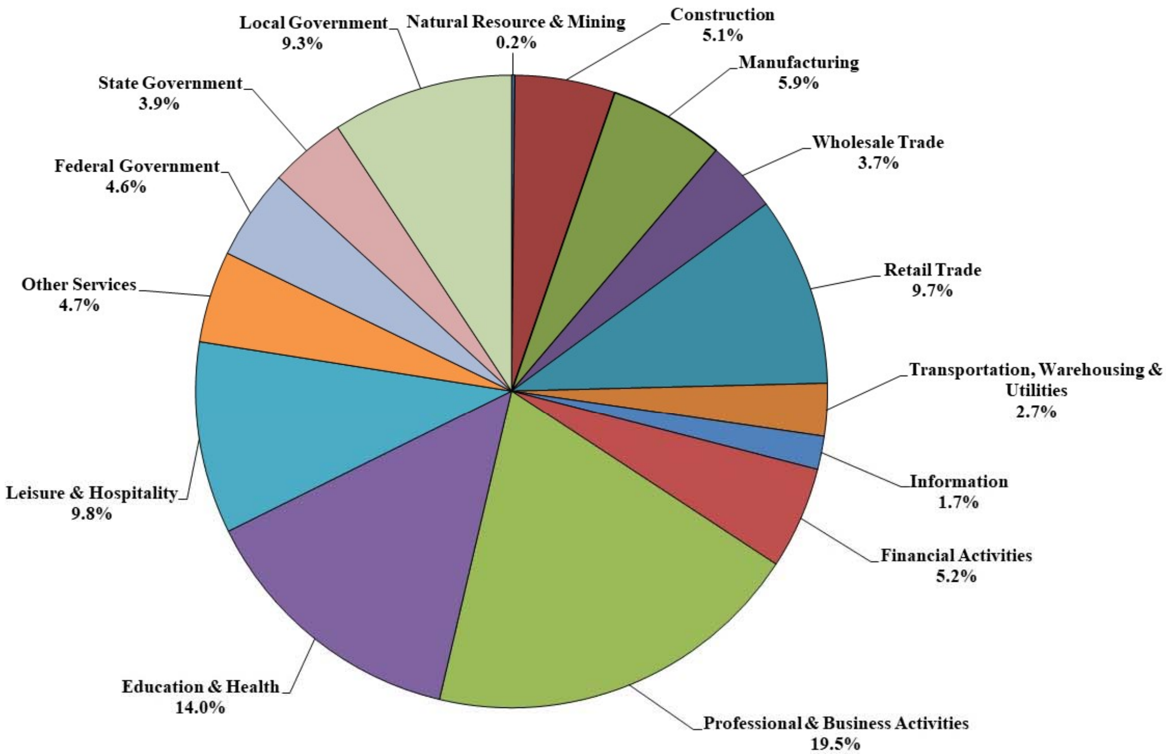
DISTRIBUTION OF NONAGRICULTURAL EMPLOYMENT
2023

	Virginia		United States	
Natural Resource & Mining	0.2	%	0.4	%
Construction	5.1		5.1	
Manufacturing	5.9		8.3	
Wholesale Trade	3.7		3.9	
Retail Trade	9.7		9.9	
Transportation, Warehousing & Utilities	2.7		4.6	
Information	1.7		1.9	
Financial Activities	5.2		5.8	
Professional & Business Activities	19.5		14.6	
Education & Health	14.0		16.4	
Leisure & Hospitality	9.8		10.7	
Other Services	4.7		3.8	
Federal Government	4.6		1.9	
State Government	3.9		3.4	
Local Government	9.3		9.3	
	100.0	%	100.0	%

Source: Bureau of Labor Statistics. Data as of November 2023. Data Release Date: December 2023.

DISTRIBUTION OF VIRGINIA NONAGRICULTURE EMPLOYMENT

2023



Source: Bureau of Labor Statistics. Data as of November 2023. Data Release Date: December 2023.
Numbers may not add to 100 due to rounding.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

The table below shows employment trends in the Commonwealth during the five years from 2019 to 2023. The most significant growth has occurred in the Information Services, Construction and Professional and Business sectors, while the largest declines were in the Natural Resource & Mining and Leisure and Hospitality Services sectors.

DISTRIBUTION OF VIRGINIA NONAGRICULTURAL EMPLOYMENT BY MAJOR INDUSTRY

	2019	2020	2021	2022	2023	% Change 2019-2023	
Natural Resource & Mining	8,200	6,800	7,900	7,400	7,000	**(14.6)**	**%**
Construction	199,200	201,200	205,200	210,500	214,000	**7.4**	
Manufacturing	248,800	233,000	237,300	240,200	246,800	**(0.8)**	
Wholesale Trade	150,558	147,890	150,305	154,307	154,353	**2.5**	
Retail Trade	394,397	387,408	393,734	404,217	404,338	**2.5**	
Transportation & Warehousing, Utilities	109,646	107,703	150,305	112,376	112,409	**2.5**	
Information Services	63,100	65,900	67,700	70,600	71,100	**12.7**	
Financial Activities	211,200	208,900	204,200	205,000	217,500	**3.0**	
Professional & Business Activities	761,300	757,200	785,400	793,500	811,800	**6.6**	
Education & Health	555,700	524,700	540,600	571,300	584,900	**5.3**	
Leisure & Hospitality	427,000	325,600	361,000	408,500	409,700	**(4.1)**	
Other Services	202,100	180,400	183,000	191,500	195,500	**(3.3)**	
Public Administration							
Federal Government	183,059	192,000	186,100	189,138	192,902	**5.4**	
State Government	165,240	153,800	157,100	159,664	162,842	**(1.5)**	
Local Government	377,100	363,500	373,600	379,698	387,256	**2.7**	
Total	**4,056,599**	**3,856,000**	**4,003,444**	**4,097,900**	**4,172,400**	**2.9**	**%**

Source: Bureau of Labor Statistics. 2023 Data as of November 2023

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
2023

Rank	Name	Industry
1	Walmart	General Merchandise Stores
2	Sentara Healthcare	Hospitals
3	Huntington Ingalls/Newport News Shipbuilding	Transportation Equipment Manufacturing
4	Amazon Fulfillment Services Inc	General Merchandise E-commerce
5	Inova Health System	Hospitals
6	Food Lion	Food and Beverage Stores
7	HCA Virginia Health System	Hospitals
8	Bon Secours Health System Inc	Hospitals
9	Capital One Bank	Credit Intermediation and Related Activities
10	Booz, Allen and Hamilton	Consulting

Source: Virginia Employment Commission Community Profile as of Second Quarter 2023, Data Release Date: January 2024

TOP TEN PUBLIC SECTOR EMPLOYERS
2023

Rank	Name	Industry
1	U.S. Department of Defense	National Security and International Affairs
2	Fairfax County Public Schools	Educational Services
3	University of Virginia /Blue Ridge Hospital	Hospitals
4	Loudoun County Schools	Educational Services
5	U.S. Department of Homeland Defense	Administration of Security
6	U.S. Postal Service	Postal Service
7	County of Fairfax	Executive, Legislative and other General Gov't Support
8	Prince William County School Board	Educational Services
9	City of Virginia Beach Schools	Educational Services
10	VCU Health System	Hospitals

Source: Virginia Employment Commission Community Profile as of Second Quarter 2023, Data Release Date: January 2024

Unemployment

The Commonwealth is one of 26 states with a Right-to-Work Law and has a record of good labor-management relations. The Commonwealth's favorable business climate is reflected in the relatively small number of strikes and other work stoppages it experiences.

The Commonwealth is one of the least unionized of the more industrialized states. Three major reasons for this situation are: the Right-to-Work Law; the importance of manufacturing industries such as textiles, apparel, electric and electronic equipment and lumber, which are not highly unionized in the Commonwealth; and the importance of federal civilian and military employment. Typically, the percentage of nonagricultural employees belonging to unions in the Commonwealth has been approximately half the U.S. average.

The following table shows the size of the Commonwealth's total civilian labor force from 2014 through 2023, the percentage unemployed during this period and the comparable national unemployment rate.

UNEMPLOYMENT TRENDS

Year	Virginia's Civilian Labor Force[(1)]	Unemployment Virginia[(2)]	Unemployment United States[(3)]
2014	4,238,540	4.5	5.6
2015	4,222,819	4.2	5.0
2016	4,261,091	4.2	4.6
2017	4,308,950	3.7	4.1
2018	4,359,062	2.8	3.7
2019	4,441,018	2.6	3.5
2020	4,286,658	4.9	6.7
2021	4,259,504	3.4	4.2
2022	4,357,319	3.0	3.5
2023	4,492,524	2.9	3.7

[(1)] 2023 Virginia's Civilian Labor Force data as of November 2023, Virginia Employment Commission Data Report Release Date, December 22, 2023.

[(2)] 2023 Virginia's Unemployment Rate as of November 2023, Virginia Employment Commission Data Report Release Date, December 8, 2023.

[(3)] 2023 Unemployment in United States as of November 2023, Bureau of Labor Statistics Data Report Release Date, December 8, 2023.

MAJOR ECONOMIC SECTORS

Energy
(2022 Energy Plan):

As directed by the Virginia General Assembly, every four years the Virginia Department of Energy develops a comprehensive energy plan. On behalf of the Department, Governor Youngkin released in October 2022 the new "Commonwealth of Virginia's 2022 Energy Plan" (the "Plan"). The Plan describes its purpose as providing (i) an analytical assessment of the current state of the Commonwealth's energy economy, (ii) a practical approach for Virginia to base future policy decisions, and (iii) a series of commonsense recommendations for policymakers and industry participants. The Plan recommends that the Commonwealth pursue an "all of the above" approach to energy production with the intent of providing a flexible path to respond to the changing and growing needs of customers. The Plan describes its guiding principles as reliability, affordability, innovation, competition, and environmental stewardship. The Plan recommends requiring periodic reassessments of Virginia's energy portfolio to remain current with the evolution of energy production and transmission. Further, the Plan recommends that the Commonwealth make strategic investments in innovative, emerging technologies, including hydrogen, carbon capture, storage and utilization, and small modular nuclear reactors ("SNRs"). In particular, the Plan supports the goal of deploying a commercial SNR in southwestern Virginia within ten years. The Plan also supports leveraging Virginia's planned offshore wind project to add additional offshore wind generation. The Plan advocates that the Commonwealth encourage competition within the current regulatory structure to provide customers flexibility while considering the cumulative impacts of energy generation on land, air, and water.

In May 2023, Dominion Energy (formerly Virginia Power), released its Integrated Resource Plan (IRP) which presents a suite of strategic pathways to ensure the utility's generation fleet is positioned to provide consistent delivery of electricity to Virginia's families and businesses. The IRP includes expanded need for baseload generation technologies such as natural gas and nuclear, in addition to renewable technologies like wind, solar, and storage, in all its pathways. Governor Youngkin called Dominion's Plan a validation of the 2022 Energy Plan.

Utilities: Over the last decade, Virginia opened the door to electric utility deregulation; however, the competition did not materialize as anticipated. Therefore, the Virginia General Assembly enacted "re-regulation legislation," which has re-established retail rate regulation. The legislation permits provider choice for large commercial and industrial customers with demands exceeding five megawatts (MW). The measure provides flexible and innovative forms of ratemaking that could provide incentives for utility operational efficiencies and for generation plant construction. The legislation also creates incentives for the development of renewable energy resources and for energy efficiency and conservation programs.

In September 2022, the average cost per unit of electricity for the industrial sector was 8.92 cents in Virginia, compared to 9.34 cents for the national average. As of September 2023, the U.S. Energy Information Administration (EIA) estimate for Virginia was 9.07 cents while the national average was 8.53 cents. More than 4,300 megawatts of additional electric generating power is planned or under construction statewide. All transmission-owning utilities in Virginia have taken the important step of joining PJM, North America's largest regional transmission manager, which oversees the grid across a vast area from Illinois to North Carolina. The PJM Interconnection's 2023 forecast of peak and overall energy load is projected to grow by close to 5% and 7%, respectively, over the next decade driven primarily by the growth of Virginia Data Centers.

Electric power is available throughout the Commonwealth through the investor-owned utilities of Dominion Energy (Dominion) and Appalachian Power (APCO), 13 electric cooperatives that distribute power in rural districts, and 16 municipalities that have their own distribution systems with power purchased primarily from the previously mentioned companies. The electric utilities serving the Commonwealth are interconnected with neighboring utilities, both within and outside of the Commonwealth, for reliability of service.

Virginia is served by eight regulated natural gas utility companies that provide an extensive network of underground pipes and other gas facilities. In 2021, Virginia's industrial sector accounted for nearly 20 percent of natural gas consumption in the state. Industrial sector consumption has increased steadily for more than a decade and has remained the second largest natural gas consuming sector behind the electric power sector. Virginia's natural gas suppliers specialize in serving industrial customers and provide expert advice in engineering, construction and inspection.

Waterworks

With few exceptions, Virginia's municipalities and several of its highly urbanized counties own their own waterworks systems. In some instances, the municipality's system also serves nearby communities and suburban areas. Most subdivision systems are privately owned and operated. Some federal installations and many industrial plants have their own water supplies. Larger municipalities usually depend on on surface water or surface water supplemented by groundwater. There are approximately 2,700 public community water supplies in Virginia, serving approximately 87 percent of the state's population. Virginia has more than 50,000 miles of freshwater streams producing greater than 25 billion gallons per day of freshwater flow.

All cities, many towns, and some counties have their own sewage collection systems. Existing or planned facilities provide wastewater treatment that meets or will meet established water quality standards.

Transportation

Strategically located on the U.S. East Coast and adjacent to Washington, D.C., Virginia's integrated transportation system of highways, railroads, airports, and seaports provide logistical advantages for companies in every industry. As a result of the Commonwealth having the second densest interstate system Southeast, one of the deepest, widest and most active of the East Coast ports, more than 3,000 miles of railway with two Class 1 Railroads, and nonstop connections to more than 150 destinations by air daily, the Commonwealth is recognized annually for its favorable business climate and its quality-of-life opportunities.

Rail: Two of the nation's largest Class I railroads operate in Virginia: CSX Corporation Railroad has offices in Richmond, and Norfolk Southern Corporation is headquartered in Norfolk. Both have extensive infrastructure throughout the Commonwealth. Eight shortline railroads also provide freight rail service. Nearly 3,400 miles of railway (excluding trackage rights) traverse the state In January 2022, the Commonwealth announced the finalized definitive agreement with Norfolk Southern Corporation to expand passenger rail services to the New River Valley area of southwestern Virginia for the first time since 1979. The investment of Southwest Virginia's rail network, called the "Western Rail Initiative", will add a second state-supported round-trip train between Roanoke and Boston later in 2022, which will be extended to the New River Valley upon completion of a new station, track and signal improvements. The expanded intercity rail service, which will create significant economic benefits and provide additional multimodal options for travelers along the Interstate 81 and Route 29 corridors, is expected to allow a third train to operate in the future and add approximately 80,000 new passengers in the first year after service is extended to the New River Valley. Norfolk Southern Corporation's Heartland Corridor double-stack rail project is a $290 million public private partnership that offers efficient routing between the Port of Virginia and the Midwest markets. In a major engineering feat, clearances were raised in 29 tunnels to make way for double stacked intermodal trains. Cargo can now be transported via double-stack rail with next morning service to Columbus, Ohio and second-morning service to Chicago, Illinois while existing rail lines can handle increasing container volumes.

Norfolk Southern's Crescent Corridor Project, a $2.5 billion infrastructure project, expanded the existing 2,500-mile rail network with thirty new lanes to enhance the Company's high-capacity intermodal system. The Crescent Corridor traverses 11 states from Louisiana to New Jersey and touches 26 percent of the nation's population and 26 percent of the nation's manufacturing output. To increase rail capacity on the Crescent's route through Virginia, Norfolk Southern spent $47.1 million to upgrade track and signals.

In December 2019, the Commonwealth and CSX signed an agreement to expand reliability and service on Virginia's rail lines, creating a pathway to separate passenger and freight operations along the Richmond to Washington D.C. corridor. The agreement between the Commonwealth and CSX outlines a $3.7 billion investment that includes building a new Virginia-owned Long Bridge across the Potomac River with tracks dedicated exclusively to passenger and commuter rail; the acquisition of more than 350 miles of railroad right-of-way and 225 miles of track; and 37 miles of new track improvements, including a Franconia-Springfield bypass.

Air: Virginia is served by 16 commercial airports (including those just across the state line at Bluefield, West Virginia; Blountville, Tennessee; Greensboro and Raleigh-Durham, North Carolina; and Baltimore, Maryland). Scheduled commercial airline service is provided to over 100 domestic destinations around the world. Two of the nation's largest airports, Dulles International and Ronald Reagan Washington National offer fights to more than 50 destinations on a daily basis. The commercial airports are supplemented by 57 general aviation airports licensed for public use throughout the Commonwealth. With 2,328 more flights in 2023 versus 2019, Washington Dulles International has become one of the fastest growing airports in the country.

Location: The state's location in the Eastern Time Zone puts Virginia within one day's travel of 47% of the entire U.S. population. As the nation's third largest state-maintained transportation network, Virginia's highway system includes more than 70,000 miles of primary and secondary roads and six major north-south and east-west interstate routes. The Commonwealth is within easy reach of the nation's leading industrial and distribution centers. For example, Richmond is only 338 miles from New York City to the north, 623 miles from Detroit to the west, and 521 miles from Atlanta to the south.

Port Facilities

The Port of Virginia is the deepest water harbor on the U.S. East Coast. It shelters the world's largest naval base, the largest shipbuilding and repair industrial base, a thriving export coal and bulk trade, and the sixth-largest containerized operation in the United States. Centered around the busy Norfolk Harbor, commercial vessels also steadily move cargo up the James and York Rivers, as well as down the branches of the Elizabeth River.

The Port of Virginia is the second-largest port on the East Coast by tonnage, due in large part to the export of coal, and the third-largest port on the East Coast by container volume, with more than 3.7 million twenty-foot equivalent units ("TEU") of cargo moving through its container terminals in 2022. The Port is made up of over 55 public and private marine terminals, with the Virginia Port Authority ("VPA") operating four deep-water marine terminals, an upriver terminal, and an inland intermodal terminal. Virginia's 50-foot channels and unobstructed terminal access have allowed the size of the vessels calling at the Port of Virginia to increase significantly.

The Port of Virginia plays a key role in the Commonwealth's economy and generates significant economic benefits, both direct and spin-off, to the Commonwealth, through the transportation of export and import cargo within Virginia and across it from other states and countries, the export of goods made in Virginia, and the added processing and distribution of imports retained in the Commonwealth. Annually, Port-related business and activity directly and indirectly contributes to Virginia's economy. For example, during Fiscal Year 2022, VPA reports that its workforce accounted for approximately 565,000 full-time and part-time jobs, approximately 11% of the state's resident workforce, generating in excess of $41 billion in Virginia labor income and $5.8 billion in state and local taxes and fees. In fiscal 2022, the economic activity tied to the flow of cargo across the ports terminals led to $124.1 billion in output sales, 12 percent of total Virginia output.

The Port of Virginia is largely responsible for the Commonwealth's strong ties with international commerce. The Port is serviced by more than 30 international steamship lines with connections to more than 200 countries around the world. In addition to having the distinction of being a Hub Port, the Port of Virginia is also the largest intermodal Rail Port on the East Coast. Since 2017 more than 34% of the cargo arriving and departing the Port does so by rail. Class 1 rail partners, Norfolk Southern and CSX offer double stack intermodal service on almost seven miles of on dock track to key inland markets in the Midwest, Ohio Valley and Southeast.

VPA operates and either owns or leases four marine terminals (collectively, such marine terminals are referred to herein as the "Terminals"): Norfolk International Terminals, Portsmouth Marine Terminal, Newport News Marine Terminal, and VIG Terminal. All of the Terminals are accessible through two deep water channels currently dredged to 50 feet with Congressional authorization to dredge to 55 feet, allowing the harbor of Hampton Roads to accommodate the largest container ships currently in operation.

Norfolk International Terminals ("NIT"). Located in Hampton Roads Harbor on 567 acres along the Elizabeth and Lafayette Rivers, NIT is the Port of Virginia's largest terminal and has fourteen of the biggest, most efficient cranes in the world. The General Assembly in 2016 authorized the financing of a $350 million expansion of the cargo capacity at NIT. The money will be used to reconfigure the South Berth, increasing the cargo capacity at NIT by 46% to approximately two million TEUs. Out of the Port's $1.4 billion modernization project, a $650 million North NIT renovation has begun. Projected completion of the two-phase project is 2027 by which time annual TEU capacity will be expanded to 1.4 million. With the purchase of additional rail mounted gantry cranes, capacity and efficiency increased. The main channel leading to the terminal is 50 feet deep and is currently undergoing a dredging and widening project scheduled for completion in 2024.

Portsmouth Marine Terminal ("PMT"). PMT has 3,540 feet of wharf, three berths, and six cranes, direct access to both CSX and Norfolk Southern railways, and will soon connect to the Commonwealth Railway, a 19-mile short line. PMT is a focal point in the Port of Virginia's effort to become the primary logistics center for the Mid-Atlantic's growing offshore-wind energy industry. PMT is being repurposed to handle the size and weight of the components used in the construction of offshore wind turbines. In October 2023, PMT received the first shipment of components for Dominion Energy's Coastal Virginia Offshore Wind ("CVOW") project. Plans for the CVOW Project call for the construction of 176 offshore wind turbines situated on a lease site 27 miles off the coast of Virginia Beach.

Newport News Marine Terminal ("NNMT"). NNMT provides 42,720 feet of direct cargo loading on and off ships to and from the CSX break-bulk rail service, and 3,480 feet of total pier space serviced by four cranes, covered storage, container storage, and accessibility from three major Virginia roadways.

Virginia International Gateway (VIG). The 576-acre terminal is recognized as the most technologically advanced marine cargo facility in the Americas and provides on-site rail with links to Norfolk Southern and CSX. VIG has a current capacity of over one million TEUs annually. In January 2018, four new 170-foot-tall ship-to-shore cranes arrived at the Port, which are the largest on the U.S. East Coast and will be able to service container vessels, regardless of their size, for decades to come. In 2019, the VPA completed a $320 million 800-foot berth extension at VIG container terminal in Portsmouth, Virginia. The project also includes 26 new rail-mounted gantry cranes, which support 13 new container stacks, increasing cargo and container capacity at its two major terminals.

Craney Island Marine Terminal ("CIMT"). In 2012, the Port of Virginia and the U.S. Army Corps of Engineers signed a partnership agreement for the Craney Island Eastward Expansion project in Portsmouth, Virginia. The future CIMT is the largest fully permitted port expansion project on the East Coast. The need for additional container terminal capacity in Virginia is necessitated by global growth, the arrival of larger vessels and expansion in international trade. Widening of the Panama Canal and the potential future influx of cargo to the East Coast means that the Port of Virginia will work to position itself with additional capacity to be the front-runner, among competing ports, to take advantage of these new opportunities. The future CIMT is expected to maximize the natural advantages the port has with its deep water, absence of overhead restrictions and prime distribution position along the Mid-Atlantic Coast. This multi-phase project is expected to result in the newest, most modern marine terminal in the United States. The terminal will be built in four phases with Phase One completion scheduled in 2040.

The Virginia Inland Port ("VIP"). In Front Royal is an intermodal container transfer facility that complements the Port of Virginia's marine terminal services. VIP occupies 161 acres of land and is approximately 60 miles west of Washington, D.C. The terminal brings the Port of Virginia 220 miles closer to inland markets by providing rail service to the terminals in Hampton Roads. It also consolidates and containerizes local cargo for export. VIP serves markets in northern Virginia, West Virginia, Maryland, Pennsylvania and Eastern Ohio. The facility also contains 17,820 feet of on-site rail served by Norfolk Southern and is located within one mile of I-66 and five miles of I-81. The VIP is a U.S. Customs-designated port of entry and provides the full range of customs functions to customers.

Virginia Commercial Space Flight Authority. The Virginia Commercial Space Flight Authority (VCSFA), also known as 'Virginia Space,' was created by the General Assembly of the Commonwealth of Virginia in 1995, with the legislated mission of promoting commercial space activity, economic development and aerospace research within the Commonwealth. Virginia Space began its lease at Wallops Island in 1997 and continually expanded the Mid-Atlantic Regional Spaceport (MARS) facilities to its present-day level of capabilities, with two launch facilities (one mid-class and one small class launch facility), as well as access to support infrastructure facilities through agreements with NASA, such as vehicle and payload processing integration facilities, support instrumentation and emergency facilities. MARS is licensed by the FAA Office of Commercial Space Transportation for launches to orbital trajectories. MARS is only one of four spaceports in the U.S. that is currently licensed to launch to orbit and is only one of two on the East Coast. Building upon a 55-year legacy of experience gained during over 16,000 rockets launched from NASA Wallops Flight Facility (WFF), MARS provides a competitive alternative for responsive, cost effective, reliable, and mission capable Space Access.

In 2023, Virginia Space commissioned the Old Dominion University Dragas Center for Economic Analysis and Policy to conduct a study of the economic impact of the Wallops Island Aerospace Cluster (WIAC). The results showed that the WIAC economic impact has grown significantly from 2018 through 2022 and continues to have a positive impact on the Virginia (and Maryland) economy. The study concluded that the WIAF contributed between $888 million and $1.03 billion on average each year to the surrounding Virginia and Maryland counties and around 6,000 direct and indirect jobs. The total economic impact of the activity in and around the WIAC is about $1.37 billion with projected impact nearing $2 billion annually by 2030.

Virginia Space highlights include the following events:

In August 2023, Northrop Grumman's Antares 230+ rocket carrying the Cygnus Spacecraft S.S. Laurel Clark successfully launched from the Mid-Atlantic Regional Spaceport (MARS). The NG-19 mission delivered more than 8,200 pounds of research experiments, supplies, and vehicle hardware to the International Space Station (ISS). This launch marked 10 years of Antares rocket launches from MARS, and the last launch of the Antares 230+ rocket. In August 2021, Northrup Grumman launched the NG-16 Cygnus Cargo Vehicle, the S.S Ellison Onizuka, on a mission from WFF's Mid-Atlantic Regional Spaceport Pad OA to the International Space Station. The mission was the 16th resupply mission to the ISS from the facility. The activation of Rocket Lab's first launch facility in the United States, located at Wallops Island, was announced in December 2019. Rocket Lab is a global leader in small satellite launch. The company began construction on the launch pad, known as Launch Complex 2 (LC-2) in February 2019, together with the (VCSFA). The site is used to launch Rocket Lab's 57-foot-tall Electron rocket capable of carrying up to 500 pounds of satellite payload to orbit.

An Integration and Control Facility located at Wallops Research Park is also under construction. The facility will be able to accommodate the simultaneous integration of multiple Electron launch vehicles containing an operations control center connected to LC-2. In July 2018, the Commonwealth opened the Mid Atlantic Regional Spaceport Payload Processing Facility (MARS PPF) at WFF. The Commonwealth, through the VCSFA and in partnership with NASA, has invested heavily in the development of the MARS PFF. The MARS PFF will provide government and commercial business with secure mission processing for multiple payloads in one facility from arrival to encapsulation. The Commonwealth has invested over $80 million in state funds that were used for the construction of the new Pad 0A to support Orbital Science Corporation's contract with NASA for eight resupply missions to the International Space Station. With NASA turning to the commercial aerospace industry to conduct many of its mission critical activities, the Commonwealth believes that it is well situated to serve a vital role in the future of the nation's space program. MARS PFF, with its strategic location, serves not only as a valuable asset to the U.S. space program, but also as a crucial link in Virginia's job creation and economic development efforts.

Telecommunications/Broadband

Virginia is reported to be one of the most "connected" states in the nation with access to a robust fiber network that matches or exceeds virtually every domestic market and most major financial centers around the world. The Commonwealth hosts prominent commercial internet exchange points, and 70 percent of the world's internet traffic passes through the Metropolitan Area Exchange East located in Ashburn, Virginia. The Richmond area has been connected to Ashburn with "dark fiber," opening opportunities along the I-95 corridor. In Southern and Southwest Virginia, the benefits of a 1,500+ mile advanced fiber-optic broadband network connects more than 100 certified GigaParks.

Customers in the Commonwealth have access to a full range of high quality, technologically advanced communication services. Virtually all major cities and towns are linked by fiber-optic lines crisscrossing the Commonwealth, which, in turn, are tied into recently constructed national fiber optic networks. In the 2022 Digital States Survey, the latest biennial survey, Virginia received a ranking of "B+".

Since 2017, the Virginia Telecommunication Initiative (VATI) has awarded 39 projects in 41 different counties, supported by over $94 million in matching private and local funds. These grants, leveraging over $103 million in private/local matching funds, have connected over 140,895 homes, businesses, and community anchors to broadband. Also, in coordination with VATI, the Commonwealth has launched a multi-million dollar capital campaign, the Commonwealth Connect Fund, to match corporate and philanthropic donors with localities struggling to put together the resources to expand broadband infrastructure. To date, over $1 million has been pledged to connect communities across the Commonwealth.

Since 2006, the Mid-Atlantic Broadband Cooperative (MBC), nationally renowned as a model for rural economic development, has provided world-class fiber-optic backbone network infrastructure to Southern Virginia. This cable network provides opportunities for the region to connect directly with major Tier 1 peering and carrier collocation centers. MBC owns and operates more than 1,800 miles of advanced, open-access fiber network in 31 counties in Southern Virginia that reaches 100% of the business, industrial, and technology parks in the region. Backed by grants from the U.S. Department of Commerce and the Virginia Tobacco Commission, MBC continues to grow and expand.

Efforts are underway to further expand and enhance Southwest Virginia's technological capabilities. Grants from the Virginia Tobacco Commission and the Virginia Coalfield Economic Development Authority are expected to enable electronic upgrades as well as "last mile" connections.

The Bristol Virginia Utilities (BVU) Authority is a public utility company in Southwest Virginia that expanded its broadband infrastructure 900 miles into eight neighboring counties. That network – called OptiNet and CPC OptiNet in four of the counties – now provides fiber-optic speeds of up to 1 Gbps (gigabit per second) to customers in the city of Bristol and the counties of Bland, Buchanan, Dickenson, Russell, Smyth, Tazewell, Washington and Wythe, positioning Southwest Virginia for economic growth. Monetary grant awards of nearly $40 million from the Virginia Tobacco Commission since 2003 have helped to fund the existing 900-mile OptiNet infrastructure. In July 2010, the Virginia Tobacco Commission continued its support of OptiNet by providing another $5 million, facilitating acquisition of a Recovery Act grant of $22 million from the National Telecommunications and Information Administration. The monies have been applied toward construction of 388 miles of middle-mile fiber into seven of OptiNet's rural counties. This project paves the way for eventual fiber-to-the-home connectivity across Southwest Virginia. In August 2018, Sunset Digital Communications completed the $50 million acquisition of all of BVU Authority's OptiNet and CPC OptiNet assets, which are now owned and operated by the private Duffield, Virginia-based firm and ITC Capital Partners of Georgia. Sunset Digital Communications has reported plans to add more than 30,000 customers within the next five years.

Citizens is a regional full-service communications provider offering land-line telephone, VoIP, IPTV Video, web and e-mail hosting, DSL, and FTTP (Fiber to the Premises: Business Ethernet and FTTH, Fiber to the Home), serving seven counties in Southwest Virginia. In addition, Citizens operates a 248-mile regional open access fiber network in six Virginia counties including eight industrial parks. Citizens provides wholesale transport and internet bandwidth to a variety of service providers and partners with other open access networks, like MBC and BVU, to provide high-capacity optical transport services that are necessary to assist in the economic revitalization efforts of Southwest and Southside Virginia.

Research and Development

The Commonwealth is home to many internationally recognized research and development (R&D) facilities. Federally funded R&D facilities, coupled with the research from Virginia universities, provide Virginia businesses access to leading researchers and technologies. Virginia is home to hundreds of private sector R&D operations, 11 federally funded R&D Centers, and 23 Federal Laboratory Consortium Laboratories such as the Homeland Security Institute, NASA Langley Research Center, and the Thomas Jefferson National Accelerator Facility. Unique university research parks across the state offer private companies' opportunities for co-location and cooperative relationships with Virginia universities, federal labs and other research consortia.

The Virginia BioTechnology (Biotech) Park in downtown Richmond is home to nearly 70 life science companies, research institutes and state/federal labs, employing over 2,400 scientists, engineers and researchers. The Park features nine buildings on a 34-acre campus adjacent to the medical campus of Virginia Commonwealth University, a "Top 100" life sciences research center. Members include early and mid-stage companies; multinational pharmaceutical, environmental and consumer product companies; national healthcare organizations, such as the Altria Center for Research and Technology and the United Network for Organ Sharing, as well as a number of international companies. The Biotech Park is the hub of Activation Capital; a political subdivision of the Commonwealth originally named the Virginia Biotechnology Research Partnership Authority when it was established in 1993. Activation Capital's mission is to grow life sciences and other advanced technology innovations by promoting scientific research and economic development that attracts and creates new jobs and companies.

The National Institute of Aerospace (NIA) is a non-profit research and graduate education institute headquartered in Hampton, Virginia, near NASA's Langley Research Center. NIA's mission is to conduct leading-edge aerospace and atmospheric research, develop new technologies for the nation and help inspire the next generation of scientists and engineers. NIA was formed in 2002 by a consortium of research universities to ensure a national capability to support NASA's mission by expanding collaboration with academia and leveraging expertise inside and outside of NASA. NIA performs research in a broad range of disciplines including space exploration, systems engineering, nanoscale materials science, flight systems, aerodynamics, air traffic management, aviation safety, planetary and space science, and global climate change.

SRI Shenandoah Valley in Harrisonburg, Virginia focuses on health and biomedical research and drug discovery and development with the ultimate goal of bringing new therapies and diagnostics to market. As part of SRI Biosciences, the research complements capabilities at other SRI locations, including SRI's Menlo Park, California headquarters. SRI's state-of-the-art 40,000-square-foot research facility is located on a 25-acre campus in the Innovation Village at Rockingham. The facility provides a convenient base for collaboration with academia, entrepreneurs, government, industry, and investors in Virginia and the greater Washington, D.C. area. SRI moved into its Shenandoah Valley laboratory facility in 2009 and further expanded in 2011 and 2013 to accommodate growth in its R&D programs. Scientific research at SRI Shenandoah Valley focuses on prevention, detection and treatment of diseases. Activities span basic research in emerging infectious disease, metabolic disease and proteomics; applied research in therapeutics including drugs, biologics, and vaccines; and personalized medicine through the development of companion diagnostics and biomarkers.

The Commonwealth Center for Advanced Manufacturing (CCAM) located in a state-of-the-art research facility in Prince George County, Virginia, is an applied research center that bridges the gap between fundamental research typically performed at universities and product development routinely performed by companies. CCAM provides production-ready advanced manufacturing solutions to member companies across the globe. Members guide the research, leveraging talent and resources within CCAM and at Virginia's top universities, through a collaborative model that enables them to pool R&D efforts to increase efficiencies.

Following the model of CCAM, the Commonwealth Center for Advanced Logistics Systems was established in 2013 in Prince George County, Virginia. This public-private alliance focuses on solving logistics challenges and bringing solutions to market more quickly by partnering Virginia's leading universities and logistics companies. Founding members include Longwood University, the University of Virginia, Virginia Commonwealth University, Virginia State University, Logistics Management Resources, and LMI.

Business Climate

As of July 2023, Virginia is headquarters to 24 Fortune "Elite" 500 companies and 36 Fortune 1000 companies and is ranked highly in two of the most comprehensive and impartial independent studies evaluating America's top states for business: Forbes.com and CNBC. In just the past ten years, more than 500 companies have relocated to or expanded their headquarters offices in Virginia. With the 5th highest number of Fortune 500 and 8th highest number of Fortune 1000 company headquarters in the U.S. In 2023, Virginia represents a diversified ecosystem of more than 800 corporate headquarters in a broad cross-section of industries. According to CNBC, Virginia is one of "America's Top States for Business" ranking #2 in 2023, #3 in 2022 and #1 in 2021. The Commonwealth has now earned the top spot five times in 2007, 2009, 2011, 2019, and 2021, more than any other state. For 2023 the study ranked the Commonwealth # 1 for Education. All 50 states are ranked on 60 measures of competitiveness, using input from business groups, economic development experts, companies, and the states themselves. The network separates those measures into 10 broad categories: cost of doing business, workforce, quality of life, economy, infrastructure, technology and innovation, education, business friendliness, access to capital, and cost of living.

In 2019, Forbes.com released its findings from a" Best States for Business" study. Virginia ranked fourth in the nation, unchanged from 2018 and up from fifth in the 2017 study. In the 2019 study, Forbes ranked Virginia first in the Quality of Life and third in Labor Supply and Regulatory Environment in these categories. Virginia received the 2018 top ranking for Regulatory Environment and Quality of Life, up from the No. 2 and No. 8 ranking in these categories, respectively. The review examines multiple objective measurements, including business cost, regulatory climate, quality of the workforce, and economic growth. Forbes.com is the official Internet site of the Forbes family of business publications. More recently, Forbes ranked Virginia #2 in Business Growth Rate from 2021 to 2022 @ 10.5%.

In August 2023, Business Facilities Magazine (BFM) ranked the Commonwealth of Virginia third in state rankings for "Best Business Climate". In each of the past three years Virginia has ranked in the top three nationally. In 2022, the Commonwealth retained its No. 1 ranking in Customized Workforce Training and Cybersecurity and repeated as #2 in Tech Talent Pipeline. Additionally, Virginia was ranked in the Top Ten in Installed Solar Capacity (M/W) for 2022. These results were founded on the work done by the local and statewide economic development councils as part of the Virginia Tech Talent Accelerator Program, launched in 2019, by the Virginia Economic Development Partnership (VEDP). Coupled with Virginia's quality higher education institutions as well as proximity to federal government agencies and resources, the Tech Talent Investment Program has become a powerful strategic initiative for the Commonwealth. BFM cited Virginia's coordinated focus in the cybersecurity sector and the fact that nearly 50 Virginia colleges and universities have established cyber degrees, as an example of the Commonwealth's focus on expanding tech talent to meet a specific need.

Education/Information Technology

Virginia has been "Top Ranked" in CNBC's Annual State Competitiveness Rankings more than any other state since the study began in 2007. One of the state's greatest strengths has been the ability to nurture and retain workforce talent. Virginia offers employers one of the best-educated workforces in the country with 39% of workers holding a bachelor's degree or higher. The Commonwealth also boasts the nation's third -highest concentration of science, technology, engineering and math (STEM) workers, according to the U.S. Bureau of Labor Statistics.

Working in coordination with the Virginia Economic Development Partnership, the Virginia Department of Labor and the Virginia Department of Education as well as many others, the Virginia Office of Education Economics (VOEE) leverages data to inform educational programming, policy and workforce partnerships across the Commonwealth. Products such as the "High Demand

Occupations Dashboard" provide a unified, consistent source of data analysis for policy development and implementation which allows for a better understanding of education and labor markets, and their alignment as it relates to talent development.

Virginia is committed to technology and innovation and is already at the forefront of emerging sectors like cloud computing and cybersecurity. Virginia is the leading data center market in the U.S. and is home to more than 20% of all known hyperscale data centers worldwide. With its proximity to the federal government, it is no surprise Virginia has emerged as a leader in areas such a cybersecurity and has amassed the highest concentration of tech workers in the nation. The Commonwealth is preparing for future growth in "next generation" IT through its top-ranked higher education system's ability to continue to recruit and develop a pipeline of technology talent.

The Constitution of Virginia vests the supervision of public elementary and secondary schools in local school boards. The State Board of Education is, however, required to prescribe standards of quality and has prescribed minimum competency tests for high school graduation. Virginia's public schools are financed through a combination of state, local and federal funds. The private sector also contributes through partnerships with schools and school divisions. The apportionment of the state funds for public education is the responsibility of the General Assembly, through the Appropriations Act. General fund appropriations serve as the mainstay of state support for the commonwealth's public schools, augmented by retail sales and use tax revenues, state lottery proceeds, and other sources. Historically, state funding for public education represents about one-third of the state general fund budget.

Counties, cities and towns comprising school divisions also support public education by providing the locality's share to maintain an educational program meeting the commonwealth's Standards of Quality. While public education is primarily a state and local responsibility, the federal government provides assistance to state and local education agencies in support of specific federal initiatives and mandates.

In the 2022-23 academic year, an estimated 519,160 students were enrolled in the Commonwealth's 39 public colleges, community colleges and universities. Of these students, an estimated 148,693 attended 23 community colleges on 40 campuses within the Virginia Community College System. A total of 1,263,342 students attended public elementary and secondary schools. The following table illustrates enrollment levels for all educational levels for the last 10 academic years.

Academic	**Higher Education [1]**			**Public [2] Primary and**
Year	**Public**	**Private**	**Total**	**Secondary**
2012-13	409,069	123,144	532,213	1,264,880
2013-14	403,975	125,343	529,318	1,273,211
2014-15	398,689	135,591	534,280	1,279,773
2015-16	393,545	135,121	528,666	1,284,680
2016-17	388,749	132,144	520,893	1,288,481
2017-18	388,334	133,110	521,444	1,293,049
2018-19	384,200	137,271	521,471	1,290,513
2019-20	383,865	141,470	525,335	1,298,083
2020-21	224,551	145,628	370,179	1,252,752
2021-22	221,121	149,717	370,838	1,251,970
2022-23	369,812	149,348	519,160	1,263,342

Source: [1] State Council for Higher Education in Virginia; [2] Virginia Department of Education

In 2022, Smart Asset ranked Virginia No. 2 in its best states for Higher Education after being ranked No. 1 in 2021. This makes eight years in a row in which Virginia was ranked the best or second-best state for higher education. The study compares four-year public colleges and universities in each state using multiple metrics, including the undergraduate graduation rate, the average net price, the 20-year return on investment and the student-faculty ratio. Of these metrics Virginia had the highest graduation rate in the study at 73%.

Natural Resources

Virginia's geologic resources provide a wealth of opportunities for mineral and energy development. The historic contributions of these resources to economic growth is measured not only in the dollar value of the minerals produced each year, but also in the direct and indirect benefits of jobs created, support industries, new business opportunities, and revenues for local governments that provide community services. The total value of energy and mineral resources produced in 2021 was estimated to be $3.3 billion. The value of mined coal was estimated to be $1.3 billion, while oil and natural gas production was valued at $403 million. The US Geological Survey estimated the value of non-fuel mineral production in 2021 to be about $1.6 billion. Non-fuel minerals include crushed stone, sand and gravel aggregate, clays and shale, and a diverse range of industrial minerals such as kyanite, vermiculite, dimension stone, titanium and zirconium sands, among others. Energy markets continue to evolve with greater utilization of renewable sources. Natural gas and coal will remain important fuels for electricity generation in the near future.

For 2021 the total economic impact, direct and indirect, of Virginia Forestry was valued at $106 billion with approximately 490,000 Virginians employed in the sector. Total direct economic benefit for the year was valued at $55 billion and 185,000 employed. In addition, the nearly 16 million acres of forestland provide citizens environmental benefits, such as water quality and air quality, habitat for wildlife and plants, recreational opportunities, aesthetic beauty and long-term carbon sequestration through forest management.

The Virginia seafood industry is one of the oldest industries in the United States and Virginia is one of the largest seafood production states on the East Coast. According to the most recent economic impact study by the Virginia Seafood Agricultural Research and Extension Center (VSAREC), the Seafood Industry provided a $1.1 billion boost to the Virginia Economy in 2019. According to the U.S Department of Commerce and the National Marine Fisheries Service, in 2020, the Port of Reedville, Virginia was ranked 4th nationally for Port Volume and 10th for value of seafood landed at $64 million. Overall, Virginia ports are rarely closed in the winter. Virginia's catch is widely diversified, preventing dependence on any one species. Among the 50 commercially valuable seafood species harvested from some 620,000 acres of water in or around Virginia are sea scallops, eastern oysters, blue crabs, menhaden, northern quahog clam, summer flounder, striped bass and Atlantic croaker. Also, in 2020 the Commonwealth was ranked 6th nationally for Recreational Trips with nearly 8.2 million angler trips.

***Agriculture*:** The agricultural industry is Virginia's largest private industry, which has an economic impact of $82.3 billion annually and provides nearly 382,000 jobs in the Commonwealth. The industries of agriculture and forestry together have a total economic impact of almost $106 billion. Every job in agriculture and forestry supports 1.6 jobs elsewhere in the Virginia economy.

Production agriculture employs nearly 55,000 farmers and workers in Virginia and generates approximately $3.8 billion in total output. Value-added industries, those that depend on farm commodities, employ an additional 69,000 workers. When the employment and value-added impact of agriculture and forestry are considered together, they make up 9.3 percent of the state's total gross domestic product.

Wine and Craft Beer: A 2022 National Economic Impact Study of the Wine Industry commissioned by Wine America: the National Association of Wineries, showed that a burgeoning wine industry is proving to be increasingly important to Virginia's economy. The study reported that close to $6.4 billion in total economic activity could be attributed to the Virginia Wine Industry. The study reported that industries as varied as farming, banking, accounting, manufacturing, packaging, transportation and tourism all depend on the wine industry as part of their livelihoods. Virginia's wine industry is comprised of 274 wine producers operating on 578 acres of vineyards. The industry directly employs as many as 25,961 people with an additional 8,716 jobs involved in supplier and ancillary industries. Virginia's wine country generated 1.45 million tourist visits in 2022 with an estimated $492.7 million in tourist expenditures.

Another burgeoning industry in the Commonwealth is the Craft Beer Industry. As of 2023, with 344 licensed craft breweries and employment in excess of 14,000, the industry produces more than 460,000 barrels of beer annually. Virginia craft beer industry is growing with $1.7 billion total economic impact in brewing, distribution, and retail and related businesses. Virginia is ranked No. 1 in the South for breweries per capita and ranks 17th on the national scale.

***Tourism*:** Another of Virginia's most important economic assets is the travel and tourism industry. In the 2021 Economic Impact Study commissioned by the Virginia Tourism Corporation, tourism's total economic impact in Virginia in 2021 was valued at $39.4 billion with employment estimated at nearly 275,000 jobs, including employment in such travel-related businesses as lodging establishments, restaurants, museums, amusement parks, retail stores and gasoline service stations. In direct expenditures, the state's visitors spent more than $25 billion across the Virginia economy, a 44% increase from 2020, with overnight visitation up 31% vs 2020. Travelers spent $69 million per day in Virginia in 2021, up from $48 million per day in 2020. Tourism is also a significant source of government revenues and was responsible for $1.8 billion in combined state and local tax revenues in 2021, a 28% increase over 2020

ECONOMIC DEVELOPMENT ANNOUNCEMENTS

In November of 2023, PGT Innovations, a national leader in the premium window, door and garage door industry, announced the establishment of Triple Diamond Glass, A PGT Innovations Company. Triple Diamond Glass will offer innovative solutions to window and door manufacturers in the areas of energy efficiency, security and sound abatement applications. The new facility will be strategically located in Prince George, Virginia and will eventually lead to the creation of 650 jobs.

In January 2022, Kamine Development Corporation and Nicollet Industries, LLC, green infrastructure and sustainable development leaders, announced the investment of $267 million to establish a joint venture paperboard recycling and production facility, Celadon Development Corporation, at the Chesapeake Deepwater Terminal site in the City of Chesapeake, Virginia. The capital investment is expected to create 210 new jobs and environmental stewardship opportunities, while building a cleaner economy. Celadon's state-of-the-art operation will produce in-demand fibers from recycled paper products, benefitting the environment and positioning Chesapeake and the Commonwealth's recycling technology in the U.S. Celadon's 335,000 square-foot facility will utilize the most efficient processes, creating a closed loop, waste-free industry. At the facility's peak, the operations may use up to 300 rail cars per month and export 80,000 TEUs, or twenty-foot equivalent units, per year, equivalent to 10 cargo ships, through The Port of Virginia. At full capacity, Celadon would represent one of the largest exporters in Virginia, with approximately $200 million in export value annually.

CoStar Group, Inc., (NASDAQ: CSGP) a leading provider of real estate information and analytics, and an online marketplace, announced in December 2021 its investment of $460 million to expand its operations, including a research and technology center expansion, in Richmond, Virginia. The Company broke ground on the project in November 2022. CoStar plans to establish a Corporate Campus that will include sales, marketing, software development, customer service and support functions on four acres adjacent to its current facility, which serves as the company's headquarters for research and data analytics. The new campus will represent approximately 750,000 square feet of new office and retail space and is expected to include a 26-story, LEED-certified office building and a six-story, multipurpose building for a central location for employee amenities. The expansion project is expected to create 2,000 new jobs in the Commonwealth.

In October 2021, Siemens Gamesa Renewable Energy (SGRE) signed an agreement to establish the first offshore wind turbine blade facility in the United States, propelling construction of the country's largest new renewable energy project. The project represents an estimated total cost of $200 million, including over $80 million in investments for buildings and equipment. The Virginia-based Dominion Energy had previously selected the company as its partner for the energy generation project more than 27 miles off the coast of Virginia Beach. Original plans called for the company to lease more than 80 acres of the Commonwealth's Portsmouth Marine Terminal and to build a facility to produce turbine blades supplying offshore wind projects in North America. Then as planned, the facility would create an estimated total of 310 new jobs, of which roughly 50 will be service jobs to support the Coastal Virginia Offshore Wind Project. Original project completion was expected to by the year 2026. In November 2023, SGRE announced that it has discontinued its plans for the $200 million project. In its announcement, SGRE maintained its support for the coastal Virginia offshore wind project.

Nestle Purina Pet Care Company, a leading manufacturer of pet care products, announced in June 2021 that it will invest $182 million to expand its manufacturing operation in King William County. Purina is expected to add 138,000 square feet to increase capacity and enhance business operations in the U.S. and Canada for its Tidy Cats litter products, including the LightWeight formulas such as Free & Clean Unscented. The project will also include an additional 100,000 square feet of warehouse space leading to more efficient logistics management and expedited delivery products. The factory expansion is expected to be completed by late 2023.

In May 2021, Breeze Airways, a new U.S. based airline providing low-cost, nonstop service to midsize markets, invested $5.2 million to establish an operations center in the City of Norfolk and created an estimated 116 new jobs. By March 2022 the airline had nine routes out of Norfolk flying to 13 cities. Norfolk serves as one of Breeze Airways' four operations based in the United States. The airline also serves eleven destinations out of Richmond International Airport with three new destinations added in 2023. Breeze Airlines is based out of Salt Lake City, Utah.

In January 2021, the nonprofit pharmaceutical manufacturer, Civica, announced that it will invest $124.5 million to establish its first in-house pharmaceutical manufacturing operation in the City of Petersburg, creating approximately 186 new jobs. Civica was launched in 2018 to address the problem of chronic generic drug shortages and high drug prices and is a key partner for the new U.S. government-funded partnership with Phlow Corporation, Medicines for All Institute, and AMPAC Fine Chemicals. Civica has announced plans to construct a 120,000 square-foot state-of-the-art manufacturing facility adjacent to Phlow's future operation and AMPAC's existing facility. In September 2022 the Company announced plans to invest $27.8 million to establish a new laboratory testing facility in Chesterfield County. The 55,000 square foot facility will create approximately 51 new jobs and support the Company's Petersburg operation.

Total Fiber Recovery (TFR) first announced in February 2020 its intent to establish its first recycled pulp production facility in the City of Chesapeake. In July 2020, Total Fiber Recovery of Chesapeake (TFRC) started construction of an $80 million facility in the city. The Virginia Small Business Financing Authority authorized the issuance of $65 million of Green Bonds to finance the construction. TFRC is a joint venture of TFR and Cellmark Inc, a privately-owned, Swedish supply chain services company with business in more than 30 countries. TFRC broke ground in July 2022.The company began purchasing raw materials consisting of mixed paper and OCC bales (Congregated Cardboard) during fourth quarter 2023. The raw materials are being recycled into Unbleached Recycled Pulp (URP). The company expects to produce 200,000 metric tonnes of URP annually which would be equivalent to nearly half of all recycled pulp in the U.S. in 2022.

In January 2023, Amazon Web Service (AWS), Amazon Inc's cloud services division, announced plans to invest $35 billion by 2040 to expand data centers in Virginia. AWS reports that the investment will create 1,000 new jobs. The new investment is expected to add to the $35 billion investment and 3,500 jobs AWS reports to have created in Virginia between 2011-2021. In 2018, Amazon had announced its intention to house the Company's second headquarters (HQ2) in Virginia, with eventual employment of up to 25,000. As of April 2022, employment at the site was approaching 5,000. HQ2 construction began in 2020.Phase 1 which has capacity for 14,000 employees opened in June 2023. Phase II construction is delayed with no timeline for development. With the announcement to establish the second Amazon headquarters, the cities of Alexandria, Fairfax, Falls Church, Manassas, Manassas Park and the counties of Arlington, Fairfax, Fauquier, Loudoun, and Prince William announced in September 2019 the formation of the Northern Virginia Economic Development Alliance. Arlington County is working diligently with officials from Amazon both on permitting and inspecting building renovation work for its initial occupancy in Crystal City, as well as the planning and entitlement of its new construction projects in Pentagon City (commonly known as the Metropolitan Park site). Current plans for the first phase of the new headquarters include two new LEED-Platinum certified buildings, new retail space for area businesses, and open, community space, transforming the site from a block of vacant warehouses into a mixed-use neighborhood. The Commonwealth is committing up to $1.1 billion to more than double the annual number of graduates with bachelor's and master's degrees in computer science and closely related fields, estimated to create an additional 31,000 graduates in excess of current levels over the next 20 years. The Commonwealth of Virginia, Arlington County, and the City of Alexandria have committed funding for transportation investments to support mobility in the region, and several transportation improvements are already underway. The Washington Metropolitan Area Transit Authority and Arlington County completed the development and analysis of alternative site locations for the Crystal City Metrorail station's new east entrance and are now finalizing the concept design plan. This new Metro entrance is expected to help alleviate crowding and streamline pedestrian traffic through the station.

Rocket Lab USA announced in February 2022 that it had selected Wallops Island as the location for its launch site and extensive manufacturing and operations facilities for its Neutron rocket, creating up to 250 jobs. In April 2022, ground was broken for construction of a 250,000 square foot manufacturing and operations facility adjacent to the Wallops Flight Facility. Plans are for the first launch to take place no earlier than 2024.

Thermo Fisher Scientific announced in March 2022, plans to expand its existing bioanalytical laboratory operations into three new locations in the greater Richmond region. The $97 million project is expected to create more than 500 new jobs. The opening of a 59,000 square foot facility was officially announced in October of 2022.

In June 2022, the LEGO Group announced plans to invest $1 billion to establish its first U.S. manufacturing plant in Chesterfield County, including a new 1.7 million-square-foot precision manufacturing facility creating over 1,760 new jobs. Ground-breaking for the carbon-neutral run factory occurred in April 2023 with opening set for 2025.

Aerospace leaders Boeing and Raytheon Technologies announced in June 2022 plans to move their global headquarters to Arlington, VA from Chicago and Boston respectively. Raytheon's new office will be located in Arlington's Rossyln neighborhood alongside its existing intelligence and space business. Raytheon completed its move to Northern Virginia and changed its name to RTX in 2023. Boeing has also completed its move to the Arlington Crystal City area.

In August 2022, Hilton Worldwide Holdings Inc. announced it plans to expand its Fairfax County Corporate Headquarters, creating 350 new jobs over the next five years.

DroneUp LLC announced in August 2022, plans to expand its Virginia Beach Headquarters and establish a testing, training, and R&D center at Richard Bland College in Dinwiddie County (VA), representing an investment of $27.2 million and 655 total new jobs. In May 2023, the DroneUp/Richard Bland partnership was runner-up in the Workforce Development Category at the 6th Annual AUVSI (Association of Uncrewed Systems International) Xcellence Awards. The award was for establishing the nation's first Commercial Drone Workforce Training Program for college credit.

Demonstrating Virginia's emerging position as a leader in a growing controlled environment agriculture industry, Plenty Unlimited Inc. announced plans in September 2022 to build the world's largest indoor vertical farming campus in Virginia, a $300 million investment that will create 300 jobs in Chesterfield County. The company's first farm is expected to be operational in 2024 with a focus on strawberry production.

In September 2022, Beanstalk Farms Inc. announced the recent opening of the company's new indoor farm and distribution facility in Herndon, Virginia, and AeroFarms officially began operations in a state-of-the-art, 140,000 square-foot indoor farming facility in Danville-Pittsylvania County.

DISCLOSURE STATEMENTS

Cyber Security Risk

Computer networks and data transmission and collection are vital to the efficient operation of the Commonwealth and the provision of government services. The Virginia Information Technologies Agency (VITA) is charged with the development, delivery and maintenance of information technology, security, policy and governance, and procurement services for Virginia's executive branch. VITA develops and manages a portfolio of tools and processes designed to secure Commonwealth data and systems against unauthorized use, disclosure, modification, damage or loss.

Despite the implementation of various security measures across the networks used by the Commonwealth and its agencies, the Commonwealth's computer and information technology systems may be vulnerable to deliberate attacks by hackers, malware, ransomware or computer viruses, or may otherwise be breached due to employee error, malfeasance or other disruptions. Any such attack or breach could compromise the networks used by the Commonwealth and its agencies, and the information stored thereon could be disrupted, accessed, publicly disclosed, lost or stolen. Further, a successful cyberattack or an unintentional breach may require the Commonwealth to expend an unpredictable amount of money and time to resolve, substantially interrupting operations of the Commonwealth and its agencies and subjecting the Commonwealth to legal action.

As cybersecurity threats continue to evolve, the Commonwealth anticipates a continuing need to provide additional resources to modify and strengthen security measures, investigate and remediate potential vulnerabilities, and invest in new technology designed to mitigate security risks.

Environmental and Severe Weather Risks

The natural resources of the Commonwealth are integral to the agricultural, industrial and commercial sectors of the Virginia economy, as well as necessary to the promotion of continued economic development. To ensure the continued vitality of these valuable resources, the Virginia Department of Environmental Quality administers state and federal laws and regulations to promote and improve air quality, water quality, water supply, renewable energy and land protection, as well as to mitigate various environmental risks.

Certain geographic areas of the Commonwealth are susceptible from time to time to the effects of coastal and inland flooding, wind damage, widespread power outages and other damaging effects resulting from severe weather events such as tornadoes, winter storms and hurricanes. The coastal areas of the Commonwealth may also experience increased mitigation costs and declining real property values as a result of rising sea levels over the long-term. The Commonwealth has been able to respond effectively to prior weather events through a combination of its emergency response systems, existing programs to address weather and environmental risks, and state-level financial resources, supported as well as by federal disaster relief programs.

There is no basis to predict the frequency or scope of future severe weather events and the effect on the Commonwealth's economy, finances and operations. Further, there is no basis to estimate the direct and indirect costs to be incurred by the Commonwealth from its ongoing efforts to mitigate other known and unknown risks to the environment.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

COMMONWEALTH OF VIRGINIA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Since the date of the Commonwealth's audited financial statements for the fiscal year ended June 30, 2023, contained in this Appendix D, the Acting Comptroller has released the General Fund Preliminary (Unaudited) Annual Report for Fiscal Year Ended June 30, 2024. See Appendix B-2 – Part II.

Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 15, 2023

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Sharon H. Lawrence
Acting State Comptroller

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

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

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

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

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

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

Basis for Opinions

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

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

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

Emphasis of Matters

Change in Accounting Principle

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

Correction of 2022 Financial Statements

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

Investments with Values that are not Readily Determined

As discussed in Note 8, the Virginia College Savings Plan major fund includes investments valued at $1.8 billion (57.6% and 27.9% of the major fund and business-type activity total assets, respectively) and $320.2 million for the private purpose trust fund (0.2% of the aggregate remaining fund information's total assets), whose fair values have been estimated by management based on information provided by the fund managers or the general partners in the absence of readily determinable values. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commonwealth of Virginia's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth of Virginia's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commonwealth of Virginia's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 27 through 37; Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Major Special Revenue Funds; Schedule of Changes in Employer's Net Pension Liability; Schedule of Employer Contributions - Pension Plans; Schedule of Changes in Employers' Net Other Postemployment Benefit Liability (Asset); Schedule of the Commonwealth's Proportionate Share of the Net Other Postemployment Benefit Liability; Schedule of Employer Contributions - Other Postemployment Benefit Plans; Schedule of Changes in Employers' Total Other Postemployment Benefit Liability; Claims Development Information - Risk Management; and Notes to the Required Supplementary Information schedules on pages 206 through 246. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, our report dated December 15, 2023, on our consideration of the Commonwealth of Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters is issued in the Commonwealth of Virginia Single Audit Report. We anticipate releasing that report on or before February 13, 2024. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commonwealth of Virginia's internal control over financial reporting and compliance.

Staci A. Henshaw

AUDITOR OF PUBLIC ACCOUNTS

Management's Discussion and Analysis *(Unaudited)*

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

Financial Highlights

Government-wide Highlights

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

Fund Highlights

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

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

Long-term Debt

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

Overview of the Financial Statements

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

Government-wide Statements

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

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

  The Commonwealth's fiduciary funds are the:

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Information

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

Government-wide Financial Analysis

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

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

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

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

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

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

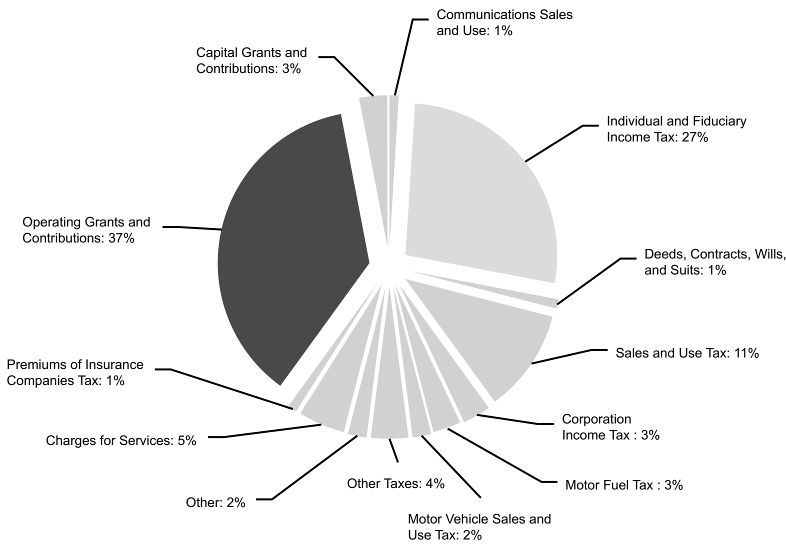
Figure 12
Changes in Net Position for the Fiscal Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

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

Governmental Activities Revenues

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

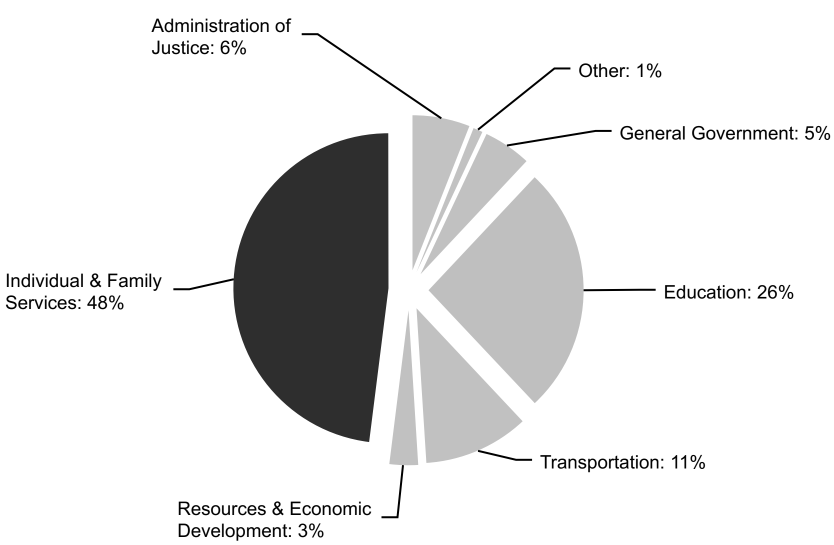
Figure 13
Revenues by Source – Governmental Activities
Fiscal Year 2023



Governmental Activities Expenses

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

Figure 14
Expenses by Type – Governmental Activities
Fiscal Year 2023



Net Position of Business-type Activities

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

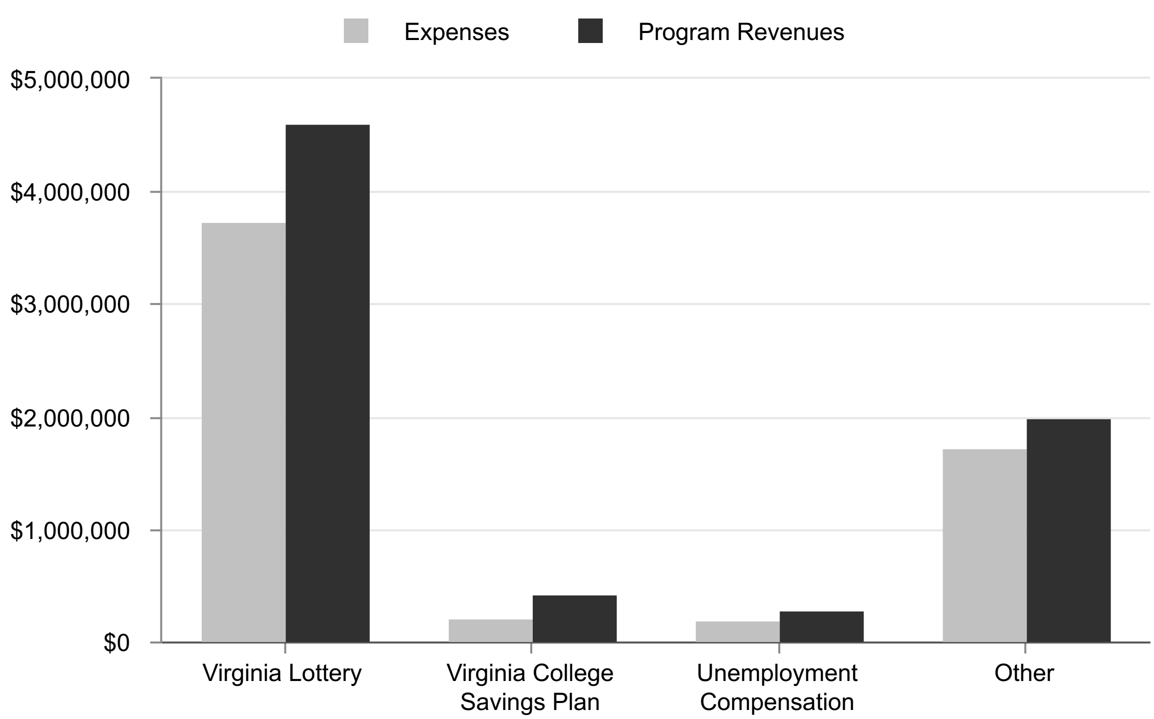
- Lottery sales were $4.6 billion, an increase of $859.4 million over the prior year. Income before transfers was $882.6 million, an increase of $80.6 million (10.0 percent) from fiscal year 2022. Sales of scratch games decreased by $43.4 million (3.3 percent) and non-scratch game sales increased by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

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

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

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

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



Fund Statements Financial Analysis

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

General Fund Highlights

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

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

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

Budget Highlights

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

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

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

Budget Outlook

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

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

Major Special Revenue Fund Highlights

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

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

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

Capital Asset and Long-term Debt

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

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

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

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

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

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

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

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

Economic Factors and Review

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

Requests for Information

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

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

Government-wide Financial Statements

Statement of Net Position

June 30, 2023

(Dollars in Thousands)

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

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

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

Statement of Activities

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

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

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

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

Continued on next page

Statement of Activities *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

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

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

Governmental Funds

General Fund

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

Special Revenue Funds

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

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

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

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

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

Balance Sheet - Governmental Funds

June 30, 2023

(Dollars in Thousands)

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

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

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

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

June 30, 2023

(Dollars in Thousands)

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

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

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

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

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

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

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

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

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

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

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

Proprietary Funds

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

Major Enterprise Funds

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

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

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

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

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

Statement of Fund Net Position - Proprietary Funds

June 30, 2023

(Dollars in Thousands)

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

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

Net position of business-type activities

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

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

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

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

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

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

Change in Net Position of business-type activities

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

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

Statement of Cash Flows - Proprietary Funds

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

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

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

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

Continued on next page

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

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

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

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

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

Fiduciary Funds

Private Purpose Trust Funds

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

Pension and Other Employee Benefit Trust Funds

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

Custodial Funds - External Investment Pool

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

Custodial Funds - Other

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

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

Statement of Fiduciary Net Position - Fiduciary Funds

June 30, 2023

(Dollars in Thousands)

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

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

Statement of Changes in Fiduciary Net Position - Fiduciary Funds

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

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

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

Component Units

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

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

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

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

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

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

Statement of Net Position - Component Units

June 30, 2023

(Dollars in Thousands)

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

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

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

Statement of Activities - Component Units

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

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

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

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

Proprietary Funds

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

Major Enterprise Funds

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

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

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

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

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

Statement of Fund Net Position - Proprietary Funds

June 30, 2023

(Dollars in Thousands)

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

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

Net position of business-type activities

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

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

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

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

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

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

Change in Net Position of business-type activities

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

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

Statement of Cash Flows - Proprietary Funds

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

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

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

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

Continued on next page

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

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

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

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

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

Fiduciary Funds

Private Purpose Trust Funds

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

Pension and Other Employee Benefit Trust Funds

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

Custodial Funds - External Investment Pool

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

Custodial Funds - Other

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

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

Statement of Fiduciary Net Position - Fiduciary Funds

June 30, 2023

(Dollars in Thousands)

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

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

Statement of Changes in Fiduciary Net Position - Fiduciary Funds

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

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

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

Component Units

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

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

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

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

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

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

Statement of Net Position - Component Units

June 30, 2023

(Dollars in Thousands)

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

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

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

Statement of Activities - Component Units

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

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

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

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

Index to the Notes to the Financial Statements

Notes to the Financial Statements

June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Reporting Entity

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

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

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

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

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

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

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

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

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

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

Discretely presented component units are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

The primary government reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

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

The primary government reports the following major enterprise funds:

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

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

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

Additionally, the primary government reports the following fund types:

Governmental Fund Types:

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

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

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

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

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

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

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

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

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

E. Budgetary Process

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

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

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

F. Cash, Cash Equivalents, Investments and Derivative Instruments

Cash

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

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

Cash Equivalents

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

Investments

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

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

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

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

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

Derivative Instruments

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

G. Assets Held Pending Distribution

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

H. Receivables

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

I. Contributions Receivable, Net

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

J. Internal Balances

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

K. Inventory

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

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

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

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

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

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

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

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

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

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

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

L. Prepaid Items

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

M. Loans Receivable/Payable

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

N. Other Assets

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

O. Capital Assets

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

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

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

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

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

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

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

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

Expenditures are classified as construction-in-progress if:

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

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

The estimated lives of capital assets are as follows:

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

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

P. Deferred Outflows of Resources

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

Q. Accounts Payable

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

R. Unearned Revenue

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

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

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

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

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

S. Unearned Taxes

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

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

T. Obligations Under Securities Lending Program

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

U. Due to Claimants, Participants, Escrows and Providers

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

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

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

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

V. Other Liabilities

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

W. Claims Payable

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

X. Long-term Liabilities

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

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

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

Y. Deferred Inflows of Resources

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

Z. Nonspendable Fund Balances

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

AA. Restricted Fund Balances

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

BB. Committed Fund Balances

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

CC. Assigned Fund Balances

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

DD. Unassigned Fund Balances

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

EE. Cash Management Improvement Act

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

FF. Investment Income

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

GG. Intrafund Eliminations

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

HH. Interfund Activity

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

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

2. RESTATEMENT OF BEGINNING BALANCES

The beginning balance restatements resulted from the following:

Government-wide Activities

Governmental Activities

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

Business-Type Activities

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

Fund Statements

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

Component Units

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

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

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

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

Beginning Net Position/Fund Balance Restatement

(Dollars in Thousands)

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

3. NET POSITION/FUND BALANCE CLASSIFICATIONS

Fund Balance

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

Nonspendable fund balance includes inventories, prepaid items, and the principal of a permanent fund. These funds are not available for expenditure in the current or following period.

Restricted fund balance includes amounts that have constraints placed on the use of resources by the Constitution of Virginia or a party external to the Commonwealth.

Committed fund balance includes amounts that must be spent for specific purposes that have been legislatively mandated by the Governor and General Assembly.

Assigned fund balance represents amounts that the Commonwealth has identified for planned purposes but for which the intended use is not legislatively mandated. The assignments are identified by Commonwealth management pursuant to the delegation of authority granted by the General Assembly and Governor specified in the Appropriation Act. The following schedule includes committed and assigned amounts that share the same purpose and title. The distinction between these classifications results from whether there is a statutory restriction on certain amounts contained within the fund.

Unassigned fund balance for the General Fund represents the residual classification. As of June 30, no unassigned fund balance is reported for the General Fund (major). Additionally, a negative amount indicates that restricted and committed amounts exceed the available modified accrual basis fund balance. For fiscal year 2023, there are no unassigned balances in the governmental funds.

The governmental fund balance classifications and amounts as of June 30, 2023, are shown in the following table.

Governmental Fund Balance Classifications

(Dollars in Thousands)

	General Fund	Commonwealth Transportation	Federal Trust	Literary	Nonmajor Governmental	Total
Nonspendable						
Inventory	$ 49,985	$ 114,707	$ 96,552	$ —	$ 6,988	$ 268,232
Prepaid Items	113,058	1,081	4,158	—	5,667	123,964
Permanent Funds	—	—	—	—	46,462	46,462
Total Nonspendable	163,043	115,788	100,710	—	59,117	438,658
Restricted						
Agriculture and Forestry	—	—	—	—	11,646	11,646
Capital Projects/Construction/Capital Acquisition	—	—	—	—	1,998,840	1,998,840
Contract and Debt Administration	—	8,271	—	—	—	8,271
COVID-19	—	51	8,376	—	—	8,427
Debt Service	—	—	—	—	47,826	47,826
Economic and Technological Development	—	—	—	—	127	127
Educational and Training Programs	—	—	—	—	6,044	6,044
Employee Benefit Administration	—	—	—	—	12,176	12,176
Environmental Quality and Natural Resource Preservation	—	—	—	—	15,748	15,748
Gifts and Grants	—	84,033	99,448	—	2,234	185,715
Government Operations:						
Administrative Services	—	—	—	—	2,373	2,373
Health and Public Safety	—	—	—	—	100,995	100,995
Literary Fund	—	—	—	330,558	—	330,558
Lottery Proceeds Fund	104,102	—	—	—	—	104,102
Revenue Stabilization Fund	2,686,657	—	—	—	—	2,686,657
Transportation Activities	—	430,811	—	—	—	430,811
Unclaimed and Escheats	—	—	—	—	49,120	49,120
Virginia Water Supply Assistance Grant Fund	6,937	—	—	—	—	6,937
Total Restricted	2,797,696	523,166	107,824	330,558	2,247,129	6,006,373
Committed						
Agriculture and Forestry	2,086	—	—	—	51,368	53,454
Amount Required for Mandatory Reappropriation	695,305	—	—	—	—	695,305
Amount Required for Reappropriation of 2023 Unexpended Balances for Capital Outlay and Restoration Projects	2,460,339	—	—	—	—	2,460,339
Capital Projects/Construction/Capital Acquisition	4,442	—	—	—	678	5,120
Central Capital Planning Fund	13,528	—	—	—	—	13,528
Commonwealth's Development Opportunity Fund	102,302	—	—	—	—	102,302
Contract and Debt Administration	213	3,347	—	—	3,161	6,721
COVID-19	—	—	—	—	4,366	4,366
Economic and Technological Development	471,030	—	—	—	395,521	866,551
Educational and Training Programs	558,541	4,240	—	—	17,267	580,048
Environmental Quality and Natural Resource Preservation	63,915	—	—	—	296,214	360,129
Gifts and Grants	—	—	—	—	4,417	4,417
Government Operations:						
Administrative Services	289	—	—	—	87,339	87,628
Legislative Services	—	—	—	—	424	424
Health and Public Safety	61,759	1,928	—	—	368,704	432,391
Interstate 64	150,000	—	—	—	—	150,000
Local Government Fiscal Distress	750	—	—	—	—	750
Major Headquarters Workforce Grant	35,500	—	—	—	—	35,500
Natural Disaster Sum Sufficient	20,165	—	—	—	—	20,165
Regulatory Oversight	—	—	—	—	223,523	223,523
Revenue Reserve Fund	1,835,357	—	—	—	—	1,835,357
Taxpayer Relief Fund	70	—	—	—	—	70
Transportation Activities	—	4,675,342	—	—	1,687	4,677,029
Virginia Business Ready Sites	50,000	—	—	—	—	50,000
Virginia Communication Sales and Use Tax	5,379	—	—	—	—	5,379
Virginia Health Care Fund	230,692	—	—	—	—	230,692
Virginia Water Quality Improvement Fund	334,085	—	—	—	—	334,085
Virginia Water Quality Improvement Fund - Part A	497,538	—	—	—	—	497,538
Virginia Water Quality Improvement Fund - Part B	146,950	—	—	—	—	146,950
Total Committed	7,740,235	4,684,857	—	—	1,454,669	13,879,761
Assigned						
Agriculture and Forestry	3	—	—	—	694	697
Amount Required by Chapter 769	1,449,577	—	—	—	—	1,449,577
Amount Required for Discretionary Reappropriations	277,274	—	—	—	—	277,274
Economic and Technological Development	8,572	—	—	—	3,027	11,599
Educational and Training Programs	6,784	—	—	—	10,895	17,679
Employee Benefit Administration	2,544	—	—	—	—	2,544
Environmental Quality and Natural Resource Preservation	16,193	—	—	—	14,533	30,726
Capital Projects/Construction/Capital Acquisition	1,076	—	—	—	—	1,076
COVID-19	837	—	—	—	—	837
Government Operations:						
Administrative Services	10,494	—	—	—	—	10,494
Legislative Services	5,262	—	—	—	—	5,262
Health and Public Safety	38,121	—	—	—	16,682	54,803
Regulatory Oversight	—	—	—	—	4	4
Transportation Activities	4	948	—	—	—	952
Total Assigned	1,816,741	948	—	—	45,835	1,863,524
Total Fund Balance	$ 12,517,715	$ 5,324,759	$ 208,534	$ 330,558	$ 3,806,750	$ 22,188,316

4. DEFICIT FUND BALANCES/NET POSITION

The Virginia Lottery (major enterprise fund), the Department of General Services' Consolidated Laboratory Services Fund, the Department of Environmental Quality's Title V Air Pollution Permit Fund, the Virginia Museum of Fine Arts Gift Shop (nonmajor enterprise funds), and the Payroll Service Bureau (internal service funds) ended the year with deficit net positions of $23.4 million, $2.7 million, $7.7 million, $1.7 million, and $2.1 million, respectively. This was solely attributable to the net pension liability resulting from GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and the other postemployment benefits (OPEB) obligation resulting from GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

The Risk Management Fund (nonmajor enterprise fund) ended the year with a deficit net position balance of $2.0 million. The deficit was a result of previous increases in claims liability for constitutional officers' programs exceeding premiums collected.

The Enterprise Application Fund (internal service fund) ended the year with a deficit net position balance of $24.3 million. The deficit was a result of working capital advances for the Human Capital Management System and noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Property Management Fund (internal service fund) ended the year with a deficit net position balance of $36.6 million. The deficit was a result of long-term lease liabilities exceeded the amortized lease assets. Further, there are noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Risk Management Fund (internal service fund) ended the year with a deficit net position balance of $162.3 million. The deficit was the result of the Worker's Compensation Program having estimated claims payable exceeding the available equity in the fund. Claims are paid on a pay-as-you-go basis. To the extent that claims exceed current resources, they will ultimately become a liability of the fund from which the claim originated. Further, there are noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Virginia College Building Authority (major component unit) ended the year with a deficit net position balance of $5.3 billion. This deficit occurs because the Authority issued bonds for the 21st Century College and Equipment programs subject to future appropriations from the General Fund of the Commonwealth without any other security. These future appropriations are not included as assets of the Authority. The General Assembly has never failed to appropriate funds to the Authority for payment of debt service on the Authority's bonds.

The Southern Virginia Higher Education Center (nonmajor component unit) ended the year with a deficit net position balance of $1.2 million. This deficit is solely attributable to net pension liability and other postemployment benefit obligations.

5. REVENUE STABILIZATION FUND

In accordance with Article X, Section 8 of the Constitution of Virginia, the amount estimated as required for deposit to the Revenue Stabilization Fund must be appropriated for that purpose by the General Assembly.

Under the provisions of Article X, Section 8 of the Constitution of Virginia, a deposit of $904.7 million is required during fiscal year 2024 based on fiscal year 2022 revenue collections reduced by the estimated rebate provided to taxpayers as required by Chapter 1, Item 3-5.24. No deposit is required based on fiscal year 2023 revenue collections, adjusted to include the prior year estimated rebate to taxpayers.

In addition, Chapter 769, Item 267. D2, appropriates $498.7 million from the Revenue Reserve Fund to be deposited to the Revenue Stabilization Fund during fiscal year 2024. This amount was provided in Chapter 1, 2022 Acts of Assembly Special Session I, as an advanced reservation for the fiscal year 2024 mandatory deposit. This amount is included as part of the 2024 restricted component of fund balance.

Section 2.2-1829(b) of the Code of Virginia requires an additional deposit into the Fund when specific criteria have been met. No such deposit is required since the specified criteria were not met for fiscal year 2023.

The Revenue Stabilization Fund has principal and interest on deposit of $1.8 billion restricted as a part of General Fund balance. Pursuant to the constitutional amendment of Article X, Section 8, effective January 1, 2011, the amount on deposit cannot exceed 15.0 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. As of June 30, 2023, the constitutional maximum is $3.9 billion.

6. REVENUE RESERVE FUND

As of June 30, 2023, the fund has principal and interest on deposit of $2.0 billion recorded in the Commonwealth's general ledger and reported as cash on the Balance Sheet. Pursuant to Chapter 769, Item 267. D2, the general ledger balance includes the advance reservation of $498.7 million for the fiscal year 2024 deposit to the Revenue Stabilization Fund (see Note 5). Accordingly, only $1.5 billion of the general ledger cash balance is included as a committed component of fund balance. This amount is set aside to mitigate certain anticipated revenue shortfalls when appropriations based on previous revenue forecasts exceed expected revenues in subsequent forecasts.

Section 2.2-1831.2 and 2.2-1831.3 of the *Code of Virginia* established the Revenue Reserve Fund and specified required deposits to the fund. Whenever there is a fiscal year in which there is not a mandatory deposit to the Revenue Stabilization Fund, a deposit is required if the general fund revenue exceeds the official estimate. The amount to be deposited shall not exceed one percent of the general fund revenues collected in the prior fiscal year. The Department of Planning and Budget has identified a deposit of $289.6 million to be made during fiscal year 2024. This amount represents the fiscal year 2023 revenue collected in excess of the estimate reduced by the statutory deposit to the Water Quality Fund for excess revenues. Additionally, this amount is subject to the one percent statutory limit adjusted to eliminate the impact of the prior year estimated rebate provided to taxpayers and is reported as part of the committed fund balance.

Additionally, the combined balance of the Revenue Reserve Fund and the Revenue Stabilization Fund cannot exceed 20.0 percent of the total Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. As of June 30, 2023, the constitutional maximum is $5.1 billion.

7. 2023 INDIVIDUAL INCOME TAX REBATE

The 2023 Individual Income Tax Rebate is authorized by Chapter 1, 2023 Acts of Assembly Special Session I, Item 3-5.28 and is in addition to any refund pursuant to §58.1-309 of the *Code of Virginia*. Qualifying individuals and married persons filing jointly are entitled to an additional tax rebate of $200 or $400, respectively. The rebates were disbursed subsequent to June 30. Accordingly, $906.8 million is reported as a liability in the accompanying financial statements.

8. CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of June 30, 2023, the carrying amount of cash for the primary government (including the Virginia Retirement System Pooled Investments) was $12.6 billion and the bank balance was $861.3 million. The carrying amount of cash for component units was $3.3 billion and the bank balance was $1.3 billion. Cash equivalents are investments with an original maturity of 90 days or less. Cash and cash equivalents for foundations (component units) totaled $755.8 million as of year-end. A portion of this amount and some balances during the year exceeded Federal Deposit Insurance Corporation (FDIC) insurance coverage. Foundation investments are disclosed in the Interest Rate Risk section of this note. Note 8 includes investment derivatives for the primary government and excludes derivatives for the component units. For additional information concerning derivative instruments, see Note 16.

For purposes of this note, primary government includes governmental, business-type activities, and fiduciary funds. The majority of deposits of the primary government and the component units, excluding foundations (component units), are secured in accordance with the provisions of the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the *Code of Virginia*. The act requires any public depository that receives or holds public deposits to pledge collateral to the Treasury Board to cover public deposits in excess of Federal deposit insurance. The required collateral percentage is determined by the Treasury Board and ranges from 50.0 percent to 100.0 percent for financial institutions choosing the pooled method of collateralization, and from 105.0 percent to 130.0 percent for financial institutions choosing the dedicated method of collateralization. As stated in Note 1.FF, unrealized gains or losses for the State Treasurer's Portfolio are recorded in the General Fund. Public Depositors are required to secure their deposits pursuant to several applicable provisions of the law.

The Local Government Investment Pool Act, Section 2.2-4600 of the *Code of Virginia*, created the Local Government Investment Pool (Pool) program for the benefit of public entities of the Commonwealth. The Treasury Board of Virginia is granted administration of the Local Government Investment Pool (LGIP) and Local Government Investment Pool – Extended Maturity (LGIP EM) on behalf of the participating public entities of the Commonwealth. Participation in this pool is voluntary. Both LGIP and LGIP EM offer two professionally managed investment portfolios in accordance with the Investment of Public Funds Act. The LGIP portfolio is a diversified portfolio structured to provide public entities an investment alternative that seeks to minimize the risk of principal loss while offering daily liquidity, a stable Net Asset Value (NAV), and a competitive rate of return. The LGIP is not registered with the Securities Exchange Commission (SEC) as an investment company. The LGIP EM portfolio is a diversified portfolio with fluctuating NAV structured to provide an investment alternative to public entities who wish to invest monies not needed for daily liquidity. The fair value of the Commonwealth's position in the Pool is the same as the value of the Pool shares for all except for the LGIP EM whose shares fluctuate with changes in the market value of the portfolio.

Certain deposits are held by trustees in accordance with the Trust Subsidiary Act, Section 6.2-1057 of the *Code of Virginia*. The act requires that cash held by trustees while awaiting investment or distribution is not to be used by an affiliate bank of the trustee in the conduct of its business unless the affiliate bank delivers securities to the trust department as collateral that is at least equal to the fair value of the trust funds held on deposit in excess of amounts insured by the FDIC.

The Commonwealth is authorized, in accordance with the guidelines set forth in Section 2.2-4500 et seq. of the *Code of Virginia*, to invest public funds in the following:

- U.S. Treasury and agency securities
- Corporate debt securities
- Asset–backed securities
- Mortgage–backed securities
- Municipal securities
- AAA rated obligations of foreign governments
- Bankers' acceptances and bank notes
- Negotiable certificates of deposit
- Repurchase agreements
- Money market funds

Permitted investments include agency mortgage-backed securities, corporate or private label mortgage-backed securities, and asset-backed securities, which by definition usually expose the investor to prepayment risk. Prepayment risk, or the prepayment option granted the borrower, can create uncertainty concerning cash flows, can affect the price of the security causing negative convexity, and can expose the investor to reinvestment risk. Similarly, many agency and corporate securities are callable after some predetermined date at a predetermined price. The call options in regular agency debentures and some corporate securities can be open ended and may significantly impact cash flows, security pricing, and reinvestment risks of these securities.

As of June 30, 2023, the State Treasurer held no security that was in default as to principal or interest. The State Treasurer held two securities with a maturity date of November 1, 2029 and one security in one component unit portfolio with a maturity of April 1, 2027 that were out of compliance with guidelines.

Public funds held by the Commonwealth, public officers, municipal corporations, political subdivisions, and any other public body of the Commonwealth shall be held in trust for the citizens of the Commonwealth. Any investment of such funds shall be made solely in the interest of the citizens of the Commonwealth and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Certain investments held in trust by the State Treasurer in accordance with bond indentures and resolutions may have more restrictive investment policies. Investment policies of component units are established by the entity's governing boards.

The information presented for the external investment pool was obtained from audited financial statements. Copies of the LGIP report may be obtained from the Department of the Treasury website at www.trs.virginia.gov.

The Board of Trustees (the Board) of the Virginia Retirement System (the System) (part of primary government) has full power to invest and reinvest the trust funds in accordance with Section 51.1-124.30 of the *Code of Virginia*, as amended. This section requires the Board to discharge its duties solely in the interests of members, retirees, and beneficiaries. It also requires the Board to invest the assets with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Board must also diversify such investments so as to minimize the risk of large losses, unless under the circumstances, it is clearly prudent not to do so. The Board does not have investment policies that place specific restrictions on investments related to custodial risk, interest rate risk, credit risk, or foreign currency risk. The System's investment portfolio is intended to be managed through diversification and prudent judgment, rather than through specific policy restrictions.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a depository bank failure, the Commonwealth may not be able to recover deposits or collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Commonwealth may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Policies related to custodial credit risk pertaining to the Commonwealth's securities lending program are found in the securities lending section of this note.

As of June 30, 2023, the primary government (excluding the System's pooled investments) had $12.9 million in bank balances that were uninsured and uncollateralized. There is no deposit policy that addresses custodial credit risk.

As of June 30, 2023, investment securities for the System (excluding cash equivalents and repurchase agreements held as securities lending collateral) were registered and held in the name of the System for the benefit of the System's trust and custodial funds and were not exposed to custodial credit risk. It is the standard practice and policy of the System, through the relevant provisions in its contracts and agreements with third parties, to minimize all known and reasonably foreseeable custodial credit risks.

As of June 30, 2023, component units had $135.1 million in bank balances that were uninsured and uncollateralized, and $36.6 million in bank balances that were uninsured and collateralized with securities held by the pledging financial institution. In addition, the Virginia Housing Development Authority (major) and Virginia Port Authority (nonmajor) held $247.4 million and $902.5 million, respectively, of investments, primarily U.S. Treasury and Agency Securities and Commercial Paper, that were uninsured and held by the counterparty as of June 30, 2023.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. As discussed in Note 1.F., the Commonwealth discloses the risk for its debt investments using the segmented time distribution method for the primary government (excluding the Virginia College Savings Plan's Defined Benefit 529 and Defined Contribution 529 programs and the Virginia Retirement System Pooled Investments) and component units and the effective duration method for Virginia College Savings Plan (Defined Benefit 529 and Defined Contribution 529 programs) and the System (Virginia Retirement System Pooled Investments).

The State Treasurer's guidelines limit the following maximum durations for any single security of the following investment types:

Security Type	Maximum Duration
Corporate Security	15 years
Asset-Backed Securities	5 years
Sovereign Government Obligations (excluding U.S.)	5 years
Negotiable Certificates of Deposit and Negotiable Bank Notes	5 years

The State Treasurer's guidelines further describe target durations for the overall general account portfolio of 1.7 years.

The Virginia College Savings Plan (Virginia529) manages the risk for fixed income investment securities held in its Defined Benefit 529 and Defined Contribution 529 programs using the effective duration methodology. Virginia529's Statements of Investment Policy and Guidelines do not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Although not an explicit requirement, duration of fixed income portfolios, if applicable, is expected to be within 20.0 percent of each portfolio's designated benchmark.

The System also manages the risk within its portfolio using the effective duration methodology. It is widely used in the management of fixed income portfolios in that it quantifies, to a much greater degree, the risk of interest rate changes. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending on the degree of change in rates and the slope of the yield curve. All of the System's fixed-income portfolios are managed in accordance with the System's investment guidelines, most of which are specific as to the degree of interest rate risk that can be taken.

As of June 30, 2023, the System's investments included $2.2 billion, primarily in U.S. Treasury and agency securities, corporate bonds and notes, and supranational and non-U.S. Government bonds and notes, which are highly sensitive to interest rate fluctuations in that they have an option adjusted duration of greater than ten years. The resulting reduction in expected total cash flows affects the fair value of these securities.

As of June 30, 2023, the Commonwealth's investments subject to interest rate risk had the following maturities and weighted average effective durations.

Primary Government Investments
(Excluding Virginia College Savings Plan and Virginia Retirement System Pooled Investments)
(Dollars in Thousands)

		Investment Maturities (in years)			
Investment Type	**June 30, 2023**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Debt Securities					
U. S. Treasury and Agency Securities	$ 4,709,600	$ 1,866,659	$ 2,052,229	$ 419,344	$ 371,368
Corporate Bonds and Notes	2,175,424	144,946	1,208,583	596,837	225,058
Supranational and Non-U.S. Government Bonds and Notes	159,243	157,219	2,024	—	—
Commercial Paper	9,466,017	9,466,017	—	—	—
Negotiable Certificates of Deposit	14,124,048	14,122,735	1,313	—	—
Repurchase Agreements	5,092,918	5,092,918	—	—	—
Municipal Securities	82,555	—	36,815	14,879	30,861
Asset-Backed Securities	696,916	74	309,346	113,726	273,770
Agency Mortgage-Backed Securities	988,831	4,312	34,579	75,275	874,665
Agency Unsecured Bonds and Notes	6,520,390	2,776,956	3,733,420	3,984	6,030
Mutual and Money Market Funds (Includes SNAP)	2,194,126	2,194,126	—	—	—
Fixed Income and Commingled Funds	9,558	2,103	7,295	160	—
Other Debt Securities	353	353	—	—	—
Total	$ 46,219,979	$ 35,828,418	$ 7,385,604	$ 1,224,205	$ 1,781,752

Primary Government - Virginia College Savings Plan Investments
(Dollars in Thousands)

	Defined Benefit 529 (Major Enterprise Fund)		Defined Contribution 529 (Private Purpose Trust Fund)	
Investment Type	**June 30, 2023**	**Weighted Avg. Effective Duration**	**June 30, 2023**	**Weighted Avg. Effective Duration**
Debt Securities				
U. S. Treasury and Agency Securities	$ 109,775	12.7	$ 10,276	1.8
Corporate Bonds and Notes	414,456	3.7	230,744	4.8
Convertible Bonds and Notes*	527	3.5	—	—
Supranational and Non-U.S. Government Bonds and Notes	37,149	6.0	215,784	7.4
Asset Backed Securities	136,275	1.7	9,886	<0.1
Agency Mortgage Backed Securities	161,166	5.9	—	—
Mutual and Money Market Funds	107,220	<0.1	76,730	<0.1
Guaranteed Investment Contracts	—	—	1,665,481	3.6
Fixed Income and Commingled Funds*	625,616	5.9	956,619	6.6
Total	$ 1,592,184	5.1	$ 3,165,520	4.7

*Effective duration is calculated using a methodology that takes into account the duration impact of equity warrants and rate-sensitive instruments.

Primary Government - Virginia Retirement System Pooled Investments
(Dollars in Thousands)

Investment Type	**June 30, 2023**	**Weighted Avg. Effective Duration**
Debt Securities		
U. S. Treasury and Agency Securities	$ 5,377,812	6.0
Corporate Bonds and Notes	6,553,780	3.6
Collateralized Mortgage Obligations	466,318	6.8
Commercial Mortgages	143,406	2.3
Supranational and Non-U.S. Government Bonds and Notes	693,628	7.4
Mutual and Money Market Funds	85,984	7.2
Commercial Paper	2,380,310	0.2
Negotiable Certificates of Deposit	990,507	0.2
Repurchase Agreements	872,964	< 0.1
Municipal Securities	65,451	7.7
Asset Backed Securities	236,647	2.7
Agencies	4,591,542	6.4
Fixed Income and Commingled Funds	823,876	5.7
Fixed Income Derivatives	(8,668)	-3.0
Time Deposits	315,439	< 0.1
Term Loans	17,425	0.2
Debt Securities - No Effective Duration		
U.S. Treasury and Agency Securities	3,136	N/A
Corporate Bonds and Notes	3,144	N/A
Collateralized Mortgage Obligations	3,851	N/A
Commercial Mortgages	2,215	N/A
Supranational and Non-U.S. Government Bonds and Notes	2,856	N/A
Mutual and Money Market Funds	41,611	N/A
Term Loans	2,558	N/A
Fixed Income Derivatives	(14,452)	N/A
Total	$ 23,651,340	4.3

Component Unit Investments
(Dollars in Thousands)

Investment Type	June 30, 2023	Investment Maturities (in years) Less Than 1	1-5	6-10	More Than 10
Debt Securities					
U. S. Treasury and Agency Securities	$ 1,629,885	$ 1,043,105	$ 467,948	$ 52,099	$ 66,733
Supranational and Non-U.S. Government Bonds and Notes	4,275	978	3,297	—	—
Corporate Bonds and Notes	615,911	134,926	448,443	19,852	12,690
Commercial Paper	380,259	380,259	—	—	—
Negotiable Certificates of Deposit	92,440	78,437	14,003	—	—
Repurchase Agreements	656,274	656,274	—	—	—
Municipal Securities	172,349	21,242	57,530	61,121	32,456
Asset-Backed Securities	471,476	38,446	351,572	13,918	67,540
Agency Unsecured Bonds and Notes	227,681	220,426	7,255	—	—
Agency Mortgage-Backed Securities	1,028,789	65,006	136,644	7,887	819,252
Mutual and Money Market Funds (Includes SNAP)	1,595,307	1,523,892	65,120	6,295	—
Guaranteed Investment Contracts	18,967	2,734	11,789	4,444	—
International and Emerging Markets Funds	4,989	1,531	1,321	—	2,137
Fixed Income and Commingled Funds	71,863	15,808	45,328	5,212	5,515
Other Debt Securities	73,228	50,385	192	—	22,651
Total	$ 7,043,693	$ 4,233,449	$ 1,610,442	$ 170,828	$ 1,028,974

Foundation Investments
(Dollars in Thousands)

Investment Type	Amount
U.S. Treasury and Agency Securities	$ 776,704
Common and Preferred Stocks	872,363
Corporate Bonds and Notes	260,859
Commercial Paper	6,815
Negotiable Certificates of Deposit	9,400
Municipal Securities	114,579
Repurchase Agreements	207,180
Asset Backed Securities	58,875
Agency Mortgage Backed Securities	28,983
Mutual and Money Market Funds	712,005
Bankers' Acceptance	92,346
Real Estate	864,299
Index Funds	389,610
Hedge Funds	2,288,169
Partnerships	1,577,588
Venture Capital	1,417,240
Institutional Commingled Funds	5,283,363
Private Equity	3,011,023
Fixed Income	491,660
Other	2,510,486
Total	$ 20,973,547

Note: Foundations represent FASB reporting entities defined in Note 1.B. A portion of these amounts is reported at cost rather than fair value because fair value was not available or readily determinable.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Treasurer places emphasis on securities of high credit quality and marketability. At the time of purchase, the following limitations are in place:

- Bankers acceptances: At least two ratings of P-1/A-1/F1 by Moody’s Investors Service (Moody’s), Standard & Poor’s (S&P), or Fitch
- Negotiable CDs and bank notes:
  - maturities of one year or less: At least two ratings of P-1/A-1/F1 by Moody’s, S&P, or Fitch
  - maturities over one year: At least two ratings of Aa/AA/AA by Moody’s, S&P, or Fitch
- Commercial paper: At least two ratings of P-1/A-1/F1 by Moody’s, S&P, or Fitch
- Corporate Notes and Bonds: At least two ratings of A-3/A-/A- by Moody’s, S&P, or Fitch. However, each external investment manager may invest up to 10.0 percent of their portfolio in Baa2/BBB rated bonds which, must be rated by two rating agencies and one of the two qualifying ratings shall be at least Baa2/BBB/BBB by Moody’s, S&P, or Fitch.
- Municipal Bonds: A-3/A- or equivalent by two nationally recognized rating agencies, one of which must be Moody's or S&P
- Asset-backed securities: One of the two qualifying ratings shall be at least Aaa/AAA/AAA by Moody’s, S&P, or Fitch
- Dollar denominated obligations of sovereign governments: Must be rated by two rating agencies with two qualifying ratings of at least Aaa/AAA/AAA by Moody’s, S&P, or Fitch
- Commercial Mortgage-Backed Securities (CMBS) and Collateralized Mortgage Obligations (CMOs): Must be rated at least Aaa or AAA by two rating agencies. One of the two qualifying ratings shall be at least Aaa/AAA/AAA by Moody’s, S&P, or Fitch.

The System’s policy for credit risk is based on the concept of a risk budget rather than specific limitations related to the rating of an individual security. The System’s risk budget is allocated among the different investment strategies.

Credit risk for derivative instruments held by the Commonwealth results from counterparty risk assumed by the Commonwealth. This is essentially the risk that the borrower will be unable to meet its obligation. Information regarding the Commonwealth’s credit risk related to derivatives is found in Note 16.

Policies related to credit risk pertaining to the Commonwealth’s securities lending program are found in the Securities Lending section of this note.

The following tables present the credit ratings for the investments of the primary government (excluding the Virginia Retirement System Pooled Investments), the System (Virginia Retirement System Pooled Investments), and component units as of June 30, 2023. The ratings presented are using Moody’s, S&P, and Fitch rating scales. They are displayed from short-term to long-term.

Primary Government (Excluding Virginia Retirement System Pooled Investments)

(Dollars in Thousands)

Investment Type (1)	P-1 / A-1 / F1	Percent of Portfolio	P-2 / A-2 / F2	Percent of Portfolio	P-3 / A-3 / F3	Percent of Portfolio	Aaa / AAA
Agency Mortgage Backed Securities	$ —	0.0 %	$ —	0.0 %	$ —	0.0%	$ 6,328
Agency Unsecured Bonds and Notes	738,738	1.6 %	—	0.0 %	—	0.0%	8,914
Asset Backed Securities	—	0.0 %	—	0.0 %	1	0.0%	774,657
Commercial Paper	9,466,017	20.6 %	—	0.0 %	—	0.0%	—
Convertible Bonds and Notes	—	0.0 %	—	0.0 %	—	0.0%	—
Corporate Bonds and Notes	916	0.0 %	454	0.0 %	520	0.0%	19,991
Fixed Income and Commingled Funds	—	0.0 %	—	0.0 %	—	0.0%	160
Guaranteed Investment Contracts	—	0.0 %	—	0.0 %	—	0.0%	—
Municipal Securities	—	0.0 %	—	0.0 %	—	0.0%	5,560
Mutual and Money Market Funds (Includes SNAP)	—	0.0 %	—	0.0 %	—	0.0%	2,272,053
Negotiable Certificates of Deposit	13,843,812	30.1 %	278,923	0.6 %	—	0.0%	—
Other Debt Securities	—	0.0 %	—	0.0 %	—	0.0%	—
Repurchase Agreements	3,645,000	7.9 %	952,000	2.1 %	—	0.0%	—
Supranational and Non-U.S. Government Bonds and Notes	—	0.0 %	—	0.0 %	—	0.0%	160,792
Total	$ 27,694,483	60.2 %	$ 1,231,377	2.7 %	$ 521	0.0%	$ 3,248,455

Primary Government – Virginia Retirement System Pooled Investments

(Dollars in Thousands)

Investment Type (1)	P-1 / A-1 / F1	Percent of Portfolio	P-2 / A-2 / F2	Percent of Portfolio	P-3 / A-3 / F3	Percent of Portfolio	Aaa / AAA
Corporate Bonds and Notes	$ 68,718	0.4%	$ —	0.0%	$ —	0.0%	$ 18,317
Collateralized Mortgage Obligations	—	0.0%	—	0.0%	—	0.0%	229,949
Commercial Mortgages	—	0.0%	—	0.0%	—	0.0%	95,662
Supranational and Non-U.S. Government Bonds and Notes	7,070	0.0%	—	0.0%	—	0.0%	24,805
Mutual and Money Market Funds	—	0.0%	59	0.0%	—	0.0%	—
Commercial Paper	1,536,490	8.9%	579,873	3.3%	—	0.0%	—
Negotiable Certificates of Deposit	739,702	4.2%	—	0.0%	—	0.0%	—
Repurchase Agreements	—	0.0%	—	0.0%	—	0.0%	6,530
Municipal Securities	—	0.0%	—	0.0%	—	0.0%	—
Asset Backed Securities	—	0.0%	—	0.0%	—	0.0%	94,081
Agencies	—	0.0%	—	0.0%	—	0.0%	—
Fixed Income and Commingled Funds	—	0.0%	—	0.0%	—	0.0%	—
Fixed Income Derivatives	—	0.0%	—	0.0%	—	0.0%	—
Term Loans	—	0.0%	—	0.0%	—	0.0%	—
Time Deposits	79,605	0.5%	—	0.0%	—	0.0%	—
Total	$ 2,431,585	14.0%	$ 579,932	3.3%	$ —	0.0%	$ 469,344

Component Units

(Dollars in Thousands)

Investment Type (1)	P-1 / A-1 / F1	Percent of Portfolio	P-2 / A-2 / F2	Percent of Portfolio	P-3 / A-3 / F3	Percent of Portfolio	Aaa / AAA
Agency Mortgage Backed Securities	$ —	0.0%	$ —	0.0%	$ —	0.0%	$ 838,987
Agency Unsecured Bonds and Notes	2,970	0.1%	—	0.0%	—	0.0%	207,825
Asset Backed Securities	—	0.0%	—	0.0%	—	0.0%	353,231
Commercial Paper	307,173	5.7%	—	0.0%	—	0.0%	71,367
Corporate Bonds and Notes	14,784	0.3%	—	0.0%	—	0.0%	5,190
Fixed Income and Commingled Funds	—	0.0%	—	0.0%	—	0.0%	6,967
International and Emerging Markets Funds	—	0.0%	—	0.0%	—	0.0%	—
Municipal Securities	—	0.0%	—	0.0%	—	0.0%	18,071
Mutual and Money Market Funds (Includes SNAP)	922	0.0%	—	0.0%	—	0.0%	1,469,678
Negotiable Certificates of Deposit	5,493	0.1%	—	0.0%	—	0.0%	67,646
Other Debt Securities	—	0.0%	—	0.0%	—	0.0%	22,652
Repurchase Agreements	10,698	0.2%	—	0.0%	—	0.0%	—
Supranational and Non-U.S. Government Bonds and Notes	—	0.0%	—	0.0%	—	0.0%	341
Total	$ 342,040	6.4%	$ —	0.0%	$ —	0.0%	$ 3,061,955

(1) Excludes investments of $4.9 billion for primary government (excluding Virginia Retirement System Pooled Investments), $6.2 billion for the System (Virginia Retirement System Pooled Investments), and $1.7 billion for component units because obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government, Guaranteed Investment Contracts, United States Treasury Notes, or Repurchase Agreements which are collateralized by equity securities but not considered obligations of the U.S. Government and money market funds invested in Federated Hermes Government Obligations are not considered to have credit risk.

Amount by Credit Rating - Moody's / S&P / Fitch

Percent of Portfolio	Aa / AA	Percent of Portfolio	A	Percent of Portfolio	Baa / BBB	Percent of Portfolio	Less Than Investment Grade	Percent of Portfolio	Unrated	Percent of Portfolio	Grand Total
0.0 %	$ 1,143,215	2.5 %	$ —	0.0 %	$ —	0.0 %	$ —	0.0 %	$ 454	0.0 %	$ 1,149,997
0.0 %	5,772,617	12.5 %	21	0.0 %	3	0.0 %	22	0.0 %	75	0.0 %	6,520,390
1.7 %	7,889	0.0 %	23,210	0.1 %	20,883	0.1 %	30	0.0 %	16,407	0.0 %	843,077
0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	9,466,017
0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	527	0.0 %	527
0.0 %	162,587	0.4 %	1,270,392	2.8 %	933,298	2.0 %	424,337	0.9 %	8,129	0.0 %	2,820,624
0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	1,591,633	3.4 %	1,591,793
0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	1,665,481	3.6 %	1,665,481
0.0 %	68,256	0.2 %	2,391	0.0 %	—	0.0 %	5,420	0.0 %	928	0.0 %	82,555
4.9 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	106,023	0.2 %	2,378,076
0.0 %	1,313	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	14,124,048
0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	353	0.0 %	353
0.0 %	—	0.0 %	—	0.0 %	1	0.0 %	—	0.0 %	395,917	0.9 %	4,992,918
0.4 %	10,487	0.0 %	10,555	0.0 %	61,682	0.1 %	159,077	0.4 %	9,583	0.0 %	412,176
7.0 %	$ 7,166,364	15.6 %	$ 1,306,569	2.9 %	$ 1,015,867	2.2 %	$ 588,886	1.3 %	$ 3,795,510	8.1 %	$ 46,048,032

Amount by Credit Rating - Moody's / S&P / Fitch

Percent of Portfolio	Aa / AA	Percent of Portfolio	A	Percent of Portfolio	Baa / BBB	Percent of Portfolio	Less Than Investment Grade	Percent of Portfolio	Unrated	Percent of Portfolio	Grand Total
0.1%	$ 611,124	3.5%	$ 2,853,997	16.4%	$ 1,574,430	9.0%	$ 1,273,940	7.3%	$ 156,398	0.9%	$ 6,556,924
1.3%	27,309	0.2%	16,176	0.1%	11,855	0.1%	—	0.0%	184,880	1.1%	470,169
0.5%	17,813	0.1%	6,001	0.0%	—	0.0%	1	0.0%	26,144	0.1%	145,621
0.1%	43,149	0.3%	89,763	0.5%	155,381	0.9%	364,663	2.1%	11,653	0.1%	696,484
0.0%	—	0.0%	—	0.0%	—	0.0%	78,288	0.5%	49,248	0.3%	127,595
0.0%	—	0.0%	196,576	1.1%	67,371	0.4%	—	0.0%	—	0.0%	2,380,310
0.0%	42,910	0.3%	152,880	0.9%	—	0.0%	—	0.0%	55,015	0.3%	990,507
0.0%	32,650	0.2%	16,325	0.1%	—	0.0%	—	0.0%	—	0.0%	55,505
0.0%	56,788	0.3%	5,425	0.0%	—	0.0%	—	0.0%	3,238	0.0%	65,451
0.5%	32,176	0.2%	100,602	0.6%	5,101	0.0%	4,687	0.0%	—	0.0%	236,647
0.0%	162,911	0.9%	—	0.0%	—	0.0%	—	0.0%	4,428,631	25.4%	4,591,542
0.0%	—	0.0%	—	0.0%	—	0.0%	—	0.0%	823,876	4.7%	823,876
0.0%	—	0.0%	—	0.0%	—	0.0%	—	0.0%	(23,120)	-0.1%	(23,120)
0.0%	—	0.0%	100	0.0%	—	0.0%	19,883	0.1%	—	0.0%	19,983
0.0%	—	0.0%	140,834	0.8%	—	0.0%	—	0.0%	95,000	0.5%	315,439
2.5%	$ 1,026,830	6.0%	$ 3,578,679	20.5%	$ 1,814,138	10.4%	$ 1,741,462	10.0%	$ 5,810,963	33.3%	$ 17,452,933

Amount by Credit Rating - Moody's / S&P / Fitch

Percent of Portfolio	Aa / AA	Percent of Portfolio	A	Percent of Portfolio	Baa / BBB	Percent of Portfolio	Less Than Investment Grade	Percent of Portfolio	Unrated	Percent of Portfolio	Grand Total
15.2 %	$ 160,863	3.0%	$ —	0.0%	$ 14,387	0.3%	$ —	0.0%	$ 14,552	0.3%	$ 1,028,789
3.9 %	13,911	0.3%	—	0.0%	—	0.0%	—	0.0%	2,975	0.1%	227,681
6.6 %	15,900	0.3%	8,000	0.2%	48,026	0.9%	13,765	0.3%	32,554	0.6%	471,476
1.3 %	—	0.0%	—	0.0%	—	0.0%	—	0.0%	1,719	0.0%	380,259
0.1 %	84,165	1.6%	472,488	8.8%	36,315	0.7%	—	0.0%	2,969	0.1%	615,911
0.1 %	1,370	0.0%	15,732	0.3%	—	0.0%	—	0.0%	44,753	0.8%	68,822
0.0 %	488	0.0%	2,364	0.0%	—	0.0%	—	0.0%	2,137	0.0%	4,989
0.3 %	109,457	2.0%	36,386	0.7%	2,604	0.1%	1,014	0.0%	4,817	0.1%	172,349
27.2 %	63,074	1.2%	—	0.0%	—	0.0%	—	0.0%	60,523	1.1%	1,594,197
1.3 %	4,270	0.1%	2,589	0.1%	—	0.0%	—	0.0%	12,442	0.2%	92,440
0.4 %	45	0.0%	192	0.0%	—	0.0%	—	0.0%	50,339	0.9%	73,228
0.0 %	—	0.0%	—	0.0%	625,000	11.6%	—	0.0%	20,576	0.4%	656,274
0.0 %	3,755	0.1%	—	0.0%	179	0.0%	—	0.0%	—	0.0%	4,275
56.4 %	$ 457,298	8.6%	$ 537,751	10.1%	$ 726,511	13.6%	$ 14,779	0.3%	$ 250,356	4.6%	$ 5,390,690

Concentration of Credit Risk

Primary Government

Concentration of credit risk is related to the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The State Treasury and the System have individual investment policies limiting the amounts that may be invested in any single issuer.

It is the State Treasurer's policy that each portfolio will be diversified with no more than 4.0 percent of the value of the fund invested in the securities of any single issuer. This limitation shall not apply to the U.S. Government, or agency thereof, or U.S. Government sponsored corporation securities and fully insured and/or collateralized certificates of deposit. Certain portfolios are limited to amounts less than 4.0 percent of the value of the fund invested in the securities of any single issuer. As of June 30, 2023, more than 5.0 percent of the Commonwealth's investments were in the Federal Farm Credit Bank, which totaled $2.6 billion. Since these securities are exempted from the State Treasury investment policies, all investments are compliant with investment policies.

The System's investment guidelines for each specific portfolio also limit investments in any corporate entity to no more than 5.0 percent of the market value of the account for both the internally and externally managed portfolios. The System has no investments in any commercial or industrial organization whose fair value equals 5.0 percent or more of the System's fiduciary net position.

Foreign Currency Risk

Primary Government

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. All primary government investments exposed to foreign currency risk were part of the System, the Virginia College Savings Plan's (Virginia529) Defined Benefit 529 Program (major enterprise fund) and Defined Contribution 529 Program (fiduciary fund), and the Unclaimed Property (nonmajor special revenue fund) portfolios as of June 30, 2023. There is no investment policy related to foreign currency risk for the Unclaimed Property portfolio. Virginia529 has direct exposure to foreign currency risk through several investment mandates. Investment managers use currency forward contracts to hedge risks associated with currency fluctuations.

The System's foreign currency risk exposures, or exchange rate risk, primarily exist in the international and global equity investment holdings. The net realized gains and losses resulting from the settlement of foreign currency transactions and unrealized gains and losses associated with unsettled transactions are recorded in Investment Income in the Statement of Changes in Fiduciary Net Position. The Commonwealth's exposure to foreign currency risk as of June 30, 2023 is highlighted in the following tables.

Component Units

All nonmajor component unit investments exposed to foreign currency risk were part of James Madison University, the Virginia Economic Development Partnership, and the Virginia School for the Deaf and Blind Foundation as of June 30, 2023. None of these entities have investment policies related to foreign currency risk.

Foreign Currency Exposures by Asset Class - Primary Government
(Excluding Virginia Retirement System Pooled Investments)
(Dollars in Thousands)

Currency	Deposits	Common and Preferred Stocks	Fixed Income and Commingled Funds	Equity Index and Pooled Funds	Corporate Bonds	Private Equity	Total
Euro Currency Unit	$ 9,625	$ 32,406	$ 51,372	$ —	$ 304	$ 4,536	$ 98,243
Japanese Yen	92	18,792	—	—	—	—	18,884
Swiss Franc	2	8,632	—	—	—	—	8,634
Australian Dollar	53	12,022	—	—	—	—	12,075
British Pound Sterling	21	6,747	213	—	—	1,232	8,213
Colombian Peso	161	—	1,921	—	—	—	2,082
Swedish Krona	—	2,324	—	—	—	—	2,324
Danish Krone	—	8,204	—	—	—	—	8,204
Hong Kong Dollar	6	1,379	—	—	—	—	1,385
Israeli Shekel	—	669	—	—	—	—	669
US Dollar	—	—	—	500	—	—	500
Polish Zloty	—	—	965	—	—		965
Singapore Dollar	—	3,142	—	—	—	—	3,142
Norwegian Krone	—	1,591	—	—	—	—	1,591
Canadian Dollar	—	675	—	—	—	—	675
South African Rand	151	—	1,503	—	—	—	1,654
Mexican Peso	135	—	1,844	—	—	—	1,979
Brazil Real	112	—	2,037	—	—	—	2,149
Indonesian Rupiah	109	—	1,651	—	—	—	1,760
Chilean Peso	—	—	1,650	—	—	—	1,650
Total	$ 10,467	$ 96,583	$ 63,156	$ 500	$ 304	$ 5,768	$ 176,778

Foreign Currency Exposures by Asset Class
Primary Government - Virginia Retirement System Pooled Investments
(Dollars in Thousands)

Currency	Cash and Short-term Investments	Equity	Fixed Income	Private Equity	Real Assets	International Funds	Forward Contracts	Total
U.S. Dollar	$ —	$ —	$ —	$ —	$ —	$ 2,636,953	$ —	$ 2,636,953
Euro Currency Unit	822,110	2,124,977	24,092	1,262,645	404,496	—	216,820	4,855,140
Japanese Yen	22,001	1,558,250	—	—	1,191	215,892	405,735	2,203,069
Hong Kong Dollar	6,512	784,346	—	—	—	—	(53,249)	737,609
British Pound Sterling	10,381	1,172,471	(3)	—	15,591	—	75,574	1,274,014
South Korean Won	1,084	343,407	—	—	—	—	5,677	350,168
Swiss Franc	21,767	499,602	—	—	—	—	(80,997)	440,372
New Zealand Dollar	20	4,921	—	—	—	—	(175,944)	(171,003)
Canadian Dollar	3,520	566,057	—	—	15,398	—	243,851	828,826
Brazil Real	1,446	184,175	5,480	—	11,160	—	1,285	203,546
Australian Dollar	1,628	415,677	—	—	918	—	53,248	471,471
Indian Rupee	3,582	364,985	—	—	—	—	7,119	375,686
South African Rand	670	53,097	6,764	—	4,798	—	(5,614)	59,715
New Taiwan Dollar	1,187	443,040	—	—	—	—	1,456	445,683
Thailand Baht	89	58,954	1,038	—	—	—	736	60,817
Swedish Krona	1,617	180,151	—	—	812	—	130,782	313,362
Indonesian Rupiah	1,751	62,899	3,417	—	—	—	(4,386)	63,681
Mexican Peso	114	46,589	226	—	4,332	—	(3,350)	47,911
Turkish Lira	321	25,527	—	—	477	—	922	27,247
Polish Zloty	(630)	24,961	—	—	—	—	(3,377)	20,954
Russian Ruble	—	759	—	—	—	—	—	759
Malaysian Ringgit	331	15,984	1,693	—	—	—	(1,836)	16,172
Danish Krone	6,845	225,287	—	—	—	—	(18,802)	213,330
Colombian Peso	74	201	—	—	—	—	(728)	(453)
Peruvian Sol	2	—	5,176	—	—	—	(2,284)	2,894
Czech Koruna	1,022	1,944	2,289	—	—	—	2,880	8,135
Hungarian Forint	418	15,473	1,190	—	—	—	1,579	18,660
Chinese Yuan Renminbi	394	108,399	—	—	—	—	(12,241)	96,552
Israeli Shekel	2,331	91,949	1,516	—	1,193	—	(40,180)	56,809
Chilean Peso	752	6,795	1,411	—	—	—	1,126	10,084
Egyptian Pound	123	1,169	—	—	—	—	(3)	1,289
Philippines Peso	15	4,996	—	—	—	—	(4,397)	614
Dominican Republic Peso	—	—	682	—	—	—	—	682
UAE Dirham	56	24,186	—	—	—	—	526	24,768
Argentine Peso	759	—	—	—	—	—	—	759
Qatari Riyal	9	14,911	—	—	—	—	—	14,920
Uruguayan Peso	—	—	2,284	—	—	—	—	2,284
Ukraine Hryvnia	—	—	1,578	—	—	—	—	1,578
Romanian Leu	91	—	1,398	—	—	—	(693)	796
Chinese Yuan HK	—	—	—	—	—	—	(2,201)	(2,201)
Moroccan Dirham	1	—	—	—	—	—	—	1
Saudi Arabian Riyal	319	80,144	—	—	—	—	—	80,463
Singapore Dollar	272	97,169	—	—	—	—	(90,548)	6,893
Norwegian Krone	2,468	130,340	—	—	—	—	(294,105)	(161,297)
Kenyan Shilling	—	730	—	—	—	—	—	730
Kazakhstan Tenge	—	—	—	—	—	—	1,115	1,115
Total	$ 915,452	$ 9,734,522	$ 60,231	$ 1,262,645	$ 460,366	$ 2,852,845	$ 355,496	$ 15,641,557

Foreign Currency Exposures by Asset Class - Component Units

(Dollars in Thousands)

Currency	Common and Preferred Stock	Deposits	Total
British Pound Sterling	$ 105	$ 716	$ 821
Euro Currency Unit	1,117	1,675	2,792
Swiss Franc	118	—	118
Japanese Yen	150	—	150
South Korean Won	9	—	9
Canadian Dollar	19	—	19
Brazil Real	7	—	7
New Taiwan Dollar	40	—	40
Indian Rupee	41	—	41
South African Rand	2	—	2
Norwegian Krone	10	—	10
Mexican Peso	11	—	11
Australian Dollar	5	—	5
Thailand Baht	6	—	6
Singapore Dollar	18	—	18
Danish Krone	76	—	76
Israeli Shekel	6	—	6
Uruguayan Peso	8	—	8
United Arab Emirates Dollar	2	—	2
Chinese Yuan Renminbi	69	—	69
Peruvian Sol	3	—	3
Chilean Peso	5	—	5
Cayman Islands	2	—	2
US Dollar	2,974	—	2,974
Hong Kong Dollar	46	—	46
Total	$ 4,849	$ 2,391	$ 7,240

Fair Value Measurements

Primary Government

GASB Statement No. 72, *Fair Value Measurement and Application*, requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The fair value hierarchy is based on the valuation inputs used to measure the fair value of assets.

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs and may include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or model-driven valuations;
- Level 3 inputs are derived using valuation techniques that have significant unobservable inputs.

Investments that do not have a readily determinable fair value are excluded from the fair value hierarchy and instead are valued by using the net asset value (NAV) per share (or its equivalent). In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant in the valuation.

The following tables summarize recurring fair value measurements for the cash equivalents and investments reported by the primary government (excluding Virginia Retirement System Pooled Investments) and the System (Virginia Retirement System Pooled Investments) as of June 30, 2023.

Fair Value Measurements - Primary Government
(Excluding Virginia Retirement System Pooled Investments)
(Dollars in Thousands)

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fair Value Measured Using Fair Value Hierarchy				
Debt Securities (1)				
U. S. Treasury and Agency Securities	$ 3,602,636	$ 3,321,876	$ 280,760	$ —
Corporate Bonds and Notes	2,820,624	2,239	2,818,385	—
Supranational and Non-U.S. Government Bonds and Notes	412,176	—	412,176	—
Commercial Paper	5,757,699	—	5,757,699	—
Convertible Bonds and Notes	527	—	527	—
Negotiable Certificates of Deposit	9,648,753	—	9,648,753	—
Municipal Securities	82,555	929	81,626	—
Asset Backed Securities	843,076	—	843,076	—
Agency Mortgage Backed Securities	1,149,997	—	1,149,997	—
Agency Unsecured Bonds and Notes	5,339,193	8,914	5,330,279	—
Mutual and Money Market Funds (Includes SNAP)	3,338	3,154	—	184
Fixed Income and Commingled Funds	968,635	968,635	—	—
Other Debt Securities	353	353	—	—
Total Debt Securities	30,629,562	4,306,100	26,323,278	184
Equity Securities (2)				
Common and Preferred Stocks	252,866	252,321	545	—
Foreign Currencies	945	945	—	—
Equity Index and Pooled Funds	3,670,108	3,670,098	—	10
Equity Mutual Funds	274,538	274,538	—	—
Real Estate	9,109	1,159	—	7,950
International and Emerging Markets Funds	406,552	406,552	—	—
Other Equity Securities	2,935	2,480	455	—
Total Equity Securities	4,617,053	4,608,093	1,000	7,960
Total by Fair Value Level	$ 35,246,615	$ 8,914,193	$ 26,324,278	$ 8,144
Fair value established using the net asset value (NAV) (3)				
Fixed Income and Commingled Funds	623,158			
Equity Index and Pooled Funds	604,993			
Real Estate	318,910			
Other Equity Securities	556,280			
Total Fair Value Established Using the Net Asset Value (NAV) (3)	2,103,341			
Total Fair Value	$ 37,349,956			

(1) Debt securities are classified as follows:
- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using a matrix pricing model and observable prices using dealer quotes for similar securities traded in active markets.

(2) Equity securities are classified as follows:
- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using dealer quotes for similar securities traded in active markets.
- Level 3 - valued using independent appraisals.

(3) Investments reported at fair value established using the NAV were all part of the Virginia College Savings Plan's (Virginia529) Defined Benefit 529 and Defined Contribution 529 programs. The following tables (dollars in thousands) summarizes Defined Benefit 529 and Defined Contribution 529's investments measured at the NAV and related disclosures as of June 30, 2023. In some cases, the actual NAV has not been determined by the external fund or investment managers as of the fiscal year end and must be projected using a roll-forward process. The projected NAV is the value at the end of the prior quarter, adjusted for any contributions or distributions. There is no adjustment for realized and unrealized gains and losses. Additional information, including investment strategies, is available in the Virginia529 individually published financial statements, which may be obtained at www.virginia529.com.

Description of Defined Benefit 529 Investments Measured at the NAV:

Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity Index and Pooled Funds				
Blackrock MSCI	$ 368,212	$ —	Daily	5 Days
Real Estate				
Related Real Estate	17,977	19,281		
UBS Trumbull	48,731	—		
Bain Capital	15,886	16,016		
Morgan Stanley	80,417	—	Quarterly	90 Days
Starwood Capital	6,620	24,000		
Stockbridge Real Estate	65,845	—		
Other Equity Securities - Private Equity				
Private Advisors	28,867	6,947		
Adams Street	243,833	38,379		
LGT Capital Partners	6,832	2,060		
Neuberger Berman	32,900	7,200		
Aether Investment Partners	43,526	6,943		
Commonfund	14,720	940		
Horsley Bridge	18,740	5,694		
Hamilton Lane*	87,564	58,795		
Asia Alternatives	7,944	16,213		
Carlyle Global Credit	18,604	3,087		
Eagle Point Credit	19,242	—		
Sands	33,509	—	Monthly	10 Days
Fixed Income and Commingled Funds				
Ares Management	25,815	11,295		
Wellington Emerging Market	159,915	—	Monthly	10 Days
Ares Global	69,588	—	Monthly	30 Days
Brigade Capital	67,369	—	Quarterly	60 Days
Chorus Capital	7,802	2,051		
Golub Capital	62,125	7,875		
Hamilton Lane	1,056	13,944		
Monarch Alternative Capital	4,043	16,000		
Schroder Focus II	94,687	10,249		
Wellington Multi-Asset Credit	130,758	—	Monthly	15 Days
Total Investments Measured at the NAV	$ 1,783,127			

*In addition to the above commitments, as part of its agreement with Hamilton Lane, Virginia529 entered into agreements with two private equity funds but had not yet funded these investments as of June 30, 2023. Commitments to each of these funds was $7.5 million for a total of $15 million.

- **Equity Index and Pooled Funds** – This investment type includes one index fund. The fair value of investments in this type have been determined using the NAV per share of the investments.
- **Real Estate** – This investment type includes five limited partnerships and one limited liability company. For Bain Capital, Starwood Capital and Related Real Estate, capital is generally expected to be called during the initial four to five years and is expected to be returned through liquidations of underlying fund investments during the 3rd through 15th years. For the remaining real estate funds, capital is generally contributed up front and can be redeemed as requested, subject to the funds' redemption terms. The fair values of investments in this type have been determined using the NAV per share of the investments.
- **Other Equity Securities** – This investment type includes private equity funds of funds managed by 12 managers and several different funds. These investments cannot be redeemed from the fund. Capital is generally expected to be called during the initial four to five years and is expected to be returned through liquidations of underlying fund investments during the 3rd through 15th years. Secondary funds of funds may have an accelerated capital call and return of capital profile. Virginia529 invests in multiple funds with 12 of its private equity investment managers and is also diversified by vintage year with respect to these investments. The fair values of investments in this type have been determined using the March 31, 2023 NAV of Virginia529's ownership of the partnership, adjusted for cash flows (capital calls and distributions) through June 30, 2023.
- **Fixed Income and Commingled Funds** – This investment type includes eight limited partnerships and two investments in collective trusts. The fair values of investments in this type have been determined using the NAV per share of the investments. With the exception of funds held by Ares Global, Brigade Capital and Wellington, capital is generally expected to be called during the initial four to five years and is expected to be returned through liquidations of underlying fund investments during the 3rd through 15th years. For Ares Global, Brigade Capital and Wellington, capital can be redeemed subject to the fund redemption terms shown in the table above.

Description of Defined Contribution 529 Investments Measured at the NAV:

Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity Index and Pooled Funds				
Wellington Management Co., LLP	$ 236,780	$ —	Daily	N/A
Real Estate				
UBS Realty Investors	25,108	—	Quarterly	60 Days
Blackstone Property Partners	58,326	—	Quarterly	90 Days
Total Investments Measured at the NAV	$ 320,214			

- **Equity Index and Pooled Funds** – This investment type includes one common trust fund. The Wellington Management Co., LLP invests in developed markets international equities through the Wellington International Contrarian Value Fund. The fair value of investments in this type have been determined using the NAV per share of the investments.
- **Real Estate** – This investment type includes two limited partnerships. The UBS Trumbull Property Fund's investment strategy is to invest primarily through direct equity-owned real estate assets. The fund also has flexibility to invest in joint venture and debt investments. Investments are generally acquired on an all-cash basis, however, debt may be used where UBS determines leverage is prudent and is expected to enhance total return without undue risk. Blackstone Property Partners is an open ended commingled fund seeking core plus real estate investments in the U.S. and Canada. The fair values of investments in this type have been determined using the NAV per share of Virginia529's ownership of the partnership.

Fair Value Measurements
Primary Government - Virginia Retirement System Pooled Investments
(Dollars in Thousands)

Fair Value Measured Using Fair Value Hierarchy	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities (1)				
U. S. Treasury and Agency Securities	$ 5,141,575	$ 4,696,419	$ 445,156	$ —
Corporate Bonds and Notes	4,854,039	—	4,854,039	—
Collateralized Mortgage Obligations	470,169	—	470,169	—
Commercial Mortgages	145,621	—	145,621	—
Supranational and Non-U.S. Government Bonds and Notes	694,679	—	694,679	—
Mutual and Money Market Funds	85,984	85,984	—	—
Commercial Paper	364,727	—	364,727	—
Negotiable Certificates of Deposit	238,171	—	238,171	—
Repurchase Agreements	872,964	—	872,964	—
Municipal Securities	65,451	—	65,451	—
Asset Backed Securities	236,647	—	236,647	—
Agencies	4,591,542	—	4,591,542	—
Term Loans	19,983	—	—	19,983
Fixed Income Derivatives	(23,120)	(11,166)	(11,954)	—
Time Deposits	220,439	—	220,439	—
Total Debt Securities	17,978,871	4,771,237	13,187,651	19,983
Equity Securities (2)				
Common and Preferred Stocks	24,764,544	24,762,599	195	1,750
Equity Index and Pooled Funds	62,319	—	—	62,319
Real Assets	996,551	—	—	996,551
Equity Futures and Swaps	141,996	9,296	132,700	—
Total Equity Securities	25,965,410	24,771,895	132,895	1,060,620
Total by Fair Value Level	$ 43,944,281	$ 29,543,132	$ 13,320,546	$ 1,080,603
Total Fair Value Established Using the Net Asset Value (NAV) (3)	62,619,799			
Total Fair Value	$ 106,564,080			

(1) Debt securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using bid evaluations or matrix pricing techniques. Inputs to the valuation techniques may include market participants' assumptions, quoted prices for similar assets, benchmark yield curves, market corroborated inputs, and other data inputs.
- Level 3 - valued using proprietary information.

(2) Equity securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or model-driven valuations in which all significant inputs are observable.
- Level 3 - valued using proprietary information or single source pricing. When observable inputs are not available, this results in using one or more valuation techniques, such as the market approach, the income approach, and/or the cost approach, for which sufficient and reliable data is available. Within this level, the use of the market approach generally consists of using comparable market transactions or other data, while the use of the income approach generally consists of the net present value of estimated future cash flows. The cost approach is often based on the amount that would currently be required to replace an asset with one of comparable utility.

(3) The following table (dollars in thousands) summarizes the System's investments measured at the NAV per share (or its equivalent) and as a practical expedient are not classified in the fair value hierarchy. Cash equivalents and certain other short-term, highly liquid investments that are measured at amortized cost are also not classified in the fair value hierarchy. In some cases, the actual NAV has not been determined by the external fund or investment managers as of the System's fiscal year end and must be projected using a roll-forward process. The projected NAV is the value at the end of the prior quarter, adjusted for any contributions or distributions and an estimate of income and management fees. There is no adjustment for realized or unrealized gains and losses.

Description of Investments Measured at the NAV:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Hedge funds				
Equity long/short funds	$ 5,070,936	$ 219,130	Monthly, quarterly, semi-annually, annually	30-90 days
Equity long only funds	1,725,890	—	Quarterly, annually	90 days
Credit funds	128,624	—	Quarterly, semi-annually	90 days
Multi-strategy funds	2,646,947	—	Monthly, quarterly, semi-annually	20-90 days
Total hedge funds	9,572,397	219,130		
Credit strategies funds				
Bank loan and direct lending funds	4,437,213	2,403,949		
Distressed debt funds	1,839,809	959,693		
Diversified private credit funds	2,096,230	1,216,560		
Mezzanine debt funds	1,417,868	1,272,110		
Multi-strategy funds	2,775,572	908,826		
Opportunistic funds	2,732,077	732,758		
Other Funds	791,997	442,616		
Total credit strategies funds	16,090,766	7,936,512		
Private equity funds				
Buyout funds	10,918,888	2,470,583		
Energy funds	540,061	79,942		
Growth funds	2,947,665	700,489		
International buyout funds	2,378,427	754,215		
Special situations funds	1,763,480	1,030,201		
Subordinated debt funds	301,420	275,577		
Turnaround funds	567,271	242,150		
Venture capital funds	104,081	37,966		
Total private equity funds	19,521,293	5,591,123		
Equity international commingled funds	3,321,061	—	Daily, semi-monthly	None, 6-14 days
Fixed-income commingled funds	823,876	—	Daily	None
Real estate and real asset funds				
Infrastructure funds	2,615,149	1,075,684		
Natural resources funds	1,917,097	442,029		
Private investment real estate funds	8,371,397	1,772,235		
Private real estate investment trusts	99,559	—		
Total real estate and real asset funds	13,003,202	3,289,948		
U. S. Equity commingled funds	287,204	—	Daily	None
Total investments measured at the NAV	$ 62,619,799	$ 17,036,713		

- **Equity Long/Short Hedge Funds** – This type included investments in eleven hedge funds at June 30, 2023, which invest in global long and short equity positions. Management of each hedge fund has the ability to invest from value to growth strategies, from small to large capitalization stocks and may vary net exposure considerably. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments representing approximately 29.0 percent of the value of the investments in this type of fund cannot be redeemed because the investments include restrictions that do not allow redemption in the first 12 to 60 months after acquisition. The remaining restriction period for these investments was less than 12 months at June 30, 2023.

- **Equity Long-Only Hedge Funds** – This type included an investment in three hedge funds at June 30, 2023, which invest in global long-only equity positions. These hedge funds are generally fully invested and only very occasionally may take short positions for hedging purposes. The fair value of the investment in this type has been determined using the NAV per share of the investments. Investments representing approximately 70.0 percent of the value of the investments in this type of fund cannot be redeemed because the investments include restrictions that do not allow redemption in the first 12 to 36 months after acquisition. The remaining restriction period for these investments was less than 12 months at June 30, 2023.

- **Credit Hedge Funds** – This type included investments in one hedge fund at June 30, 2023, which invests in event-driven, distressed and special situation credit opportunities. The fair values of the investments in this type have been determined using the NAV per share of the investments. At June 30, 2023, there were no restrictions preventing the redemption of any of the investments in this category during the next 12 months.

- **Multi-Strategy Hedge Funds** – This type included investments in ten hedge funds at June 30, 2023, which invest in multiple asset classes, combining exposure to balance risks. Such exposure can include traditional and alternative investments. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments representing approximately 7.0 percent of the value of the investments in this type of fund cannot be redeemed because the investments include restrictions that do not allow redemption in the first 12 to 60 months after acquisition. The remaining restriction period for these investments was 1 to 12 months at June 30, 2023.

- **Credit Strategies Funds** – This type consists of many fund categories, including bank loan and direct lending funds, distressed debt funds, diversified private credit, mezzanine debt funds, multi-strategy funds and opportunistic funds. The fair value of the investments in these funds have been determined using the NAV per share of the investments. The nature of the investments in this type is that distributions are received through the liquidation of the underlying assets in the fund. It is expected that hold periods for the underlying fund assets will range from three to eight years.

- **Private Equity Funds** – This type consists of many fund categories including Venture Capital, Buyout, Subordinated Debt, Growth Capital, Turnaround, Energy and Special Situations. The fair value of the investments in these funds have been determined using the NAV per share of the investments. The nature of the investments involves receiving distributions through liquidation of the underlying fund assets. It is expected that hold periods for the underlying fund assets will range from three to eight years.

- **Equity International Commingled Funds** – This type includes investments in six institutional investment funds at June 30, 2023, which invest in international equities. These funds employ a variety of investment strategies in global developed and emerging markets. The funds are regulated by either the Securities and Exchange Commission or the Office of the Comptroller of the Currency. The fair values of the investments in these funds have been determined using the NAV per share of the investments. Redemptions can be made from these funds, given the appropriate notice, any regular trading day on the NYSE.

- **Fixed Income Commingled Funds** – This type consists of ten institutional investment funds that invest in U.S. and multi-national fixed income markets. The funds are regulated by either the Securities and Exchange Commission or the Office of the Comptroller of the Currency. The fair values of the investments in these funds have been determined using the NAV per share of the investments.

- **Real Asset Funds** – This type includes investments in many fund categories including Private Investment Real Estate, Private Real Estate Investment Trusts, Infrastructure and Natural Resources. The fair value of the investments in these funds have been determined using the NAV per share of the investments. The nature of the investments in this type is that distributions are received through income as well as the liquidation of the underlying assets in the fund. If these investments were held, it is expected that the underlying assets of the funds would be liquidated over 1 to 14 years.

- **U.S. Equity Commingled Funds** - This type includes an investment in six institutional investment funds at June 30, 2023, which invest in domestic equities. The funds are regulated by the Office of the Comptroller of the Currency. The fair values of the investments in these funds have been determined using the NAV per share of the investment. Redemptions can be made from these funds, given the appropriate notice, any regular trading day on the NYSE.

Component Units

The following table summarizes fair value measurements for the cash equivalents and investments reported by the component units as of June 30, 2023. The table excludes cash equivalents and investments measured at fair value by the foundations that follow FASB standards.

Fair Value Measurements - Component Units
(Dollars in Thousands)

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fair Value Measured Using Fair Value Hierarchy				
Debt Securities (1)				
U. S. Treasury and Agency Securities	$ 953,424	$ 684,363	$ 269,061	$ —
Corporate Bonds and Notes	615,910	153,373	462,537	—
Supranational and Non-U.S. Government Bonds and Notes	4,276	—	4,276	—
International and Emerging Markets Funds	4,989	2,665	2,324	—
Commercial Paper	138,557	71,367	67,190	—
Negotiable Certificates of Deposit	92,441	67,646	24,795	—
Repurchase Agreements	31,274	—	31,274	—
Municipal Securities	172,349	5,318	167,031	—
Asset-Backed Securities	471,475	69,307	402,168	—
Agency Mortgage-Backed Securities	1,028,789	152,128	876,661	—
Agency Unsecured Bonds and Notes	227,682	15,311	212,371	—
Mutual and Money Market Funds	279,335	277,596	1,739	—
Fixed Income and Commingled Funds	34,980	34,980	—	—
Other Debt Securities	23,024	135	22,889	—
Total Debt Securities	4,078,505	1,534,189	2,544,316	—
Equity Securities (2)				
Common and Preferred Stocks	61,397	61,397	—	—
Equity Index and Pooled Funds	90,530	90,530	—	—
Real Estate	1,415	1,304	—	111
International and Emerging Markets Fund	10,420	10,420	—	—
Other Equity Securities	3,993	467	3,519	7
Total Equity Securities	167,755	164,118	3,519	118
Total by Fair Value Level	$ 4,246,260	$ 1,698,307	$ 2,547,835	$ 118
Fair Value Established Using the Net Asset Value (NAV) (3)				
Common and Preferred Stocks	16,103			
Fixed Income and Commingled Funds	36,883			
Other Debt Securities	50,152			
Equity Index and Pooled Funds	90,951			
Real Estate	2,957			
Other Equity Securities	1,484,862			
Total Fair Value Established Using the NAV	1,681,908			
Total Fair Value	$ 5,928,168			

(1) Debt securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued based on quoted prices for similar securities in active markets or quoted prices for identical or similar securities in markets that are not active.

(2) Equity securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using significant other observable inputs.
- Level 3 - valued using unobservable inputs and may include assumptions of management.

(3) The following nonmajor component units reported investments at fair value established using the NAV: Old Dominion University, Virginia Commonwealth University (VCU), Virginia Commonwealth University Health System Authority (blended component unit of VCU), College of William and Mary, Virginia Military Institute, Virginia State University, Virginia Biotechnology Research Partnership Authority, Virginia Outdoors Foundation, and Virginia Polytechnic Institute and State University. Additional information is available in the separately issued financial statements.

Securities Lending

The State Treasury's securities lending program is managed by Deutsche Bank AG, New York (Deutsche Bank), under a contract dated March 28, 2014, amended February 22, 2022. The enabling legislation for the securities lending program is Section 2.2-4506 of the *Code of Virginia*. No violations of legal or contractual provisions were noted during the year. The general account participated in a securities lending program for the entire fiscal year.

All securities lending loans are on an open-ended or one-day basis and may be terminated by the State Treasury with a 24-hour notice or are term loans with the right of substitution. While all securities may be recalled on a daily basis, securities are often on loan for much longer periods. Generally, cash reinvestments security maturities do not match the maturities of loans. Per the contract with Deutsche Bank, all cash collateral reinvestment securities attributable to loans made on the Commonwealth's behalf shall be maintained by Deutsche Bank, and the State Treasury cannot pledge or sell such collateral absent a default.

The State Treasury's contract with Deutsche Bank provides for loss indemnification against insolvency default with respect to lending transactions and in the case of reverse transactions (Repurchase Agreements) as defined in the applicable Agency Securities Lending and Repurchase Agreement. Additionally, Deutsche Bank AG is liable for any losses experienced from reinvestment of cash collateral in investments not authorized by the provisions of the investment guidelines for the Commonwealth of Virginia agreed upon by both parties and made a part of the Agency Securities Lending and Repurchase Agreement. There were no realized losses resulting from default during this reporting period.

When securities are loaned, the collateral received is at least 100.0 percent of fair value of the securities loaned and must be maintained at 100.0 percent or greater. There are no stated restrictions on the amount of securities that may be loaned, but the basic composition of the general account portfolio effectively restricts the maximum percentage of the portfolio that may be loaned. During the last fiscal year, approximately 10.4 percent of the general account securities were on loan.

During the past year, a combination of U.S. Treasury, agency, agency mortgage and corporate securities have been loaned, with the majority of the loaned securities being U.S. Treasury and agency securities. As of June 30, 2023, all collateral received was in the form of cash.

Securities loaned for the State Treasurer's cash collateral reinvestment pool, which consisted of 98.4 percent general account funds and 1.6 percent Virginia Lottery funds as of June 30, 2023, had a carrying value of $3.03 billion and a fair value of $2.86 billion. The fair value of the collateral received was $2.92 billion providing for coverage of 102.1 percent. At year-end, the State Treasury's securities lending program had no credit risk exposure to borrowers because the amounts it owed the borrowers exceeded the amounts the borrowers owed Treasury's securities lending program. All securities are marked to market daily. The carrying value of the cash collateral reinvestment pool received was $2.92 billion and the cost of the investments purchased with the cash collateral was $2.92 billion. As of June 30, 2023, the State Treasurer's cash collateral reinvestment pool had an unrealized gain of $2.2 million, and is recorded in the General Fund as stated in Note 1.FF. This amount is included in the total State Treasurer's Portfolio discussed earlier in this note.

Cash collateral reinvestment guidelines were amended effective April 16, 2014. Approved investment instruments include Indemnified Repurchase Agreements marked to market daily and preapproved Government Money Market Funds. Term repurchase agreements are limited to 93 days. As of June 30, 2023, 93.8 percent of cash collateral reinvestments were in indemnified repurchase agreements and 6.2 percent were in BlackRock Liquidity Fund FedFund Constant NAV Money Market fund.

As of June 30, 2023, the cash collateral reinvestment portfolio had a weighted average maturity to reset date of three days. Using the expected maturity date, the weighted average maturity was 42 days and using the final maturity date, which assumes no pay downs on any asset-backed or mortgage-backed securities, the weighted average maturity was 42 days.

As of June 30, 2023, the cash collateral reinvestment portfolio was in compliance with the State Treasury's current cash collateral reinvestment guidelines. On February 6, 2023, the 10.0 percent money market limit was breached when excess cash from a late failed trade was invested in the pre-approved government backed money fund but was back in compliance the next day.

Under authorization of the Board, the System lends its fixed income and equity securities to various broker-dealers on a temporary basis. This program is administered through an agreement with the System's custodial agent bank. All security loan agreements are collateralized by cash, securities, or an irrevocable letter of credit issued by a major bank, and have a fair value equal to at least 102.0 percent of the fair value for domestic securities and 105.0 percent for international securities. Securities received as collateral cannot be pledged or sold by the System unless the borrower defaults. Contracts require the lending agents to indemnify the System if the borrowers fail to return the securities lent and related distributions and if the collateral is inadequate to replace the securities lent. All securities loans can be terminated on demand by either the System or the borrowers. The majority of loans are open loans, meaning the rebate is set daily. This results in a maturity of one or two days on average, although securities are often on loan for longer periods. The maturity of loans generally does not match the maturity of collateral investments, which averages 8.2 days. At year-end, the System had no credit risk exposure to borrowers because the amounts it owes the borrowers exceeded the amounts the borrowers owe the System. All securities are marked to market daily and carried at fair value. The fair value of securities on loan as of June 30, 2023, was $7.9 billion. The June 30, 2023, balance was composed of U.S. Government and agency securities of $3.6 billion, corporate and other bonds of $724.7 million, common and preferred stocks of $3.6 billion and supranational and non-U.S. Government bonds of $41.7 million. The value of collateral (cash and non-cash) as of June 30, 2023, was $8.5 billion.

As of June 30, 2023, the invested cash collateral had a fair value of $3.7 billion and was composed of negotiable certificates of deposit of $167.7 million, floating rate notes of $2.1 billion, commercial paper of $388.7 million, time deposits of $220.4 million, supranational and non-U.S. government bonds of $7.1 million, and repurchase agreements of $873.0 million.

9. RECEIVABLES

The following schedule (dollars in thousands) details the accounts, loans, interest, taxes, educational contributions, security transactions, service concession arrangement upfront payments, and other receivables presented in the major funds, aggregated nonmajor funds by type, internal service funds, fiduciary funds, major component units, and aggregated nonmajor component units, as of June 30, 2023.

	Accounts Receivable	Loans / Mortgage Receivable	Interest Receivable	Taxes Receivable
Primary Government:				
General (1)	$ 1,323,016	$ 155	$ 844,171	$ 3,365,415
Major Special Revenue Funds:				
Commonwealth Transportation (2)	260,848	266,375	4,780	430,638
Federal Trust	3,309,219	—	—	—
Literary	285,276	45,936	38,014	—
Nonmajor Governmental Funds (2) (3)	622,355	7,543	28,442	22,462
Major Enterprise Funds:				
Virginia Lottery	75,964	—	—	—
Virginia College Savings Plan	12,878	—	9,182	—
Unemployment Compensation	384,938	—	—	—
Nonmajor Enterprise Funds	74,307	—	—	—
Internal Service Funds	14,769	—	—	—
Private Purpose Trust Funds	44	—	14,442	—
Pension and Other Employee Benefit Trust Funds (4)	297,734	—	309,293	—
Custodial Funds - External Investment Pool	—	—	44,374	—
Custodial Funds - Other (4)	6	76	217	258,308
Total Primary Government (5)	$ 6,661,354	$ 320,085	$ 1,292,915	$ 4,076,823
Discrete Component Units:				
Virginia Housing Development Authority (6)	$ —	$ 335,469	$ 35,695	$ —
Virginia Public School Authority (7)	—	—	60,552	—
Virginia Resources Authority (8)	—	—	34,911	—
Virginia College Building Authority	—	—	19,147	—
Nonmajor Component Units (9)	2,970,292	68,610	24,551	727
Total Component Units	$ 2,970,292	$ 404,079	$ 174,856	$ 727

Note (1): The General Fund (major) reports pending investment transactions of $6,868 (dollars in thousands) as Other Receivables.

Note (2): The loans receivable in the Commonwealth Transportation Fund (major) includes $227.0 million from the Virginia Transportation Infrastructure Bank as discussed in Note 22.E. In the nonmajor governmental funds, it represents the amounts to be received for current debt service requirements. The amount to be received for long-term debt service requirements of $36.9 million is included in the government-wide statements but excluded from the above amounts.

Note (3): Nonmajor governmental funds includes $297.0 million in account receivables, which includes $258.3 million that will be received greater than one year. This receivable represents the Commonwealth's share of the National Opioid Settlement that will assist with the abatement of the opioid epidemic.

Note (4): In the Pension and Other Employee Benefit Trust Funds and Custodial Funds - Other, Interest Receivable of $309,510 (dollars in thousands) also includes dividends receivable. Additionally, of the total reported as Other Receivables, $320,523 (dollars in thousands) are made up of $287,430 (dollars in thousands) in pending investment transactions, which includes $2,428 (dollars in thousands) in external investment manager receivable, $28,268 (dollars in thousands) in foreign exchange receivable, $249,718 (dollars in thousands) in private equity receivable, $4,628 (dollars in thousands) in real assets, and $2,388 (dollars in thousands) in securities lending; and $33,093 (dollars in thousands) in other receivables.

Note (5): Fiduciary net receivables in the amount of $5,654,501 (dollars in thousands) are not included in the Government-wide Statement of Net Position.

Note (6): The Virginia Housing Development Authority (major component unit) reports $32,411 (dollars in thousands) as Restricted Interest Receivable.

Note (7): The Virginia Public School Authority (major component unit) reports $60,408 (dollars in thousands) as Restricted Interest Receivable.

Note (8): The Virginia Resources Authority (major component unit) reports $34,741 (dollars in thousands) as Restricted Interest Receivable.

Note (9): Other Receivables of the nonmajor component units are primarily comprised of the following (dollars in thousands): pledges receivable of $44,996 reported by the University of Virginia; third-party settlements and non-patient receivables of $87,832 reported by Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University-VCUHSA); $85,082 reported by foundations of the higher education institutions representing FASB reporting entities defined in Note 1.B which includes lease receivables of $34,239 under FASB standards; and $131,526 reported by the Virginia Port Authority (VPA), $13,125 reported by Fort Monroe Authority (FMA), and $4,428 reported by the Virginia Museum of Fine Arts Foundation which includes $57,418 and $13,125 reported by VPA and FMA, respectively, for lease receivables. Other receivables also include lease receivables of $55,291 reported by various higher education institutions, excluding foundations.

Educational Benefits Receivable	Security Transactions	Service Concession Arrangement Upfront Payments	Other Receivables	Allowance for Doubtful Accounts	Net Accounts Receivable	Amounts to be Collected Greater than One Year
$ —	$ —	$ —	$ 6,868	$ (2,167,760)	$ 3,371,865	$ 531,878
—	—	1,721,046	—	(92,754)	2,590,933	1,902,063
—	—	—	—	(511,830)	2,797,389	69,108
—	—	—	—	(289,970)	79,256	43,650
—	—	—	60	(82,366)	598,496	262,526
—	—	—	—	—	75,964	—
69,498	—	—	25,517	—	117,075	51,670
—	—	—	—	(322,329)	62,609	—
—	—	—	982	—	75,289	—
—	—	—	—	—	14,769	—
—	—	—	475	—	14,961	—
—	4,470,953	—	320,216	—	5,398,196	—
—	—	—	—	—	44,374	—
—	3,137	—	307	(65,081)	196,970	11,187
$ 69,498	$ 4,474,090	$ 1,721,046	$ 354,425	$ (3,532,090)	$ 15,438,146	$ 2,872,082
$ —	$ —	$ —	$ 21,762	$ (38,922)	$ 354,004	$ 325,927
—	—	—	—	—	60,552	—
—	—	—	—	—	34,911	—
—	—	—	—	—	19,147	—
—	—	—	442,894	(1,417,461)	2,089,613	199,289
$ —	$ —	$ —	$ 464,656	$ (1,456,383)	$ 2,558,227	$ 525,216

10. CONTRIBUTIONS RECEIVABLE, NET

The following schedule details the contributions receivable for foundations[1] included with the nonmajor component units, as of June 30, 2023. The major component units reported no contributions receivable for fiscal year 2023.

(Dollars in Thousands)

	Due in Less Than One Year	Due Between One and Five Years	Due in More Than Five Years	Subtotal	Present Value Discount (2)	Allowance for Doubtful Accounts	Contributions Receivable, Net
Discrete Component Units:							
Nonmajor Component Units	$ 226,355	$ 285,530	$ 116,423	$ 628,308	$ (67,608)	$ (28,141)	$ 532,559
Total Component Units	$ 226,355	$ 285,530	$ 116,423	$ 628,308	$ (67,608)	$ (28,141)	$ 532,559

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

Note (2): The discount rate used to determine present value ranges from 0.1 percent to 8.2 percent.

11. INTERFUND AND INTER-ENTITY ASSETS / LIABILITIES

Due from/to Other Funds

Due from Other Funds are amounts to be received from one fund by another fund for goods sold or services rendered. Due to Other Funds are amounts owed by one fund to another fund for goods purchased or services obtained.

The following line items are included in the category "Due from Other Funds":

- Due from Other Funds
- Due from Internal Parties (Governmental Funds and Business-type Activities)
- Due from External Parties (Fiduciary Funds)

The following line items are included in the category "Due to Other Funds":

- Due to Other Funds
- Due to Internal Parties (Governmental Funds and Business-type Activities)
- Due to External Parties (Fiduciary Funds)

The following schedule shows the Due from/to Other Funds as of June 30, 2023.

Schedule of Due from/to Other Funds

June 30, 2023

(Dollars in Thousands)

Due From	Amount	Due To	Amount
Primary Government		**Primary Government**	
General Fund	$ 103,179	Major Special Revenue Funds:	
		Federal Trust	1,800
		Nonmajor Governmental Funds	375
		Major Enterprise Funds:	
		Virginia Lottery	86,171
		Nonmajor Enterprise Funds	10,425
		Internal Service Funds	4,408
Major Special Revenue Funds:			
Commonwealth Transportation	112,480	Major Special Revenue Funds:	
		Federal Trust	2,332
		Nonmajor Governmental Funds	110,148
Federal Trust	220	General Fund	201
		Nonmajor Governmental Funds	19
Literary	1,000	Major Enterprise Funds:	
		Virginia Lottery	1,000
Nonmajor Governmental Funds	64,490	Major Special Revenue Funds:	
		Commonwealth Transportation	59,144
		Federal Trust	4,246
		Major Enterprise Funds:	
		Unemployment Compensation	231
		Nonmajor Enterprise Funds	863
		Internal Service Funds	6
Major Enterprise Funds:			
Virginia Lottery	324	Nonmajor Governmental Funds	324
Unemployment Compensation	3,897	General Fund	989
		Major Special Revenue Funds:	
		Commonwealth Transportation	342
		Federal Trust	2,456
		Nonmajor Governmental Funds	84
		Major Enterprise Funds:	
		Virginia Lottery	10
		Virginia College Savings Plan	1
		Nonmajor Enterprise Funds	9
		Internal Service Funds	6
Nonmajor Enterprise Funds	1,047	General Fund	270
		Major Special Revenue Funds:	
		Commonwealth Transportation	275
		Federal Trust	433
		Nonmajor Governmental Funds	52
		Nonmajor Enterprise Funds	17
Internal Service Funds	78,208	General Fund	46,811
		Major Special Revenue Funds:	
		Commonwealth Transportation	16,387
		Federal Trust	7,658
		Nonmajor Governmental Funds	4,491
		Major Enterprise Funds:	
		Virginia Lottery	233
		Virginia College Savings Plan	116
		Nonmajor Enterprise Funds	1,456
		Internal Service Funds	1,056
Total Primary Government	$ 364,845	Total Primary Government	$ 364,845

Schedule of Due from/to Internal/External Parties
June 30, 2023

(Dollars in Thousands)

Due From	Amount	Due To	Amount
Primary Government		**Primary Government**	
General Fund	$ 112	Custodial Funds - External Investment Pool	$ 9
		Custodial Funds - Other	103
Nonmajor Governmental Funds	193	Custodial Funds - Other	193
Internal Service Funds	262	Pension and Other Employee Benefit Trust Funds	262
Pension and Other Employee Benefit Trust Funds	41,336	General Fund	25,777
		Major Special Revenue Funds:	
		Commonwealth Transportation	6,721
		Federal Trust	3,571
		Nonmajor Governmental Funds	3,109
		Major Enterprise Funds:	
		Virginia Lottery	255
		Virginia College Savings Plan	131
		Nonmajor Enterprise Funds	1,176
		Internal Service Funds	596
Custodial Funds - Other	266	General Fund	239
		Major Special Revenue Funds:	
		Commonwealth Transportation	22
		Nonmajor Governmental Funds	5
Total Primary Government	$ 42,169	Total Primary Government	$ 42,169

Interfund Receivables/Payables

Interfund Receivables/Payables are loans made by one fund to another.

The following schedule shows the Interfund Receivables/Payables for the primary government as of June 30, 2023. There were no Interfund Receivables/Payables for the component units as of June 30, 2023.

Interfund Receivables/Payables
June 30, 2023

(Dollars in Thousands)

Receivable From	Amount	Payable To	Amount
Primary Government		**Primary Government**	
Nonmajor Governmental Funds	$ 319,441	General Fund	$ 6,000
		Major Special Revenue Funds:	
		Commonwealth Transportation	4,700
		Federal Trust	68,556
		Nonmajor Governmental Funds	6,000
		Major Enterprise Funds:	
		Virginia College Savings Plan	4,000
		Nonmajor Enterprise Funds	58,007
		Internal Service Funds	172,178
Total Primary Government	$ 319,441	Total Primary Government	$ 319,441

Due from/to Primary Government and Component Units

Included in this category is activity between the Commonwealth and its component units, as well as activity between component units.

A due from primary government amount that is due from the Federal Trust Fund (major special revenue) to the Virginia College Building Authority (major component unit) of $923,513 is for interest on Build America Bonds (BABs).

A due from primary government amount that is due from the Commonwealth Transportation Fund (major special revenue) to the Virginia Passenger Rail Authority (nonmajor component unit) of $28.5 million is for Commonwealth Rail Funds.

A $637.0 million due from primary government amount that is due from the General Fund (major governmental) to the higher education institutions (nonmajor component units) is for payments awaiting disbursements and appropriations available for capital projects and other programs. The General Fund reports $29.4 million in the fund financial statements and an additional $607.6 million in the government-wide financial statements.

A $70,035 due from primary government amount represents an amount due from a nonmajor governmental fund related to the Department of Treasury's reimbursement programs to the Virginia Community College System (nonmajor component unit).

A due from primary government amount that is due from the Virginia Public Building Authority (capital projects fund - nonmajor governmental fund) to the Virginia Port Authority (nonmajor component unit) of $11.6 million represents bond revenue to be used for capital projects.

A $28.9 million due from component units in the Health Care Fund (internal service fund) represents amounts due from the nonmajor component units.

A $1.9 million due from component units represents monies owed for administrative and project expenses from the Science Museum of Virginia Foundation (nonmajor component unit) to a nonmajor governmental fund. The entire nonmajor governmental amount is reported in the government-wide financial statements.

The $144.5 million due from component units amount represents amounts due from the Virginia College Building Authority (major component unit) for the Department of the Treasury’s reimbursement programs to higher education institutions (nonmajor component units).

Due from/to Component Units and Fiduciary Funds

A $41.0 million due from component units in the Pension and Other Employee Benefit Trust Funds (fiduciary funds) represents amounts due from nonmajor component units.

Loans Receivable/Payable Between Primary Government and Component Units

The $191.8 million in loans receivable from primary government represents loans from the Virginia Public School Authority (VPSA) (major component unit) to the Literary Special Revenue Fund (major governmental fund). The VPSA makes grants to local school divisions to finance the purchase of educational technology and security equipment. The VPSA makes these grants using the proceeds of notes issued for that purpose, which will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Special Revenue Fund (major governmental fund).

12. OTHER ASSETS

The following table summarizes Other Assets as of June 30, 2023.

(Dollars in Thousands)

	Cash and Travel Advances	Net OPEB Asset (1)	Other Assets	Total Other Assets
Primary Government:				
General	$ 1,496	$ —	$ 323	$ 1,819
Major Special Revenue Funds:				
Commonwealth Transportation	281	—	—	281
Federal Trust	2,362	—	—	2,362
Nonmajor Governmental Funds	671	—	—	671
Major Enterprise Funds:				
Virginia Lottery	1	1,378	—	1,379
Virginia College Savings Plan	—	706	—	706
Nonmajor Enterprise Funds	429	6,078	28	6,535
Internal Service Funds (2)	—	3,127	37,307	40,434
Custodial Funds - Other (3)	—	—	1	1
Total Primary Government	$ 5,240	$ 11,289	$ 37,659	$ 54,188
Discrete Component Units:				
Virginia Housing Development Authority (4)	$ —	$ —	$ 45,386	$ 45,386
Virginia Resources Authority	—	—	477	477
Nonmajor Component Units (5)	466	—	196,268	196,734
Total Component Units	$ 466	$ —	$ 242,131	$ 242,597

Note (1): Other noncurrent assets in the proprietary funds represent the Virginia Sickness and Disability Program Net OPEB Asset applicable to the respective fund. The proprietary fund amounts are reclassified to Other Restricted Assets in the Government-wide Statement of Net Position.

Note (2): Of the $37,307 (dollars in thousands) shown above, $33,899 (dollars in thousands) and $3,408 (dollars in thousands) represent Technology and Data Services and Virginia Correctional Enterprises, respectively, amounts due from various governmental funds that will not be received within 60 days. These amounts are reclassified to an internal balance on the Government-wide Statement of Net Position.

Note (3): Custodial Funds - Other amount of $1,000 shown above is not included in the Government-wide Statement of Net Position.

Note (4): Other Assets of the Virginia Housing Development Authority are comprised primarily of mortgage servicing rights and other real estate owned.

Note (5): Other Assets of the nonmajor component units are primarily comprised of miscellaneous items spread among the higher education institutions and related foundations as well as the nonmajor component units as follows:

- University of Virginia includes primarily $12.2 million of Licensing & Ventures Group (LVG) seed funds at cost; and
- Related foundations of Longwood University, Virginia Polytechnic Institute and State University, and the University of Virginia include $22.0 million, $45.7 million, and $70.2 million, respectively, primarily for cash surrender value of life insurance policies, deferred tax assets, net investment in direct financing leases, intangibles, and right-of-use assets, and a derivative asset.

13. RESTRICTED ASSETS

Restricted Cash and Cash Equivalents, Restricted Investments, and Other Restricted Assets

Restricted assets represent monies or other resources that must be used for specific legal or contractual requirements. The governmental funds reported $2.5 billion in restricted cash, cash equivalents, and investments primarily related to bond agreements. Of this amount, $2.2 billion relates to transportation projects, $250.4 million pertains to capital projects, and $45.1 million pertains to debt service requirements. The governmental and business-type activities funds reported other restricted assets of $175.5 million and $8.2 million, respectively, for the Virginia Sickness and Disability Program Net OPEB Asset. See Note 12, Other Assets, for more information related to the Enterprise and Internal Service Funds.

The Virginia Housing Development Authority, the Virginia Public School Authority, and the Virginia College Building Authority (all major component units) reported restricted assets totaling $2.1 billion, $392.1 million, and $573.4 million, respectively. These major component units' assets are restricted for debt service under a bond indenture or other agreement, or for construction and equipment.

The Virginia Resources Authority (major component unit) reported restricted assets of $1.0 billion. Of this amount, $1.0 billion is restricted for loans to local governments, bond indentures, or federal and state regulations for various revolving funds, and $7.9 million is restricted for the Operating Reserve Fund for the Virginia Pooled Financing Program.

The Virginia Port Authority (nonmajor component unit) reported restricted assets of $642.2 million primarily for debt service under bond agreements, construction and other project funds.

The Tobacco Region Revitalization Commission (nonmajor component unit) reported restricted assets of $163.1 million to be used for financial aid to tobacco growers and to foster community economic growth. This includes Other Restricted Assets of $46,841 for the Virginia Sickness and Disability Program Net OPEB asset.

The Hampton Roads Sanitation District Commission (nonmajor component unit) reported restricted assets of $33.8 million to be used for debt service.

The Virginia Small Business Financing Authority (nonmajor component unit) reported restricted assets of $87.5 million for gifts and grants. This includes Other Restricted Assets of $45,163 for the Virginia Sickness and Disability Program Net OPEB asset.

The higher education institutions (nonmajor component units) reported restricted assets totaling approximately $8.7 billion primarily for endowment and other contractual obligations. Included in this amount is approximately $7.4 billion of foundations' restricted assets. This includes Other Restricted Assets of $109.9 million for the Virginia Sickness and Disability Program Net OPEB asset. The Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of Virginia Commonwealth University–nonmajor component unit) includes $19.9 million for a beneficial trust and $5.1 million for an equity interest in a foundation as Other Restricted Assets. These Authority assets are classified as Level 3 on the fair value hierarchy. For additional information, see the Authority's separately issued financial statements.

The two museum foundations, the Virginia Museum of Fine Arts Foundation (nonmajor component unit) and the Science Museum of Virginia Foundation (nonmajor component unit) had restricted assets of $261.3 million and $27.7 million, respectively, primarily for donor-imposed restricted endowments.

The remaining $15.7 million is spread among the following nonmajor component units: the Virginia Outdoors Foundation, the Virginia Passenger Rail Authority, the Danville Science Center, the Fort Monroe Authority, the Virginia Biotechnology Research Partnership Authority, the Virginia Economic Development Partnership, the Virginia Tourism Authority, the Virginia Foundation for Healthy Youth, and the Library of Virginia Foundation. Included in this amount is approximately $1.4 million for the Virginia Sickness and Disability Program Net OPEB asset.

Restricted Receivables, Net

The following schedule (dollars in thousands) details the restricted receivables reported by component units as of June 30, 2023.

The restricted receivables are generally expected to be collected in greater than one year.

Restricted Receivables, Net

(Dollars in Thousands)

	Restricted Accounts Receivable	Restricted Loans / Mortgage Receivable	Restricted Local School Bonds Receivable	Restricted Other Receivables
Discrete Component Units:				
Virginia Housing Development Authority	$ —	$ 6,746,170	$ —	$ 235
Virginia Public School Authority	—	—	3,746,179	—
Virginia Resources Authority	—	4,394,456	—	15,890
Virginia College Building Authority	—	—	—	—
Nonmajor Component Units (Note 1)	152,618	28,916	—	133,631
Total Component Units	$ 152,618	$ 11,169,542	$ 3,746,179	$ 149,756

Note (1): Restricted Other Receivables of the nonmajor component units are primarily comprised of the following: restricted pledges receivable of $108,083 (dollars in thousands) reported by the University of Virginia.

Allowance for Doubtful Accounts	Restricted Receivables, Net	Amounts to be Collected Greater than One Year
$ (74,635)	$ 6,671,770	$ 6,390,371
—	3,746,179	3,447,477
(392)	4,409,954	4,030,244
—	—	—
(12,902)	302,263	287,108
$ (87,929)	$ 15,130,166	$ 14,155,200

14. CAPITAL ASSETS

The following schedule presents the changes in the Capital Assets as of June 30, 2023 (dollars in thousands).

Schedule of Changes in Capital Assets
Governmental Activities

(Dollars in Thousands)

	Balance July 1 as restated (1)	Increases	Decreases	Balance June 30
Nondepreciable Capital Assets:				
Land	$ 3,761,886	$ 225,472	$ (2,807)	$ 3,984,551
Construction-in-Progress	4,616,641	1,773,460	(2,069,422)	4,320,679
Intangible Assets with Indefinite Useful Life				
Water Rights and/or Easements	121,743	715	—	122,458
Infrastructure	1,308,220	—	—	1,308,220
Total Nondepreciable Capital Assets	9,808,490	1,999,647	(2,072,229)	9,735,908
Other Capital Assets:				
Buildings (2)	4,751,345	32,553	(10,137)	4,773,761
Equipment	1,460,914	82,069	(33,691)	1,509,292
Infrastructure	36,727,105	4,546,131	(318,285)	40,954,951
Intangible Assets				
Computer Software (Including websites)	1,118,295	126,540	(9,606)	1,235,229
Patents/Trademarks/Copyrights	30,880	—	—	30,880
Right-to-Use Intangible Assets				
Land	3,182	—	—	3,182
Buildings	374,116	49,041	(10,769)	412,388
Equipment	49,694	28,155	(10,043)	67,806
Subscription-based Information Technology Arrangements	172,659	95,486	—	268,145
Total Other Capital Assets at Historical Cost	44,688,190	4,959,975	(392,531)	49,255,634
Less Accumulated Depreciation for:				
Buildings	2,012,201	111,941	(7,471)	2,116,671
Equipment	916,351	78,184	(31,222)	963,313
Infrastructure	14,437,435	1,329,600	(328,110)	15,438,925
Intangible Assets				
Computer Software (Including websites)	644,548	88,344	(1,624)	731,268
Patents/Trademarks/Copyrights	21,918	1,459	—	23,377
Total Accumulated Depreciation	18,032,453	1,609,528	(368,427)	19,273,554
Less Accumulated Amortization for:				
Right-to-Use Intangible Assets				
Land	287	287	—	574
Buildings	31,493	35,166	(3,184)	63,475
Equipment	15,922	20,072	(9,975)	26,019
Subscription-based Information Technology Arrangements	—	70,269	—	70,269
Total Accumulated Amortization	47,702	125,794	(13,159)	160,337
Total Accumulated Depreciation and Amortization	18,080,155	1,735,322	(381,586)	19,433,891
Total Other Capital Assets, Net	26,608,035	3,224,653	(10,945)	29,821,743
Total Capital Assets, Net	$ 36,416,525	$ 5,224,300	$ (2,083,174)	$ 39,557,651

Note (1): Beginning balances have been restated by $51.9 million predominately as a result of $32.8 million of errors by the Department of Military Affairs, Department of General Services, and the Science Museum of Virginia, offset by restatements of $100.7 million as a result of the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* and a reclassification of $16.0 million from prepayments.

Note (2): Includes temporary impaired assets with a carrying value of $15.3 million.

Depreciation/Amortization Expense Charged to Functions of the Primary Government
June 30, 2023

(Dollars in Thousands)

Governmental Activities:	
General Government	$ 56,083
Education	13,676
Transportation	1,386,748
Resources and Economic Development	32,594
Individual and Family Services	79,202
Administration of Justice	69,810
Capital Assets held by the Internal Service Funds are charged to various functions	97,209
Total	$ 1,735,322

Schedule of Changes in Capital Assets
Business-type Activities

(Dollars in Thousands)

	Balance July 1 as restated (1)	Increases	Decreases	Balance June 30
Nondepreciable Capital Assets:				
Land	$ 11,033	$ —	$ —	$ 11,033
Construction-in-Progress	6,225	13,028	(1,078)	18,175
Total Nondepreciable Capital Assets	17,258	13,028	(1,078)	29,208
Other Capital Assets:				
Buildings	69,995	—	—	69,995
Equipment	84,924	3,947	(435)	88,436
Intangible Assets				
Computer Software (Including websites)	45,054	1,753	(1,310)	45,497
Right-to-Use Intangible Assets				
Buildings	213,758	26,478	—	240,236
Equipment	139	138	—	277
Other Intangible Assets	—	7,817	—	7,817
Subscription-Based Information Technology Arrangements	22,846	207,618	(5,866)	224,598
Total Other Capital Assets at Historical Cost	436,716	247,751	(7,611)	676,856
Less Accumulated Depreciation for:				
Buildings	9,959	2,148	—	12,107
Equipment	39,737	8,659	(420)	47,976
Intangible Assets				
Computer Software (Including websites)	16,498	7,137	(262)	23,373
Total Accumulated Depreciation	66,194	17,944	(682)	83,456
Less Accumulated Amortization for:				
Right-to-Use Intangible Assets				
Buildings	24,353	26,304	—	50,657
Equipment	51	85	—	136
Other Intangible Assets	—	3,908	—	3,908
Subscription-Based Information Technology Arrangements	—	11,494	(553)	10,941
Total Accumulated Amortization	24,404	41,791	(553)	65,642
Total Accumulated Depreciation and Amortization	90,598	59,735	(1,235)	149,098
Total Other Capital Assets, Net	346,118	188,016	(6,376)	527,758
Total Capital Assets, Net	$ 363,376	$ 201,044	$ (7,454)	$ 556,966

Note (1): Beginning balances have been restated by $22.8 million as a result of the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Schedule of Changes in Capital Assets
Component Units

(Dollars in Thousands)

	Balance July 1 as restated (1)	Increases	Decreases	Subtotal June 30	Foundations (2)	Total June 30
Nondepreciable Capital Assets:						
Land	$ 1,021,821	$ 90,893	$ (2,965)	$ 1,109,749	$ 425,589	$ 1,535,338
Construction-in-Progress	2,263,025	1,995,312	(1,331,469)	2,926,868	88,635	3,015,503
Inexhaustible Works of Art/ Historical Treasures	87,244	1,526	(46)	88,724	21,964	110,688
Inexhaustible Easements	299,673	4,001	(70,189)	233,485	—	233,485
Livestock	327	65	—	392	562	954
Total Nondepreciable Capital Assets	3,672,090	2,091,797	(1,404,669)	4,359,218	536,750	4,895,968
Other Capital Assets:						
Buildings	21,768,099	1,019,292	(47,317)	22,740,074	1,536,940	24,277,014
Infrastructure	4,832,780	89,771	(480)	4,922,071	29,342	4,951,413
Equipment	4,953,362	455,667	(128,566)	5,280,463	217,643	5,498,106
Improvements Other Than Buildings	713,695	21,245	(2,044)	732,896	122,318	855,214
Library Books	753,768	16,815	(5,391)	765,192	—	765,192
Software	756,876	33,130	(59,611)	730,395	—	730,395
Other Intangible Assets	2,616	1,195	—	3,811	—	3,811
Right-to-Use Intangible Assets:						
Land	19,008	6,570	(2,993)	22,585	—	22,585
Buildings	767,430	151,365	(22,134)	896,661	—	896,661
Equipment	130,962	136,955	(2,162)	265,755	—	265,755
Infrastructure	181	—	—	181	—	181
Other Intangibles	4,059,532	—	—	4,059,532	—	4,059,532
Subscription-based Information Technology Arrangements	272,246	133,163	(2,914)	402,495	—	402,495
Total Other Capital Assets	39,030,555	2,065,168	(273,612)	40,822,111	1,906,243	42,728,354
Less Accumulated Depreciation for:						
Buildings	7,958,543	569,559	(35,310)	8,492,792	525,295	9,018,087
Infrastructure	2,265,489	127,449	(33)	2,392,905	3,896	2,396,801
Equipment	3,424,758	319,190	(109,789)	3,634,159	140,798	3,774,957
Improvements Other Than Buildings	452,409	24,391	(1,831)	474,969	67,312	542,281
Library Books	697,811	21,216	(5,377)	713,650	—	713,650
Software	563,884	45,953	(51,274)	558,563	—	558,563
Other Intangible Assets	2,231	385	—	2,616	—	2,616
Total Accumulated Depreciation	15,365,125	1,108,143	(203,614)	16,269,654	737,301	17,006,955
Less Accumulated Amortization for:						
Right-to-Use Intangible Assets:						
Land	18,657	12,258	(69)	30,846	—	30,846
Buildings	112,208	80,987	(8,018)	185,177	—	185,177
Equipment	20,937	29,752	(2,001)	48,688	—	48,688
Infrastructure	62	30	—	92	—	92
Other Intangibles	92,123	92,499	—	184,622	—	184,622
Subscription-based Information Technology Arrangements	56,803	95,644	(2,767)	149,680	—	149,680
Total Accumulated Amortization	300,790	311,170	(12,855)	599,105	—	599,105
Total Accumulated Depreciation and Amortization	15,665,915	1,419,313	(216,469)	16,868,759	737,301	17,606,060
Total Other Capital Assets, Net	23,364,640	645,855	(57,143)	23,953,352	1,168,942	25,122,294
Total Capital Assets, Net	$ 27,036,730	$ 2,737,652	$ (1,461,812)	$ 28,312,570	$ 1,705,692	$ 30,018,262

Note (1): Beginning balances have been restated by $194.1 million predominately related to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, of $214.2 million. Various component units had an implementation date of July 1, 2021, because the separately issued financial statements include comparative statements. In addition, beginning balances have been restated by negative $3.2 million for correction of prior year errors by various higher education institutions (nonmajor) and by negative $16.9 million related to the Community Health acquisition by University of Virginia (nonmajor).

Note (2): Foundations represent FASB reporting entities defined in Note 1.B. Since foundations follow FASB rather than GASB reporting requirements, no amounts are reported in the software and other intangible assets categories for foundations.

15. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, requires certain items to be classified as either deferred outflows or deferred inflows of resources. Additionally, deferred outflows or deferred inflows of resources are also required by other GASB statements. While all deferred outflows or deferred inflows of resources applicable to the Commonwealth are listed below, see Notes 16, 17, 19, and 39 for additional information regarding these items.

Deferred Outflows

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

Deferred Inflows

Deferred inflows of resources are an acquisition of net assets by the government that is applicable to a future reporting period.

The following tables summarize deferred outflows and deferred inflows of resources as of June 30, 2023.

Government-wide Statements

(Dollars in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Total Component Units
Deferred Outflows of Resources				
Loss on Refunding of Debt	$ 29,104	$ —	$ 29,104	$ 217,065
Nonexchange Transactions Not Meeting Time Requirements	203	—	203	—
Pension Related	1,344,318	42,430	1,386,748	466,115
Other Postemployment Benefit Related	433,772	13,480	447,252	233,695
Total Deferred Outflows of Resources	$ 1,807,397	$ 55,910	$ 1,863,307	$ 916,875
Deferred Inflows of Resources				
Effective Hedges in a Gain Position	$ —	$ —	$ —	$ 17,183
Public-Private and Public-Public Partnerships	7,770,629	—	7,770,629	156,619
Gain on Refunding of Debt	78,172	—	78,172	70,308
Pension Related	1,179,294	26,022	1,205,316	510,256
Other Postemployment Benefit Related	669,422	17,539	686,961	408,736
Irrevocable Split-Interest Agreements Related	—	—	—	20,858
Mortgage Banking Activities	—	—	—	64,900
Leases	—	—	—	134,173
Total Deferred Inflows of Resources	$ 9,697,517	$ 43,561	$ 9,741,078	$ 1,383,033

Fund Statements

(Dollars in Thousands)

	Primary Government - Governmental Funds					
	General	Commonwealth Transportation	Federal Trust	Literary	Nonmajor Governmental Funds	Total Governmental Funds
Deferred Outflows of Resources						
Nonexchange Transactions Not Meeting Time Requirements	$ 203	$ —	$ —	$ —	$ —	$ 203
Total Deferred Outflows of Resources	$ 203	$ —	$ —	$ —	$ —	$ 203
Deferred Inflows of Resources						
Public-Private and Public-Public Partnerships	$ —	$ 2,383,906	$ —	$ —	$ —	$ 2,383,906
Revenues Considered Unavailable	1,458,347	105,048	343,132	25,443	313,814	2,245,784
Total Deferred Inflows of Resources	$ 1,458,347	$ 2,488,954	$ 343,132	$ 25,443	$ 313,814	$ 4,629,690

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	$ 6,630	$ 2,972	$ 32,828	$ 42,430	$ 11,017
Other Postemployment Benefit Related	2,247	1,153	10,080	13,480	3,465
Total Deferred Outflows of Resources	$ 8,877	$ 4,125	$ 42,908	$ 55,910	$ 14,482
Deferred Inflows of Resources					
Pension Related	$ 4,577	$ 2,271	$ 19,174	$ 26,022	$ 12,208
Other Postemployment Benefit Related	2,577	1,233	13,729	17,539	6,677
Total Deferred Inflows of Resources	$ 7,154	$ 3,504	$ 32,903	$ 43,561	$ 18,885

(Dollars in Thousands)	Component Units					
	Virginia Housing Development Authority	Virginia Public School Authority	Virginia Resources Authority	Virginia College Building Authority	Nonmajor Component Units	Total Component Units
Deferred Outflows of Resources						
Loss on Refunding of Debt	$ —	$ 59,188	$ 33,747	$ 17,283	$ 106,847	$ 217,065
Government Acquisition-Goodwill	—	—	—	—	—	—
Pension Related	—	—	104	—	466,011	466,115
Other Postemployment Benefit Related	11,258	—	23	—	222,414	233,695
Total Deferred Outflows of Resources	$ 11,258	$ 59,188	$ 33,874	$ 17,283	$ 795,272	$ 916,875
Deferred Inflows of Resources						
Effective Hedges in a Gain Position	$ —	$ —	$ —	$ —	$ 17,183	$ 17,183
Public-Private and Public-Public Partnerships	—	—	—	—	156,619	156,619
Gain on Refunding of Debt	—	—	28,217	27,479	14,612	70,308
Pension Related	—	—	201	—	510,055	510,256
Other Postemployment Benefit Related	1,528	—	26	—	407,182	408,736
Irrevocable Split-Interest Agreements Related	—	—	—	—	20,858	20,858
Mortgage Banking Activities	64,900	—	—	—	—	64,900
Leases	—	—	—	—	134,173	134,173
Total Deferred Inflows of Resources	$ 66,428	$ —	$ 28,444	$ 27,479	$ 1,260,682	$ 1,383,033

16. DERIVATIVE INSTRUMENTS

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* requires additional reporting and disclosures for derivative instruments.

Primary Government

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates or financial indexes. They include futures, forwards, options and swap contracts. Some traditional securities, such as structured notes, can have derivative-like characteristics. In this case, the return may be linked to one or more indexes and asset-backed securities, such as collateralized mortgage obligations (CMOs), which are sensitive to changes in interest rates and prepayments. Futures, forwards, options and swaps generally are not recorded on the financial statements, whereas structured notes and asset-backed investments generally are recorded.

Virginia College Savings Plan (Virginia529)

GASB Statement No. 53 defines stable value investment vehicles as synthetic guaranteed investment contracts. Stable value funds are invested in a high quality, diversified, intermediate term, fixed income portfolio that is protected against interest rate volatility by wrap or investment contracts from banks and insurance companies that guarantee the payment of benefits at book value (cost plus accrued interest), which enables the entire investment to be carried at its book value. The Virginia529 utilizes stable value investments in the Defined Contribution 529 and Access and Affordability Programs (Private Purpose Trust Fund). Virginia529's stable value investments meet the definition of fully benefit-responsive synthetic guaranteed investment contracts and are reported at contract value. As of June 30, 2023, Virginia529 had the following stable value investments outstanding (dollars in thousands) in the respective programs as shown in the table below.

Stable Value Investments

Fund	Wrap Provider	Notional Amount	Effective Date	Maturity Date	Credit Rate	June 30, 2023 Fair Value	June 30, 2022 Fair Value
Private Purpose	American General Life	$ 277,159	1/16/2014	Open ended	2.6 %	$ 1,539,111	$ 1,577,653
	Nationwide Life Insurance	279,440	1/29/2018	Open ended	3.2 %		
	Prudential Retirement Insurance & Annuity	277,397	1/30/2014	Open ended	2.6 %		
	RGA	277,136	8/28/2015	Open ended	2.6 %		
	State Street Bank	277,144	5/1/2002	Open ended	2.6 %		
	Voya Retirement And Annuity	277,205	10/5/2012	Open ended	2.6 %		

At June 30, 2023, the fair value of the underlying investments for the Private Purpose Trust Fund was less than the book value (notional amount) of the wrap contracts. The book value of the wrap contracts provides a guaranteed minimum value that program participants would receive upon liquidation, and therefore has a separate fair value only in the circumstance that the fair value of the associated underlying investment pool is below the book value of the wrap contracts. The fair value of the wrap contracts is the amount required to bring the total value of the stable value investments up to the book value of the wrap contracts. In the Private Purpose Trust Fund, the fair value of the wrapped stable value investments at June 30, 2023, was $1.5 billion.

As of June 30, 2023, PGIM High Yield Fixed Income also held futures contracts, which are permissible to hedge duration and excluded from the 10.0 percent limit. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value of these derivative instruments. Credit risk is mitigated with these instruments as they are exchange traded.

Investment Derivative Instruments - U.S. Treasury Futures Contracts

	Changes in Fair Value		Fair Value at June 30, 2023		
Fund	Classification	Amount	Classification	Amount	Notional Amount
Enterprise	Revenue	$ (303)	Investment	$ (303)	$ 14,934
Private Purpose	Revenue	(417)	Investment	(417)	23,380

At June 30, 2023, PGIM High Yield Fixed Income also held total return swaps, which are permissible to gain exposure to assets with minimal cash outlay. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value of these derivative instruments. Credit risk is mitigated with these instruments as they are exchange traded.

Investment Derivative Instruments - Total Return Swaps

	Changes in Fair Value		Fair Value at June 30, 2023		
Fund	Classification	Amount	Classification	Amount	Notional Amount
Enterprise	Revenue	$ (2)	Investment	$ 4	$ 1,150
Private Purpose	Revenue	—	Investment	17	3,325

The enterprise fund's PGIM Core Bond Fixed Income accounts held zero coupon swaps at June 30, 2023. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value. Credit risk is mitigated with these instruments as they are centrally cleared derivative instruments.

Investment Derivative Instruments - Zero Coupon Swaps

	Changes in Fair Value		Fair Value at June 30, 2023		
Fund	Classification	Amount	Classification	Amount	Notional Amount
Enterprise	Revenue	$ 3	Investment	$ 3	$ 5,512

Pursuant to its investment management agreement, Loomis, Sayles & Company may invest in derivative instruments for hedging, and duration management. The portfolio's notional exposure to derivative instruments, as measured on a net market value basis, is limited to 10.0 percent of the market value of the account. The Defined Benefit 529 Programs' Loomis, Sayles & Company (Loomis) Multi-Asset Credit Accounts held futures contracts, which are permissible to hedge duration. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value of these derivative instruments. U.S. Treasury futures used to hedge duration are excluded from the 10.0 percent limit. Credit risk is mitigated with these instruments as they are exchange traded.

Investment Derivative Instruments - U.S. Treasury Futures Contracts

	Changes in Fair Value		Fair Value at June 30, 2023		
Fund	Classification	Amount	Classification	Amount	Notional Amount
Enterprise	Revenue	$ (76)	Investment	$ (76)	$ 6,511

The enterprise fund's Loomis Multi-Asset Credit account held credit default swaps at June 30, 2023. The following table (dollars in thousands) contain information relating to fair value, changes in fair value and notional value. Credit risk is mitigated with these instruments as they are centrally cleared derivative instruments.

Investment Derivative Instruments - Credit Default Swaps

	Changes in Fair Value		Fair Value at June 30, 2023		
Fund	Classification	Amount	Classification	Amount	Notional Amount
Enterprise	Revenue	$ (187)	Investment	$ 125	$ 10,740

Pursuant to its investment management agreement, Neuberger Berman may invest in derivative instruments for hedging, and duration management. The portfolio's notional exposure to derivative instruments, as measured on a net market value basis, is limited to 10.0 percent of the market value of the account. The Defined Contributions 529 Programs' Neuberger Berman Core Bond account held futures contracts, which are permissible to hedge duration. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value of these derivative instruments. U.S. Treasury futures used to hedge duration are excluded from the 10.0 percent limit. Credit risk is mitigated with these instruments as they are exchange traded.

Investment Derivative Instruments - U.S. Treasury Futures Contracts

	Changes in Fair Value		Fair Value at June 30, 2023		
Fund	Classification	Amount	Classification	Amount	Notional Amount
Enterprise	Revenue	$ (1,034)	Investment	$ (1,034)	$ 55,198

Pursuant to their investment management agreements, Loomis, Sayles & Company and PGIM may invest in derivative instruments for hedging purposes or for efficient portfolio management. Synthetic positions are not allowed and the use of derivative instruments should not be considered as an alpha generator. Loomis primarily uses forward foreign exchange contracts to hedge the value of investments denominated in non-U.S. dollar currencies. Similarly, the PGIM Core Bond accounts are permitted to use these instruments. Credit risk of exchange traded currency contracts lies with the clearinghouse of the exchange at which the contracts are traded, while credit risk of currency contracts traded over the counter lies with the counterparty. Counterparty risk exposure is generally equal to the unrealized gain on in-the-money contracts. The following table (dollars in thousands) contains a breakdown of these forward contracts by currency.

Enterprise Fund Foreign Currency Forwards

Currency	Cost	Foreign Exchange Purchases	Foreign Exchange Sales	Market Value
Australian Dollar	$ (136)	$ —	$ (136)	$ (136)
Brazil Real	9	1,864	(1,864)	—
Chilean Peso	12	1,619	(1,619)	—
Danish Krone	(312)	—	(313)	(313)
Euro Currency Unit	(7,130)	4,253	(11,445)	(7,192)
Indonesian Rupiah	2	1,638	(1,638)	—
Japanese Yen	(12)	—	(12)	(12)
Norwegian Krone	(333)	—	(336)	(336)
Polish Zloty	5	954	(954)	—
Pound Sterling	333	550	(216)	334
Swedish Krona	357	361	(3)	358
Swiss Franc	918	922	—	922
U.S. Dollar	6,287	17,807	(11,520)	6,287
Total	$ —	$ 29,968	$ (30,056)	$ (88)

Pursuant to its investment agreement, PGIM Fixed Income may invest in derivative instruments for hedging, duration and cash management. The portfolio's exposure to derivative instruments, as measured on a net market value basis, is limited to 10.0 percent of the market value of the high-yield account. Both the Defined Benefit and Defined Contribution 529 Programs' PGIM Fixed Income accounts held credit default swaps at June 30, 2023. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value for credit default swaps. Credit risk is mitigated with these instruments as they are centrally cleared derivatives.

Investment Derivative Instruments - Credit Default Swaps

	Changes in Fair Value		Fair Value at June 30, 2023		
Fund	Classification	Amount	Classification	Amount	Notional Amount
Enterprise	Revenue	$ (56)	Investment	$ (143)	$ 7,015
Private Purpose	Revenue	156	Investment	20	18,779

At June 30, 2023, PGIM Core Bond Fixed Income also held total return swaps, which are permissible to gain exposure to assets with minimal cash outlay. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value of these derivative instruments. Credit risk is mitigated with these instruments as they are exchange traded.

Investment Derivative Instruments - Total Return Swaps

	Changes in Fair Value		Fair Value at June 30, 2023		
Fund	Classification	Amount	Classification	Amount	Notional Amount
Enterprise	Revenue	$ 29	Investment	$ 29	$ 1,654

At June 30, 2023, PGIM Core Bond Fixed Income also held futures contracts, which are permissable to hedge duration and excluded from the 10.0 percent limit. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value of these derivative instruments. Credit risk is mitigated with these instruments as they are exchange traded.

Investment Derivative Instruments - U.S. Treasury Futures Contracts

	Changes in Fair Value		Fair Value at June 30, 2023		
Fund	Classification	Amount	Classification	Amount	Notional Amount
Enterprise	Revenue	$ (777)	Investment	$ (777)	$ 36,269

Pursuant to its investment management agreement, Neuberger Berman may invest in derivative instruments for hedging and duration management. The portfolio's notional exposure to derivative instruments, as measured on a net market value basis, is limited to 10.0 percent of the market value of the account. The Defined Contributions 529 Programs' Neuberger Berman Emerging Markets Debt account held U.S. Treasury futures contracts, which are permissible to hedge duration. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value of these derivative instruments. U.S. Treasury futures contracts used to hedge duration are excluded from the 10.0 percent limit. Credit risk is mitigated with these instruments as they are exchange traded.

Investment Derivative Instruments - U.S. Treasury Futures Contracts

	Changes in Fair Value		Fair Value at June 30, 2023		
Fund	Classification	Amount	Classification	Amount	Notional Amount
Private Purpose	Revenue	$ (413)	Investment	$ (413)	$ 32,729

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

Virginia Retirement System

All derivative instruments held by the Virginia Retirement System (the System) are considered investments. The fair value of all derivative financial instruments is reported on a net basis on the Statement of Fiduciary Net Position. The derivative instruments are either subject to an enforceable master netting arrangement or similar agreement. The master netting arrangements allow the System to net applicable liabilities or payment obligations to counterparties to the derivative instrument contracts against amounts owed to the System by the counterparties.

The System holds investments in swaps, futures and options and enters into forward foreign currency exchange contracts. Swaps, futures, options and currency forwards contracts provide the System with the opportunity to build passive benchmark positions, manage portfolio duration in relation to various benchmarks, adjust portfolio yield curve exposure and gain market exposure to various indexes in a more efficient way and at lower transaction costs. Derivative instruments that are exchange-traded are not subject to credit risk, but all over-the-counter derivative instruments, such as swaps and currency forwards, do expose the System to counterparty credit risk. Counterparty credit risk for the System's investments in derivatives instruments (inclusive of foreign currency forwards) is summarized in the table on page 132. Market risks arise from adverse changes in market prices, interest rates and foreign exchange rates.

The System's level of exposure to interest rate risk through derivative instruments and the System's investments in derivative instruments as of June 30, 2023, are summarized in the tables below (dollars in thousands).

Derivative Instruments Summary

Investment	Net Appreciation/ (Depreciation) in Fair Value for the Fiscal Year Ended June 30, 2023		Fair Value June 30, 2023	
Derivative Instruments (by Type)	Amount	Classification	Amount	Notional (Dollars)
Commodity Futures Long	$ (172)	Equity Securities	$ —	$ —
Credit Default Swaps Bought	(56)	Debt Securities	11	1,600
Credit Default Swaps Written	(20)	Debt Securities	(20)	20,000
Currency Futures Long	74	Debt Securities	74	5,676
Currency Futures Short	(144)	Debt Securities	—	—
Fixed-Income Futures Long	992	Debt Securities	(16,758)	1,531,513
Fixed-Income Futures Short	(2,896)	Debt Securities	5,519	(910,595)
Fixed Income Options	(1)	Debt Securities	(1)	—
FX Forwards	(20,596)	Investment Sales/Purchases	(14,589)	(391,437)
Index Futures Long	14,391	Equity Securities	10,143	409,395
Index Futures Short	(1,762)	Equity Securities	(847)	(24,049)
Pay Fixed-Interest Rate Swaps	2,737	Debt Securities	2,737	69,582
Receive Fixed-Interest Rate Swaps	(294)	Debt Securities	(295)	24,472
Swaptions	(8)	Debt Securities	(8)	(2,600)
Total Return Equity Index Swaps	117,967	Equity Securities	118,313	2,400,506
Total	$ 110,212		$ 104,279	

Derivative Instruments Subject to Interest Rate Risk

		Investment Maturities (in years)			
Investment Type	**Fair Value June 30, 2023**	**Under 1**	**1-5**	**6-10**	**Greater than 10**
Credit Default Swaps Bought	$ 11	$ —	$ 11	$ —	$ —
Credit Default Swaps Written	(20)	(15)	70	(75)	—
Pay Fixed-Interest Rate Swaps	2,737	—	474	322	1,941
Receive Fixed-Interest Rate Swaps	(294)	(250)	21	(65)	—
Total Return Equity Index Swaps	(14,388)	—	(14,388)	—	—
Total	$ (11,954)	$ (265)	$ (13,812)	$ 182	$ 1,941

Futures Contracts

Futures contracts are contracts to deliver or receive securities at a specified future date and at a specified price or yield. Futures contracts are traded on organized exchanges (exchange-traded) and require an initial margin (collateral) in the form of cash or marketable securities. The net change in the futures contract value is settled daily, in cash, with the exchanges. The net gains or losses resulting from the daily settlements are included in the Statement of Changes in Fiduciary Net Position. Holders of futures contracts look to the exchange for performance under the contract and not to the entity holding the offsetting futures position. Accordingly, the amount at risk posed by nonperformance of counterparties to futures contracts is minimal. Information on the System's investments in fixed income, currency, and equity index futures as of June 30, 2023, is shown in the Summary table to the left.

Currency Forwards

Currency forwards represent foreign exchange contracts and are used by the System to effect settlements and to protect the base currency ($U.S.) value of portfolio assets denominated in foreign currencies against fluctuations in the exchange rates of those currencies. A forward foreign currency exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated price. The credit risk of currency contracts that are exchange-traded lies with the clearinghouse of the exchange where the contracts are traded. The credit risk of currency contracts traded over the counter lies with the counterparty, and exposure usually is equal to the unrealized profit on in-the-money contracts. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates. The net realized gains or losses arising from the differences between the original values of the foreign currency contracts and the closing values of such contracts are included in the net appreciation/ depreciation in fair value of investments in the Statement of Changes in Fiduciary Net Position. Information on the currency forward contracts as of June 30, 2023, is shown in the following table and in the Summary table to the left.

Currency Forwards

as of June 30

(Dollars in Thousands)

Currency	Cost	Pending Foreign Exchange Purchases	Pending Foreign Exchange Sales	Fair Value 2023	Fair Value 2022
Australian Dollar	$ 48,879	$ 225,429	$ (172,181)	$ 53,248	$ (7,969)
Brazilian Real	178	6,874	(6,943)	(69)	4,356
British Pound Sterling	71,931	233,459	(158,742)	74,717	16,341
Canadian Dollar	237,333	476,177	(231,386)	244,791	111,791
Chilean Peso	1,153	4,956	(3,830)	1,126	1,528
Chinese Yuan Renminbi	(12,775)	—	(12,114)	(12,114)	(60,961)
Chinese Yuan Renminbi HK	(2,279)	—	(2,201)	(2,201)	—
Colombian Peso	(558)	2,067	(2,795)	(728)	(1,380)
Czech Koruna	2,852	2,880	—	2,880	(4,048)
Danish Krone	(18,752)	—	(18,802)	(18,802)	(17,753)
Egyptian Pound	(49)	396	(399)	(3)	—
Euro Currency Unit	211,988	815,719	(598,868)	216,851	179,851
Hong Kong Dollar	(53,191)	—	(53,143)	(53,143)	(55,356)
Hungarian Forint	1,564	2,887	(1,308)	1,579	1,945
Indian Rupee	7,119	9,325	(2,206)	7,119	(4,533)
Indonesian Rupiah	(4,531)	1,740	(6,232)	(4,492)	(1,695)
Israeli Shekel	(39,794)	22	(38,470)	(38,448)	(26,069)
Japanese Yen	426,158	620,771	(215,166)	405,605	(286,160)
Kazakhstan Tenge	1,124	1,115	—	1,115	—
Malaysian Ringgit	(1,995)	2,389	(4,225)	(1,836)	1,298
Mexican Peso	(2,911)	4,319	(7,348)	(3,029)	1,062
New Taiwan Dollar	1,456	2,873	(1,417)	1,456	(11,198)
New Zealand Dollar	(175,548)	47,799	(223,743)	(175,944)	(68,396)
Nigerian Naira	(26)	81	(81)	—	—
Norwegian Krone	(281,046)	138,865	(432,970)	(294,105)	(21,455)
Peruvian Sol	(2,269)	—	(2,284)	(2,284)	(4,611)
Philippines Peso	(4,369)	2,105	(6,502)	(4,397)	(607)
Polish Zloty	(3,322)	—	(3,369)	(3,369)	3,779
Romanian Leu	(696)	1,466	(2,159)	(693)	(1,161)
Singapore Dollar	(90,922)	42,296	(132,844)	(90,548)	(75,951)
South African Rand	(6,117)	855	(6,917)	(6,062)	(2,408)
South Korean Won	5,124	6,456	(1,423)	5,033	18
Swedish Krona	129,364	294,216	(163,463)	130,753	97,416
Swiss Franc	(77,506)	286,738	(367,735)	(80,997)	(343,508)
Thai Baht	768	3,511	(2,775)	736	4,945
Turkish Lira	—	—	—	—	(1,461)
U.S. Dollar	(368,334)	2,861,346	(3,229,680)	(368,334)	578,357
Total Forwards Subject to Foreign Currency Risk				$ (14,589)	$ 6,007

Options

Options may either be exchange-traded or negotiated directly between two counterparties over the counter. Options grant the holder the right, but not the obligation, to purchase (call) or sell (put) a financial instrument at a specified price and within a specified period of time from the writer of the option.

As a purchaser of options, the System typically pays a premium at the outset. This premium is reflected as an asset on the financial statements. The System then retains the right, but not the obligation, to exercise the options and purchase the underlying financial instrument. Should the option not be exercised, it expires worthless, and the premium is recorded as a loss.

A writer of options assumes the obligation to deliver or receive the underlying financial instrument on exercise of the option. Certain option contracts may involve cash settlements based on specified indexes such as stock indexes. As a writer of options, the System receives a premium at the outset. This premium is reflected as a liability on the financial statements, and the System bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Information on the System's investments in options on interest rate swaps (swaptions) and fixed income futures contracts as of June 30, 2023 is shown in the Summary table on page 135.

Swap Agreements

Swaps are negotiated contracts between two counterparties for the exchange of payments at certain intervals over a predetermined timeframe. The payments are based on a notional principal amount and calculated using either fixed or floating interest rates or total returns from certain instruments or indexes. Swaps are used to manage risk and enhance returns. To reduce the risk of counterparty nonperformance, the System generally requires collateral on any material gains from these transactions. During fiscal year 2023, the System had activity in credit default, total return, and interest rate swaps. Gains and losses on swaps are determined based on fair values and are recorded in the Statement of Changes in Fiduciary Net Position. Information on the System's swap balances as of June 30, 2023, is shown in the Summary table on page 135, and the terms, fair values and notional values of the System's investments in swap agreements that are highly sensitive to interest rate changes are disclosed in the following tables (dollars in thousands).

Derivatives Instruments Highly Sensitive to Interest Rate Changes

Investment Type	Reference Rate	Fair Value June 30, 2023	Notional Amount
Interest Rate Swaps	Receive Fixed 8.34%, Pay Variable 28-day MTIIE	$ 16	$ 1,090
Interest Rate Swaps	Receive Fixed 8.39%, Pay Variable 28-day MTIIE	15	819
Interest Rate Swaps	Receive Fixed 11.42%, Pay Variable Brazil 1-day CDI	16	705
Interest Rate Swaps	Receive Variable Brazil 1-day CDI, Pay Fixed 13.02%	(26)	415
Interest Rate Swaps	Receive Variable Brazil 1-day CDI, Pay Fixed 13.65%	—	2,011
Interest Rate Swaps	Receive Variable Brazil 1-day CDI, Pay Fixed 13.65%	—	5,307
Interest Rate Swaps	Receive Fixed 4.61%, Pay Variable Czech Krona 6-month PRIBOR	8	3,090
Interest Rate Swaps	Receive Variable Poland 6-month WIBOR, Pay Fixed 5.46%	(7)	837
Interest Rate Swaps	Receive Variable Daily Compound SOFR, Pay Fixed 1.00%	507	6,600
Interest Rate Swaps	Receive Fixed 1.75%, Pay Variable Daily Compound SOFR	(250)	7,100
interest Rate Swaps	Receive Fixed 8.15%, Pay Variable 28-day MTIIE	4	1,236
interest Rate Swaps	Receive Variable Euro short term rate (€STR), Pay Fixed 1.34%	75	709
interest Rate Swaps	Receive Variable Euro short term rate (€STR), Pay Fixed 1.74%	123	1,549
interest Rate Swaps	Receive Variable Euro short term rate (€STR), Pay Fixed 2.05%	33	573
interest Rate Swaps	Receive Variable Euro short term rate (€STR), Pay Fixed 2.08%	90	1,582
interest Rate Swaps	Receive Fixed 8.8%, Pay Variable 28-day MTIIE	184	4,198
interest Rate Swaps	Receive Fixed 2.78%, Pay Variable Daily Compound SOFR	(51)	732
interest Rate Swaps	Receive Fixed 2.77%, Pay Variable Daily Compound SOFR	(103)	1,621
interest Rate Swaps	Receive Fixed 2.92%, Pay Variable Daily Compound SOFR	(30)	560
interest Rate Swaps	Receive Fixed 2.92%, Pay Variable Daily Compound SOFR	(101)	1,540
Interest Rate Swaps	Receive Fixed 5.59%, Pay Variable Pound Sterling SONIA overnight rate	(3)	1,780
Interest Rate Swaps	Receive Variable Daily SOFR, Pay Fixed 2.889%	628	10,000
Interest Rate Swaps	Receive Variable Fed Funds Effective Rate, Pay Fixed 2.857%	317	5,000
Interest Rate Swaps	Receive Variable Fed Funds Effective Rate, Pay Fixed 2.8425%	333	5,000
Interest Rate Swaps	Receive Variable Fed Funds Effective Rate, Pay Fixed 3.1555%	59	10,000
Interest Rate Swaps	Receive Variable Fed Funds Effective Rate, Pay Fixed 3.166%	5	10,000
Interest Rate Swaps	Receive Variable Fed Funds Effective Rate, Pay Fixed 2.896%	288	5,000
Interest Rate Swaps	Receive Variable Fed Funds Effective Rate, Pay Fixed 2.87%	312	5,000
Subtotal Interest Rate Swaps		**$ 2,442**	**$ 94,054**
Total Return Equity Index Swaps	Receive Variable MSCI US Total Return Index, Pay Variable 3-month SOFR + 33 bps	$ 6,445	$ 105,832
Total Return Equity Index Swaps	Receive Variable MSCI US Total Return Index, Pay Variable 3-month SOFR + 39 bps	44,879	517,081
Total Return Equity Index Swaps	Receive Variable MSCI US Total Return Index, Pay Variable 3-month SOFR + 33 bps	13,958	160,814
Total Return Equity Index Swaps	Receive Variable GDUEACWF Index, Pay Variable 1-day SOFR + 42.5 bps	5,413	112,966
Total Return Equity Index Swaps	Receive Variable GDUEACWF Index, Pay Variable 1-day SOFR + 39 bps	5,931	101,376
Total Return Equity Index Swaps	Receive Variable MSCI US Total Return Index, Pay Variable 3-month SOFR + 50 bps	13,958	160,815
Total Return Equity Index Swaps	Receive Variable GDUEACWF Index, Pay Variable 1-day SOFR + 42.5 bps	6,278	107,309
Total Return Equity Index Swaps	Receive Variable GDUEACWF Index, Pay Variable 1-day SOFR + 44 bps	10,239	209,384
Total Return Equity Index Swaps	Receive Variable GDUEACWF Index, Pay Variable 1-day SOFR + 42.5 bps	6,558	353,796
Total Return Equity Index Swaps	Receive Variable GDDUUS Index, Pay Variable 1-day SOFR Cmpd + 35.5 bps	19,042	285,564
Total Return Equity Index Swaps	Receive Variable 1-day SOFR Cmpd + 31.5 bps, Pay Variable FTEPNAUS Index	(14,388)	285,569
Subtotal Total Return Swaps		**$ 118,313**	**$ 2,400,506**
TOTAL		**$ 120,755**	**$ 2,494,560**

Derivative Instruments Subject to Counterparty Credit Risk

Counterparty	Percentage of Net Exposure	Moody's Ratings	S&P Ratings	Fitch Ratings
Barclays Bank PLC	45.0%	A1	A+	A+
JPMorgan Chase Bank NA	21.0%	Aa2	A+	AA
Goldman Sachs International	15.8%	A1	A+	A+
UBS AG/Stamford CT	8.7%	A3	—	A
BNP Paribas SA	3.7%	Aa3	A+	A+
HSBC Bank USA NA/New York NY	3.0%	A3	—	A+
BNP Paribas Securities Corp.	2.6%	—	A+	—
Goldman Sachs Bank USA-New York NY	0.2%	A1	A+	A+
Total	**100.0%**			

Derivative instruments are classified as Level 1 and Level 2 in the fair value hierarchy. Derivative instruments classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The derivative instruments in Level 1 consist of futures contracts on currencies, U.S. Treasury bonds and notes, non-U.S. government bonds, and U.S. and non-U.S. equity indexes and options on futures contracts on U.S. Treasury notes. Derivative instruments classified as Level 2 are valued using a number of modeling approaches that take into account observable market levels, benchmark rates, and foreign exchange rates.

Additional information is available in the System's separately issued financial statements, which may be obtained from www.varetire.org.

Component Units

Investment Derivative Instruments

The Virginia Housing Development Authority (major component unit) enters into forward sales contracts for the delivery of GNMA and FNMA securities in order to lock in the sales price for the securitization of certain homeownership mortgage loans. The contracts offset changes in interest rates between the time of the loan reservations and the securitization of such loans into GNMA and FNMA securities. These contracts are considered investment derivative instruments, such that their change in fair value is reported as investment derivative instrument gains or losses in the accompanying financial statements. Fair values of the forwards are based on observable market prices for similar instruments traded on the secondary mortgage loan markets. The Authority's portfolio of investment derivative instruments are classified as Level 2 in the fair value hierarchy. The outstanding forward contracts, summarized by counterparty rating as of June 30, 2023, were as follows:

Counterparty Rating	Par	Concentration	Notional Amount	Market Value	Fair Value Asset (Liability)
A-1+/AA+	$ 29,000,000	11.0 %	$ 29,460,313	$ 29,345,625	$ 114,688
A-1/A+	66,700,000	25.4 %	67,307,703	67,200,234	107,469
A-1/A+	60,600,000	23.0 %	61,276,418	61,086,625	189,793
A-1/A+	56,000,000	21.3 %	56,674,844	56,477,188	197,656
A-1/A+	37,500,000	14.3 %	38,070,000	38,042,266	27,734
A-2/BBB+	9,000,000	3.4 %	9,142,344	9,108,125	34,219
A-2/BBB+	4,200,000	1.6 %	4,240,851	4,234,781	6,070
	$ 263,000,000	100 %	$266,172,473	$265,494,844	$ 677,629

Investment Derivative Instruments – Ineffective Hedges

During fiscal year 2015, the University of Virginia (UVA) (nonmajor) refunded the Series 2003A bonds and the commercial paper associated with the fixed-payer interest rate swaps which terminated hedge accounting. The fixed-payer interest rate swaps were no longer effective hedges. As of June 30, 2023, the negative fair value of the swaps of $12.6 million is included in other liabilities and the change in fair value of positive $4.4 million was reported as investment earnings in the accompanying financial statements. The derivative instruments are classified as Level 2 of the fair value hierarchy. Additional information regarding the institution's derivative instruments is available at www.virginia.edu.

Hedging Derivative Instruments

As of June 30, 2023, Virginia Commonwealth University Medical Center (VCUMC), which is a division of the Virginia Commonwealth University Health System Authority (a blended component unit of VCU - nonmajor), had two interest rate swap agreements with a notional amount of $110.9 million. The swaps are used as cash flow hedges by VCUMC in order to provide a hedge against changes in interest rates on variable rate Series 2013B bonds. As of June 30, 2023, the negative fair value of VCUMC's two swaps of $13.2 million is included in other liabilities and the cumulative change in fair value of these swaps of $17.2 million is included in deferred inflows of resources in the accompanying financial statements. The derivative instruments are classified as Level 2 in the fair value hierarchy. Additional information regarding the institution's derivative instruments is available at www.vcu.edu.

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

17. RETIREMENT AND PENSION SYSTEMS

A separately issued financial report that includes financial statements and required supplementary information for each of the individual plans discussed below is publicly available. Copies may be obtained from the Virginia Retirement System website at www.varetire.org.

A. Administration

The Virginia Retirement System (the System) is an independent agency of the Commonwealth that administers pension plans, other employee benefit plans, and other funds for Commonwealth employees, teachers, political subdivision employees, and other qualifying employees. The Board of Trustees is responsible for the general administration and operation of the plans. The Board consists of five members appointed by the Governor and four members appointed by the Joint Rules Committee, all subject to confirmation by the General Assembly. The Board of Trustees appoints a director to serve as the chief administrative officer of the System and a chief investment officer to direct, manage, and administer the investment of the System's funds. The Board of Trustees has appointed BNY Mellon as the custodian of designated assets of the System.

The System administers four pension trust funds: the Virginia Retirement System (VRS); State Police Officers' Retirement System (SPORS); Virginia Law Officers' Retirement System (VaLORS); and the Judicial Retirement System (JRS). In addition to the pension plans, the System administers five Other Employee Benefit Plans: Group Life Insurance Fund; Retiree Health Insurance Credit Fund; the Virginia Sickness and Disability Program (VSDP); the Line of Duty Act Trust Fund; and the Virginia Local Disability Program (VLDP).

B. Summary of Significant Accounting Policies (Virginia Retirement System)

Basis of Accounting

The financial statements of the pension and other employee benefit trust funds are prepared using the flow of economic resources measurement focus and the accrual basis of accounting consistent with the plans. Employee and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as earned by the plans. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments

Investments are reported at fair value as determined by the System's master custodian, BNY Mellon, from its Global Pricing System. This pricing system assigns a price source, based on asset type and the vendor pricing products to which the master custodian subscribes, for every security held immediately following its acquisition. Prices supplied by these sources are monitored on a daily basis by the master custodian.

When a pricing source is unable to provide a price, quotes are sought from major investment brokers and market-making dealers; or internal calculations are applied if feasible. As a last resort, the master custodian will contact investment managers for a price. The master custodian prices commingled funds, partnerships, and real estate assets from statements received from the funds, partnerships, or investment managers.

The pricing sources utilized by the master custodian provide daily prices for equity securities, corporate, government and mortgage-backed fixed income securities, private placement securities, futures and options on futures, open-ended funds, and foreign exchange rates. Depending on the vendor, collateralized mortgage obligations (CMOs), adjustable rate mortgages (ARMs) and asset-backed securities are priced daily, weekly or twice a month and at month-end. Municipal fixed income securities and options on Treasury/Government National Mortgage Association securities are priced at month-end.

The System's investment guidelines for each specific portfolio limits investments in any corporate entity to no more than 5.0 percent of the market value of the account for both the internally and externally managed portfolios. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits.

C. Plan Description

The Virginia Retirement System (VRS) is a qualified governmental retirement plan that administers three retirement benefit structures: Plan 1, Plan 2, and Hybrid Plan, for state employees, public school board employees, employees of participating political subdivisions, and other qualifying employees. VRS is a combination of mixed-agent and cost-sharing, multiple-employer retirement plans. Each plan's accumulated assets may legally be used to pay all the plan benefits provided to any of the plan's members, retirees, and beneficiaries of each respective plan. Contributions for fiscal year 2023 were $4.2 billion with a reserve balance available for benefits of $98.1 billion. The contributions include one-time payments from the Commonwealth in June 2023 of $73.1 million to the State Employee Plan and $147.5 million to the Teacher Employee Plan. These special payments were authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I. As of June 30, 2023, VRS had 836 contributing employers.

The Commonwealth also administers the following single-employer retirement plans and benefit structures:

- State Police Officers' Retirement System (SPORS) – Plan 1 and Plan 2
- Virginia Law Officers' Retirement System (VaLORS) – Plan 1 and Plan 2
- Judicial Retirement System (JRS) – Plan 1, Plan 2, and Hybrid Plan

All full-time, salaried permanent employees of VRS participating employers are automatically covered under VRS, SPORS, VaLORS or JRS with the following exceptions: (1) certain full-time faculty and administrative staff of public colleges and universities; and (2) eligible classified employees of the two state teaching hospitals. These employees have the option to elect not to participate in the Virginia Retirement System. Benefit provisions and all other requirements are established by Title 51.1 of the *Code of Virginia*.

Benefits vest for all plans after five years of service credit. Vested VRS members in the VRS Plan 1 are eligible for an unreduced retirement benefit at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit as elected by the employer. Vested VRS members in the VRS Plan 2 and the Hybrid Plan are eligible for unreduced retirement benefits at normal social security retirement age with at least five years of service credit or when age and service credit equal 90. Vested SPORS and VaLORS members in both the VRS Plan 1 and the VRS Plan 2 are eligible for an unreduced benefit at age 60 with at least five years of hazardous duty service credit or age 50 with at least 25 years of total service credit.

Annual retirement benefits are payable monthly for life in an amount equal to 1.7 percent of eligible members' average final compensation (AFC) for each year of service credit. Under the VRS Plan 2, the multiplier for general employees was reduced to 1.65 percent beginning January 1, 2013. Under the Hybrid Plan, the multiplier for the defined benefit component is 1.0 percent. AFC is the average of the member's 36 consecutive months of highest creditable compensation for members under the VRS Plan 1. Under the VRS Plan 2 and the Hybrid Plan, a member's AFC is the average of the member's 60 consecutive months of highest creditable compensation. The benefit for members of SPORS is calculated using a 1.85 percent multiplier. Members of SPORS also are eligible for a hazardous duty supplement, paid monthly, until they reach full Social Security retirement age.

Members of VaLORS hired before July 1, 2001, were allowed to make a one-time election to increase the multiplier from 1.7 to 2.0 percent instead of receiving a monthly hazardous duty supplement. VaLORS members who elected to retain the 1.7 percent multiplier are eligible for the supplement until age 65. Members of VaLORS hired after June 20, 2001, have their benefit computed using the 2.0 percent multiplier and are not eligible for the supplement.

Members of JRS receive weighted years of service credit for each year of actual service under JRS. VRS, SPORS, VaLORS, and JRS also provide death and disability benefits.

A cost-of-living allowance (COLA), based on changes in the Consumer Price Index and limited to 5.0 percent per year for VRS Plan 1 and 3.0 percent for VRS Plan 2 and Hybrid Plan, is granted on July 1 of the second calendar year after retirement and is effective each July 1 thereafter. Beginning January 2013, a member who retires with less than 20 years of service must receive an allowance for one full calendar year after reaching unreduced retirement age to be eligible for a COLA. Members within five years of eligibility for an unreduced benefit as of January 1, 2013 were grandfathered.

Benefits for all vested members are actuarially reduced if they retire before becoming eligible for an unreduced retirement benefit, provided they meet age requirements for a reduced retirement benefit.

As required by Title 51.1 of the *Code of Virginia*, members contribute 5.0 percent of their annual compensation to the retirement plans. If a member leaves covered employment, the accumulated contributions plus earned interest may be refunded to the member. Each participating employer is required by state statute to contribute the remaining amounts necessary to fund the retirement plans using the entry age normal actuarial cost method adopted by the Board of Trustees. Contributions for fiscal year 2023 were $58.5 million, $30.1 million, and $115.8 million, and reserved balances available for benefits were $1.1 billion, $678.0 million, and $1.9 billion, for SPORS, JRS, and VaLORS, respectively. Contributions include special one-time payments from the Commonwealth in June 2023 of approximately $3.7 million, $2.1 million and $6.6 million to SPORS, JRS, and VaLORS, respectively. These special payments were authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I. State statute may be amended only by the General Assembly. To the extent that the employer's long-term obligation to provide pension benefits (total pension liability) is larger than the value of the assets available in the plan to pay these benefits (fiduciary net position), there is a net pension liability which is reported in the accompanying financial statements as a component of Long-term Liabilities Due in More than One Year.

The Hybrid Plan is the default benefit structure for new employees in the VRS and JRS plans. The Hybrid Plan benefit structure includes a defined benefit component and a defined contribution component. For Hybrid Plan members, 4.0 percent of the statutory member contribution of 5.0 percent is directed to the defined benefit component of the plan and 1.0 percent is directed to the mandatory defined contribution component of the plan. In addition, 1.0 percent of the total actuarially determined employer contribution is directed to the mandatory defined contribution component of the plan. The Hybrid Plan members may also elect to contribute an additional amount up to 4.0 percent to a voluntary defined contribution plan. The voluntary component also has a mandatory employer match of 0.5 to 2.5 percent that is deducted from the total actuarially determined employer contribution. For the fiscal year 2023, the mandatory and voluntary member contributions for the defined contribution component of the Hybrid Plan totaled $220.8 million and related mandatory employer contributions totaled $174.7 million. The statutory authority for the Hybrid plan is set out in the *Code of Virginia*, Section 51.1-169. This section also highlights the various plan provisions, including vesting and forfeiture. The total amount contributed by the employer shall vest to the employee's benefit according to the following schedule:

a. Upon completion of two years of active participation, 50.0 percent.
b. Upon completion of three years of active participation, 75.0 percent.
c. Upon completion of four years of active participation, 100.0 percent.

If an employee ceases to be a member prior to achieving 100.0 percent vesting, contributions made by an employer on behalf of the employee under subdivision 2 that are not vested shall be forfeited. The Defined Contribution plan component of the Hybrid plan has a fixed employer contribution that is a percentage of covered payroll. There is no additional employer liability for this component at year end.

Further information about the benefits provided in these retirement plans and their different benefit structures can be found in the Virginia Retirement System's Annual Comprehensive Financial Report.

The following table provides participant information.

	VRS	SPORS	VaLORS	JRS	2023 Total
Retirees and Beneficiaries Receiving Benefits	62,292	1,533	5,853	553	70,231
Terminated Employees Entitled to Benefits but not Receiving Them	13,855	165	884	2	14,906
Total	76,147	1,698	6,737	555	85,137
Active Members:					
Vested	51,099	1,528	4,011	369	57,007
Non-Vested	27,965	389	3,513	88	31,955
Total	79,064	1,917	7,524	457	88,962

D. Funding Policy

The funding policy of the retirement plans provides for periodic employer contributions at actuarially determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. Contribution rates are developed using the entry age normal cost method for both normal cost and amortization of the unfunded actuarial accrued liability. Gains and losses are reflected in the unfunded actuarial accrued liability that is being amortized as a level percentage of payroll within 30 years or less through fiscal year 2023 and 20 years or less starting in fiscal year 2024.

The System’s former actuary, Cavanaugh MacDonald Consulting, LLC, computed the amount of contributions to be provided by state agency employers, state police and other Virginia law employers. The Commonwealth approved contribution rates for fiscal year 2023 based on the actuary’s valuation as of June 30, 2021. Employer contributions by the Commonwealth to VRS, SPORS, VaLORS, and JRS were 14.5 percent, 30.0 percent, 24.6 percent, and 30.7 percent, respectively.

In addition to determining contribution requirements, the actuarial computations present an estimate of the discounted present value of the prospective accrued liability contributions that employers will have to pay in the future so that such contributions, together with the assets on hand, the normal contributions to be made in the future by employers and members and the income earned by investing funds, will be sufficient to provide all benefits to be paid to present members in the future as well as the annuitants and their designated beneficiaries.

E. Changes in Net Pension Liability

The total pension liability was determined based on the actuarial valuation as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022. The following tables (dollars in thousands) show the Commonwealth’s total pension liability, plan fiduciary net position, and net pension liability in total and individually for the VRS, SPORS, JRS, and VaLORS for the current and prior year.

Primary Government

	Totals (1)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2022	$ 19,198,087	$ 16,374,516	$ 2,823,571
Changes for the year			
Service cost	316,154	—	316,154
Interest	1,286,139	—	1,286,139
Differences between actual and expected experience	(107,318)	—	(107,318)
Assumption changes	—	—	—
Contributions - employer	—	644,255	(644,255)
Contributions - member	—	147,875	(147,875)
Net investment income	—	(15,073)	15,073
Benefit payments, including refunds	(1,024,596)	(1,036,575)	11,979
Administrative expense	—	(10,037)	10,037
Other changes	—	257	(257)
Net changes	470,379	(269,298)	739,677
Balances at June 30, 2023	$ 19,668,466	$ 16,105,218	$ 3,563,248

	VRS			SPORS		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2022	$ 14,973,225	$ 12,942,108	$ 2,031,117	$ 1,292,177	$ 1,050,148	$ 242,029
Changes for the year						
Service cost	233,775	—	233,775	23,688	—	23,688
Interest	1,005,321	—	1,005,321	86,396	—	86,396
Differences between actual and expected experience	(139,728)	—	(139,728)	25,538	—	25,538
Assumption changes	—	—	—	—	—	—
Contributions - employer	—	481,721	(481,721)	—	47,452	(47,452)
Contributions - member	—	123,097	(123,097)	—	7,131	(7,131)
Net investment income	—	(12,188)	12,188	—	(902)	902
Benefit payments, including refunds	(756,267)	(773,838)	17,571	(71,844)	(71,844)	—
Administrative expense	—	(8,078)	8,078	—	(602)	602
Other changes	—	167	(167)	—	—	—
Net changes	343,101	(189,119)	532,220	63,778	(18,765)	82,543
Balances at June 30, 2023	$ 15,316,326	$ 12,752,989	$ 2,563,337	$ 1,355,955	$ 1,031,383	$ 324,572

	JRS			VaLORS		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2022	$ 746,502	$ 673,151	$ 73,351	$ 2,186,183	$ 1,709,109	$ 477,074
Changes for the year						
Service cost	18,630	—	18,630	40,061	—	40,061
Interest	50,036	—	50,036	144,386	—	144,386
Differences between actual and expected experience	(7,256)	—	(7,256)	14,128	—	14,128
Assumption changes	—	—	—	—	—	—
Contributions - employer	—	30,266	(30,266)	—	84,816	(84,816)
Contributions - member	—	2,033	(2,033)	—	15,614	(15,614)
Net investment income	—	(477)	477	—	(1,506)	1,506
Benefit payments, including refunds	(47,720)	(47,719)	(1)	(148,765)	(143,174)	(5,591)
Administrative expense	—	(386)	386	—	(971)	971
Other changes	—	97	(97)	—	(7)	7
Net changes	13,690	(16,186)	29,876	49,810	(45,228)	95,038
Balances at June 30, 2023	$ 760,192	$ 656,965	$ 103,227	$ 2,235,993	$ 1,663,881	$ 572,112

Component Units

	Totals		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2022	$ 11,970,848	$ 10,330,124	$ 1,640,724
Changes for the year			
Service cost	184,392	—	184,392
Interest	789,985	—	789,985
Differences between actual and expected experience	(106,159)	—	(106,159)
Assumption changes	—	—	—
Contributions - employer	—	380,204	(380,204)
Contributions - member	—	96,510	(96,510)
Net investment income	—	(9,551)	9,551
Benefit payments, including refunds	(799,571)	(787,591)	(11,980)
Administrative expense	—	(6,327)	6,327
Other changes	—	128	(128)
Net changes	68,647	(326,627)	395,274
Balances at June 30, 2023	$ 12,039,495	$ 10,003,497	$ 2,035,998

	VRS			VaLORS		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2022	$ 11,766,422	$ 10,170,309	$ 1,596,113	$ 204,426	$ 159,815	$ 44,611
Changes for the year						
Service cost	180,127	—	180,127	4,265	—	4,265
Interest	774,612	—	774,612	15,373	—	15,373
Differences between actual and expected experience	(107,663)	—	(107,663)	1,504	—	1,504
Assumption changes	—	—	—	—	—	—
Contributions - employer	—	371,173	(371,173)	—	9,031	(9,031)
Contributions - member	—	94,848	(94,848)	—	1,662	(1,662)
Net investment income	—	(9,391)	9,391	—	(160)	160
Benefit payments, including refunds	(812,078)	(794,507)	(17,571)	12,507	6,916	5,591
Administrative expense	—	(6,224)	6,224	—	(103)	103
Other changes	—	129	(129)	—	(1)	1
Net changes	34,998	(343,972)	378,970	33,649	17,345	16,304
Balances at June 30, 2023	$ 11,801,420	$ 9,826,337	$ 1,975,083	$ 238,075	$ 177,160	$ 60,915

The amounts in the previous tables include governmental, business-type, and component unit activity for the Commonwealth's VRS State Plan. All component unit tables exclude the non-VRS State Plan net pension liability of $29.8 million for all component units.

The 2021 actuarial valuations were prepared using the entry age normal cost method. The actuarial assumptions included (a) 6.8 percent investment rate of return, per year compounded annually; (b) projected salary increases ranging from 3.5 percent to 6.0 percent, including a 2.5 percent inflation component and (c) COLA of 2.5 percent for Plan 1 and 2.3 percent for Plan 2 and Hybrid. The actuarial assumption for mortality rates was based on the Pub-2010 with modified MP-2020 Improvement Scale. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

For more detailed actuarial information, refer to the Virginia Retirement System's financial statements, including mortality rates shown in the "Actuarial Assumptions and Methods – Pension Plans" schedule.

F. Changes to and Sensitivity of Discount Rate

The discount rate used to measure the total pension liability was 6.8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be based on the actuarially determined rates based on the Board's funding policy, which certifies the required rates under Title 51.1 of the *Code of Virginia*. Beginning on July 1, 2018, all agencies are assumed to contribute 100.0 percent of the actuarially determined contribution rates. Based on those assumptions, the fiduciary net position was projected to be available to make all of the projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability. In accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25,* regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the employers' net pension liability for each of the plans calculated using the discount rate of 6.8 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.0 percent lower (5.8 percent) or 1.0 percent higher (7.8 percent) than the current rate. The following table (dollars in thousands) shows the Commonwealth's changes in the discount rate.

Primary Government

VRS			SPORS		
Net Pension Liability			Net Pension Liability		
1.0% Decrease (5.8%)	Current Discount Rate (6.8%)	1.0% Increase (7.8%)	1.0% Decrease (5.8%)	Current Discount Rate (6.8%)	1.0% Increase (7.8%)
$ 4,380,811	$ 2,563,337	$ 1,056,965	$ 495,276	$ 324,572	$ 182,452

JRS			VaLORS		
Net Pension Liability			Net Pension Liability		
1.0% Decrease (5.8%)	Current Discount Rate (6.8%)	1.0% Increase (7.8%)	1.0% Decrease (5.8%)	Current Discount Rate (6.8%)	1.0% Increase (7.8%)
$ 179,396	$ 103,227	$ 39,020	$ 870,530	$ 572,112	$ 328,823

Component Units

VRS			VaLORS		
Net Pension Liability			Net Pension Liability		
1.0% Decrease (5.8%)	Current Discount Rate (6.8%)	1.0% Increase (7.8%)	1.0% Decrease (5.8%)	Current Discount Rate (6.8%)	1.0% Increase (7.8%)
$ 3,375,469	$ 1,975,083	$ 814,405	$ 92,689	$ 60,915	$ 35,011

The long-term expected rate of return on the System's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term target allocations are based on the Strategic Asset Allocation Implementation Schedule and Allowable Ranges document, which was approved by the VRS Board of Trustees on October 10, 2019. Best estimates of arithmetic real rates of return for each major asset class included in the System's long-term target asset allocation are summarized in the following table.

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.0 %	5.7%	1.9 %
Fixed Income	15.0 %	2.0%	0.3 %
Credit Strategies	14.0 %	4.8%	0.7 %
Real Assets	14.0 %	4.5%	0.6 %
Private Equity	14.0 %	9.7%	1.4 %
MAPS - Multi-Asset Public Strategies	6.0 %	3.7%	0.2 %
PIP-Private Investment Partnerships	3.0 %	6.6%	0.2 %
Total	100.0 %		5.3 %
Inflation			2.5 %
Expected arithmetic nominal return			7.8 %

The allocation in the previous table provides a one-year expected return of 7.8 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the pension system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.7 percent, including expected inflation of 2.5 percent. On October 10, 2019, the VRS Board of Trustees elected a long-term rate of return of 6.8 percent which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median of 7.1 percent, including expected inflation of 2.5 percent.

G. Pension Related Deferred Outflows and Deferred Inflows

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* requires certain pension related items to be reported as either deferred outflows or deferred inflows of resources. The following tables (dollars in thousands) summarize these amounts as of June 30, 2023, in total and by individual plan.

Primary Government (1)

	Totals (2)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 46,865	$ 195,058
Changes of assumptions	191,539	7,273
Net difference between projected and actual earnings on plan investments	—	469,402
Changes in proportion and difference between employer contributions and proportionate share of contributions	565,460	533,583
Employer contributions subsequent to the Measurement Date	530,594	—
Total	$ 1,334,458	$ 1,205,316

	VRS		SPORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ —	$ 169,562	$ 40,325	$ 8,612
Changes of assumptions	102,854	—	51,253	7,270
Net difference between projected and actual earnings on plan investments	—	373,644	—	29,563
Changes in proportion and difference between employer contributions and proportionate share of contributions	537,855	502,524	—	—
Employer contributions subsequent to the Measurement Date	377,603	—	46,981	—
Total	$ 1,018,312	$ 1,045,730	$ 138,559	$ 45,445

	JRS		VaLORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ —	$ 13,839	$ 6,532	$ 2,995
Changes of assumptions	29,623	—	7,806	—
Net difference between projected and actual earnings on plan investments	—	19,268	—	46,920
Changes in proportion and difference between employer contributions and proportionate share of contributions	—	—	27,605	31,059
Employer contributions subsequent to the Measurement Date	24,304	—	81,653	—
Total	$ 53,927	$ 33,107	$ 123,596	$ 80,974

Component Units (1) (3)

	Totals	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 696	$ 130,938
Changes of assumptions	80,064	—
Net difference between projected and actual earnings on plan investments	—	292,830
Changes in proportion and difference between employer contributions and proportionate share of contributions	28,624	62,727
Employer contributions subsequent to the Measurement Date	315,012	—
Total	$ 424,396	$ 486,495

	VRS		VaLORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ —	$ 130,620	$ 696	$ 318
Changes of assumptions	79,233	—	831	—
Net difference between projected and actual earnings on plan investments	—	287,834	—	4,996
Changes in proportion and difference between employer contributions and proportionate share of contributions	24,640	62,303	3,984	424
Employer contributions subsequent to the Measurement Date	305,856	—	9,156	—
Total	$ 409,729	$ 480,757	$ 14,667	$ 5,738

(1) During fiscal year 2023, the Commonwealth recognized pension expense for the primary government and component units of $296,297 (dollars in thousands) and $118,547 (dollars in thousands), respectively. The recognized pension expense by plan for the primary government was as follows (dollars in thousands): VRS $179,909, SPORS $34,078, JRS $20,777, and VaLORS $61,533. The recognized pension expense by plan for component units was as follows (dollars in thousands): VRS $107,041 and VaLORS $11,506.

(2) This table includes deferred outflows of resources and deferred inflows of resources of $63,697 and $60,411, respectively, for the Hampton Roads Transportation Accountability Commission (nonmajor governmental), not related to the VRS State Plan. During fiscal year 2023, the Commonwealth made a payment of $52,290 (dollars in thousands) to the System. This amount is reflected as deferred outflows of resources in the accompanying financial statements and excluded from this table.

(3) The component unit amounts exclude deferred outflows of resources and deferred inflows of resources of $41,719 (dollars in thousands) and $23,761 (dollars in thousands), respectively, not related to the VRS State Plan.

Deferred Amounts to be Recognized in Fiscal Years Following Reporting Date

The following tables (dollars in thousands) provide the net estimated amount of the deferred inflows and deferred outflows of resources that will be recognized in the Commonwealth's pension expense for each of the next five fiscal years. These amounts exclude employer contributions made subsequent to the measurement date as those contributions will reduce the fiscal year 2024 net pension liability.

Primary Government

	VRS	SPORS	JRS	VaLORS
2024	$ (153,271)	$ 4,611	$ (1,925)	$ (7,621)
2025	(166,689)	12,454	(99)	(21,208)
2026	(247,131)	(3,135)	(9,703)	(35,442)
2027	162,070	26,620	8,243	25,240
2028	—	5,583	—	—

Component Units

	VRS	VaLORS
2024	$ (142,623)	$ (45)
2025	(155,110)	(123)
2026	(229,962)	(206)
2027	150,811	147
2028	—	—

H. Defined Contribution Plan for Political Appointees

Officers appointed by the Governor, officers elected by popular vote or the General Assembly, and executive branch chief deputies and confidential assistants may participate in the deferred contribution plan for Political Appointees, rather than the VRS. This optional retirement plan is authorized by the *Code of Virginia* and offered through the MissionSquare. This is a defined contribution plan where the retirement benefits are based upon the Commonwealth's 12.3 percent and the employee's (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year ended June 30, 2023, the total contributions to this plan were $2.0 million. As of June 30, 2023, the amount to be paid to participants upon retirement is $26.4 million. The summary of significant accounting policies for the plan is in accordance with those discussed in Note 17.B.

I. Defined Contribution Plan for Public School Superintendents

The Public School Superintendent Plan is a defined contribution pension plan that provides optional postemployment benefits for school superintendents. This plan is authorized by the *Code of Virginia* and offered through the MissionSquare. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school board for credit to the member. As of June 30, 2023, there were four participant accounts in this plan. During the year ended June 30, 2023, the total contributions to this plan were $61,775. As of June 30, 2023, the amount to be paid to participants upon retirement is $324,562.

J. Virginia Supplemental Retirement Plan

The Public School Teacher Supplemental Retirement Plan is a defined contribution pension plan established by the Department of Education to provide an optional postemployment benefit plan for turnaround specialists in the public school system. This plan is utilized as an incentive to attract highly skilled teachers for participating public schools pursuant to Title 51.1-617 of the *Code of Virginia* and offered through the MissionSquare. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school boards for credit to the members. As of June 30, 2023, there were two participant accounts in this plan. There were no contributions to the plan for fiscal year 2023.

K. Higher Education (Nonmajor Component Units)

The Commonwealth's colleges and universities participate in the retirement plans administered by VRS. In addition, full-time faculty and certain administrative staff of the Commonwealth's colleges and universities may participate in optional retirement plans as authorized by Section 51.1-126 of the *Code of Virginia* rather than the VRS retirement plans. These optional retirement plans are defined contribution plans offered through the Teachers Insurance and Annuity Association (TIAA) and DCP. There are two defined contribution plans. Plan 1 is for employees hired prior to July 1, 2010, and retirement benefits received are based upon the employer's 10.4 percent contributions, plus net investment gains. Plan 2 is for employees hired on or after July 1, 2010, and retirement benefits received are based upon the employer's contribution, not to exceed 8.9 percent, and the employee's 5.0 percent contribution, plus net investment gains. For Plan 2, the employer contributions for fiscal year 2023 were 8.5 percent except for the University of Virginia (nonmajor) which were 8.9 percent. Vesting is full and immediate for both employer and employee contributions, except UVA employees hired after July 1, 2014, are fully vested in the UVA contributions after two years of continuous employment. For fiscal year 2023, total pension expense recognized was $190.3 million and contributions were calculated using the base salary amount of $2.0 billion. As of June 30, 2023, the Commonwealth's colleges and universities had accrued $12.7 million in employer liabilities related to these plans.

University of Virginia Medical Center (part of the University of Virginia – nonmajor) employees hired after July 1, 1999, cannot participate in Plan 1 or Plan 2 noted above, but have the option of participating in the Medical Center's Optional Retirement Plan. For information regarding this plan, see the institution's separately issued financial statements.

Certain employees of Virginia Commonwealth University (nonmajor) are participating in The Select Plan, which is a 401(a) defined contribution plan. Participation is limited to executives by invitation. For information regarding this plan, see the University's website at www.vcu.edu.

Prior to July 1, 1997, certain employees of the Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of Virginia Commonwealth University – nonmajor) were eligible to participate in the VRS defined benefit pension plan. Effective July 1, 1997, the Authority established the Virginia Commonwealth University Health System Authority Defined Contribution Plan (VCUHS 401(a) Plan) and the Virginia Commonwealth University Health System Authority Health Care Providers Defined Contribution Plan (HCP Plan). The Authority and component units participate in the VCUHS 401(a) as well as sponsor the VCUHS Savings Plan (VCUHS 457(b) Plan). The Authority also provides an executive defined contribution plan and deferred compensation retirement benefits for select executives of the Health System. MCVAP and CMH Physicians sponsor 401(a) defined contribution plans and 403(b) salary deferral plans. For information regarding these plans, see the Authority's separately issued financial statements.

L. Other Component Units

Note 1.B. outlines the component units included in the Commonwealth's reporting entity. The Virginia Public Building Authority (blended - primary government), the Virginia Public School Authority (major), and the Virginia College Building Authority (major), have no employees. The Virginia School for the Deaf and Blind Foundation (nonmajor) has one wage employee. Virginia Resources Authority (major) and the following nonmajor component units participate in the retirement plans administered by VRS: the Virginia Economic Development Partnership, the Virginia Small Business Financing Authority, the Hampton Roads Sanitation District Commission, the Virginia Biotechnology Research Partnership Authority, the Virginia Tourism Authority, the Tobacco Region Revitalization Commission, the Virginia Foundation for Healthy Youth, the Virginia Passenger Rail Authority, and the Fort Monroe Authority.

The Virginia Housing Development Authority (major) has three defined contribution plans. For additional information regarding these plans, see the Authority's website at www.vhda.com.

The Virginia Outdoors Foundation (nonmajor) maintains a 401(k) contribution plan and employees are eligible to participate in the retirement plan at six months for the first 4.0 percent (safe harbor match) and from 5.0 percent to 10.0 percent after a three year vesting period. For information regarding this plan, see the Foundation's website at www.vof.org.

The Virginia Commercial Space Flight Authority (nonmajor) maintains a 401(a) contribution plan and provides an employer contribution to all eligible employees of 11.0 percent of their base salary. For information regarding this plan, see the Authority's separately issued financial statements at www.vaspace.org.

The Virginia Port Authority (VPA) (nonmajor) maintains two defined benefit plans for its employees. Employees of record on July 1, 1997, had the option of continuing to maintain their benefit status as a State employee, and their benefits maintained under the VRS, or elect to be covered under a newly created pension plan (the VPA Defined Benefit Plan). The VPA Defined Benefit Plan covers all employees hired between July 1, 1997 and January 28, 2014. Employees hired after January 28, 2014, are eligible for a defined contribution plan only. On January 1, 2015, the plan was amended to add certain employees who transferred from the Virginia International Terminals (VIT) (referred to as "Legacy VIT Participants") to VPA. VIT (a blended component unit of VPA – nonmajor) has the Virginia International Terminals, LLC Pension Plan that is a single employer, noncontributory defined benefit pension plan administered by VIT. A stand-alone financial report is issued and is available upon request from VPA's administrative offices. For information regarding these plans, see the Authority's website at www.portofvirginia.com.

Employees of the Virginia Museum of Fine Arts Foundation (nonmajor) who are age 21 or older are eligible to participate in the Employee's Savings Plan, a 401(k) defined contribution profit sharing plan. Also, the Foundation entered into a supplemental retirement agreement to pay a key employee of the Museum upon retirement the difference between the amount accrued under the VRS retirement plan, based on salary, and the amount based on the supplemental salary. For additional information regarding these plans, see the Foundation's separately issued financial statements.

The Science Museum of Virginia Foundation (nonmajor) has a 403(b) defined contribution pension plan through the TIAA-CREF Retirement Plan for employees meeting age and service requirements. For additional information regarding this plan, see the Foundation's separately issued financial statements.

18. OTHER EMPLOYMENT BENEFITS

In addition to the pension plans, the Commonwealth participates in two other employment benefit plans, Group Life Insurance and the Virginia Sickness and Disability Program, which are administered by the Virginia Retirement System (the System). The significant accounting policies are the same as those described in Note 17 for pension plans. A separately issued financial report that includes financial statements for the Group Life Insurance and Virginia Sickness and Disability Program is publicly available. Copies may be obtained from the Virginia Retirement System website at www.varetire.org.

Group Life Insurance

The Group Life Insurance Plan was established for Commonwealth employees, teachers, employees of political subdivisions participating in the VRS, state police officers, other state law enforcement and correctional officers, judges, and other qualifying employees. The program provides life insurance for natural death coverage equal to a member's annual compensation rounded to the next highest $1,000 and then doubled. Accidental death coverage is double the natural death benefit. The program also provides coverage for accidental dismemberment and accidental blindness, a safety belt benefit, a repatriation benefit, a felonious assault benefit and an accelerated death benefit for terminal conditions. Approximately 346,624 active members participate in the program as of June 30, 2023.

Participating employers and their covered employees are required by Title 51.1 of the *Code of Virginia* to contribute to the cost of group life insurance benefits. Employers may assume the employees' contributions.

An optional Group Life Insurance Fund was established for members covered under the group life program as a supplement to that plan. Members may purchase optional life insurance coverage for themselves, their spouses and/or their dependent children. The optional program provides natural death coverage equal to one, two, three or four times the member's annual compensation rounded to the next highest $1,000, up to a maximum of $800,000. Spouse coverage is available for up to one-half of the member's optional insurance amount. Minor children who are at least 15 days old can be insured for $10,000, $20,000 or $30,000, depending on the option chosen by the member. An additional accidental death and dismemberment benefit is payable for death or bodily injuries. Approximately 73,958 members were covered under this program as of June 30, 2023.

Optional group life insurance coverage ends for members when they retire or terminate their employment, or when their basic coverage ends. Optional life insurance amounts begin to reduce by 25.0 percent based on the retiree's age, beginning with the retiree's normal retirement age under his or her plan ending at age 80. Retirees may elect to continue coverage within 31 days of retirement. Spouse coverage terminates should a couple divorce or when the member leaves employment. Children's coverage ends with the termination of the member's coverage or when the child marries or turns 21 years of age (25 years of age for full-time college students).

Employers of members who elect optional life insurance coverage deduct the premiums from the members' paychecks, as required by Title 51.1 of the *Code of Virginia*. Premiums are based on the member's age and determined by the Board of Trustees. Because optional life insurance is an insured product, the carrier bills each employer directly, and the employer makes the contribution payments to the carrier. Any differences and adjustments are settled between the employer and the carrier.

Virginia Sickness and Disability Program

The System administers the Virginia Sickness and Disability Program (VSDP) to provide income protection in the event of a disability for eligible state employees hired on or after January 1, 1999. State agencies are required by Title 51.1 of the *Code of Virginia* to contribute to the cost of providing long-term disability benefits and administering the program.

VSDP benefits include sick, family and personal leave and short-term and long-term disability benefits. After a seven-calendar day waiting period following the first day of disability, eligible employees receive short-term disability benefits from 60.0 percent to 100.0 percent of their compensation. After 125 work days of short-term disability, eligible employees receive long-term disability benefits equal to 60.0 percent of their compensation. If the employee's condition becomes catastrophic, income replacement increases to 80.0 percent until the condition is no longer catastrophic. Long-term disability benefits continue until employees return to work, retire or reach age 65 (age 60 for state police officers and other state law enforcement and correctional officers) or die.

Full-time permanent salaried state employees, including state police officers and other Virginia law and correctional officers, are automatically enrolled in the VSDP. Part-time permanent salaried state employees who work at least 20 hours a week and accrue leave also are automatically enrolled. Teaching, administrative and research faculty of Virginia public colleges and universities who elect VRS as their retirement plan must make an irrevocable election to participate in either the VSDP or the institution's disability program. If there is no institution program, the faculty member is covered under VSDP.

Eligible state employees and state police officers employed before January 1, 1999, had the option to elect to participate in the VSDP or remain under the Commonwealth's existing sick leave program and retain their eligibility for disability retirement benefits under VRS and SPORS. (Members of VaLORS have been automatically enrolled in the VSDP since October 1, 1999, when VaLORS was created.) Eligible employees enrolled in the VSDP are not eligible for disability retirement benefits under VRS, SPORS, or VaLORS. Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work related short-term disability coverage and certain income replacement levels. Approximately 82,381 members were covered under the program as of June 30, 2023.

19. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

1) Administration and Significant Accounting Policies

The System-administered defined benefit OPEB plans mentioned below have a trust that meets the requirements in GASB Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits Other than Pensions*. In addition, the net OPEB liability for these plans have a measurement date of June 30, 2022. As previously mentioned, a separately issued financial report that includes financial statements, notes and required supplementary information for each of the System-administered plans discussed below is publicly available. Copies may be obtained from the Virginia Retirement System website at www.varetire.org.

The administration and significant accounting policies for the System-administered OPEB plans are the same as those described in Note 17 for pension plans.

2) Plan Descriptions

Retiree Health Insurance Credit Program

The Retiree Health Insurance Credit Program is composed of a single-employer plan for state employees; a cost-sharing multiple-employer plan for teachers; three cost-sharing, multiple-employer plans for constitutional officers, social services employees and registrars; and an agent, multiple-employer plan for political subdivisions electing coverage. This note and the required supplementary information in this report is for the single-employer plan for state employees and also includes the state-funded noncontributing employer portion for constitutional officers, registrars, and their employees, as well as local social service employees.

The Retiree Health Insurance Credit (RHIC) for state employees provides benefits for retired state employees, state police officers, other state law enforcement, correctional officers, and judges who have at least 15 years of service credit under the retirement plans. Members of JRS receive weighted years of service credit for each year of actual service under JRS. VRS, SPORS, VaLORS, and JRS also provide death and disability benefits. The program provides a credit reimbursement of $4 per month per year of service credit against the monthly health insurance premiums of eligible retirees. There is no cap on the credit. Certain eligible employees who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program are eligible for a credit not to exceed $120.

The following is the approximate number of employees covered by the RHIC plan for state employees on the measurement date of June 30, 2022:

	RHIC for State Employees
Inactive employees currently receiving benefit payments	50,134
Inactive employees entitled to but not yet receiving benefit payments	4,402
Active employees	108,528
Total	163,064

The health insurance credit plan for general registrars, constitutional officers, and their employees as well as local social service employees (RHIC Non-State) provides $1.50 per month per year of service with a maximum monthly credit of $45. The Commonwealth funds this credit. Benefit provisions and eligibility requirements are established by Title 51.1 of the *Code of Virginia*. The amount required to fund all credits is financed by the employers based on contribution rates determined by the System's actuary.

Virginia Sickness and Disability Program

The Virginia Sickness and Disability Program (VSDP) is a single-employer plan. It is also known as the Disability Insurance Trust Fund. The Commonwealth provides OPEB disability insurance benefits, in accordance with state statutes, to eligible retired and terminated employees. Eligible employees include state employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement and full-time and part-time, salaried state employees covered under VRS, SPORS, and VaLORS. State agencies are required by Title 51.1 of the *Code of Virginia* to contribute to the cost of providing long-term disability benefits and administering the program. The following is the approximate number of employees covered by this plan on the measurement date of June 30, 2022:

	VSDP
Inactive employees currently receiving benefit payments	5,757
Inactive employees entitled to but not yet receiving benefit payments	—
Active employees	76,529
Total	82,286

Group Life Insurance Program

The Group Life Insurance Program (GLI) is a cost-sharing, multiple employer plan. Members whose employers participate in the Group Life Insurance Program are covered automatically under the Basic Group Life Insurance Program upon employment. This program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including certain employers that do not participate in VRS for retirement. At retirement or termination, accidental death benefits cease and natural death coverage reduces at a rate equal to 25.0 percent on January 1 of the first full calendar year following retirement or termination and on January 1 of each year thereafter, until it reaches 25.0 percent of its original value. These group life insurance benefit provisions and requirements are established by Title 51.1 of the *Code of Virginia*. Participating employers and covered employees are required to contribute to the cost of group life insurance benefits. Employers may assume employees' contributions. A portion of the premium contributions collected during members' active careers is placed in an advance premium deposit reserve. This reserve is to fund the claims for eligible retired and deferred members.

Line of Duty Act Program

The Line of Duty Act Program (LODA) is a cost-sharing, multiple employer plan. It provides a one-time death benefit and premium-free health insurance to eligible public safety officers and eligible family members including volunteers, covered by resolutions, who as a result of the performance of their duties are permanently disabled or killed in the line of duty. There is limited health insurance reimbursement made to eligible individuals who no longer qualify for eligibility for employer subsidized coverage during the evaluation process. Benefit provisions and eligibility requirements are established by Title 9.1 of the *Code of Virginia*. The System is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in fiscal year 2012. The employer contribution rate was determined by the System's actuary using the anticipated costs and the number of covered individuals associated with all participating employers. The Department of Human Resource Management administers the health benefits and payment of claims under this program. The System manages the death benefit payments.

3) Funding

The contribution requirements are governed by the *Code of Virginia*, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employer contributions by the Commonwealth for the RHIC and VSDP were 1.1 percent and 0.6 percent, respectively, of covered employee compensation. In addition, the contributions by the Commonwealth for the RHIC: Non-State for general registrars, constitutional officers, and their employees, and local social service employees were approximately 0.4 percent.

The total contribution rate for the GLI was 1.3 percent allocated into an employee and an employer component using a 60/40 split. The employee component was 0.8 percent and the employer component was 0.5 percent. Each employer's contractually required employer contribution rate for the year ended June 30, 2023, was 0.5 percent of covered employee compensation. Each employer's contractually required employer contribution rate for the LODA for the year ended June 30, 2023, was $681.84 per covered full-time-equivalent employee.

The Commonwealth approved rates based on the results of the actuarial valuation as of June 30, 2021 with some rates being approved at a value greater than the actuarial rate. For RHIC and GLI, the actuarially determined rate was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. For VSDP, the actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. For the LODA, the rate represents a pay-as-you-go funding rate and not the full actuarial cost of benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year.

Employer contributions by the Commonwealth to the RHIC, VSDP, GLI, LODA, and the RHIC Non-State plans were $119.5 million, $31.1 million, $41.5 million, $8.1 million, and $6.2 million, respectively, for the year ended June 30, 2023. These contributions include special one-time payments made by the Commonwealth in June 2023 of approximately $27.2 million, $3.1 million and $1.1 million for RHIC, GLI, and the RHIC Non-State plans, respectively. These special payments were authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I.

4) Changes in Net OPEB Liability and Proportionate Share of Net OPEB Liability

The total OPEB liability for each plan was determined based on the actuarial valuation as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022. The following tables (dollars in thousands) show the Commonwealth's total OPEB liability, plan fiduciary net position, and net OPEB liability (asset) for the RHIC and VSDP for the current and prior year, and the Commonwealth's proportionate share of the net OPEB liability for GLI, LODA, and RHIC Non-State plans. Since the VSDP has a net OPEB asset rather than a net OPEB liability, the net OPEB asset amount is not included in the total balance amount. The Commonwealth's Proportion for the GLI, LODA, and RHIC Non-State plans of $1.2 billion, $378.5 million and $39.0 million, respectively represents the portion of the Commonwealth's share of Net OPEB Liability amount compared to the Net OPEB Liability amount for all employers.

Primary Government

	RHIC			VSDP		
	Increase (Decrease)			Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (1) (a)-(b)
Balances at June 30, 2022	$ 434,908	$ 85,900	$ 349,008	$ 165,858	$ 379,837	$ (213,979)
Changes for the year						
Service cost	7,609	—	7,609	19,160	—	19,160
Interest	28,967	—	28,967	11,891	—	11,891
Benefit changes	—	—	—	—	—	—
Differences between actual and expected experience	(14,199)	—	(14,199)	12,611	—	12,611
Assumption changes	5,619	—	5,619	—	—	—
Contributions - employer	—	38,998	(38,998)	—	17,572	(17,572)
Contributions - member	—	—	—	—	—	—
Net investment income	—	(149)	149	—	(315)	315
Benefit payments	(29,175)	(31,115)	1,940	(18,074)	(17,619)	(455)
Third-party administrator charges	—	—	—	—	(4,508)	4,508
Administrative expense	—	(148)	148	—	(300)	300
Other changes	—	(164)	164	—	379	(379)
Net changes	(1,179)	7,422	(8,601)	25,588	(4,791)	30,379
Balances at June 30, 2023	$ 433,729	$ 93,322	$ 340,407	$ 191,446	$ 375,046	$ (183,600)

	Other Plans (3)	
	Commonwealth's Proportion	Proportionate Share of Net OPEB Liability
Group Life Insurance	14.5 %	$ 174,815
Line of Duty Act	56.6 %	214,061
Retiree Health Insurance Credit: Non-State	100.0 %	38,979
Balance at June 30, 2023		$ 427,855
Total balance at June 30, 2023: (excludes VSDP net OPEB asset) (1) (2)		$ 768,262

Component Units

	RHIC			VSDP		
	Increase (Decrease)			Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (1) (a)-(b)
Balances at June 30, 2022	$ 617,492	$ 121,960	$ 495,532	$ 101,340	$ 232,082	$ (130,742)
Changes for the year						
Service cost	10,702	—	10,702	11,642	—	11,642
Interest	40,740	—	40,740	7,224	—	7,224
Benefit changes	—	—	—	—	—	—
Differences between actual and expected experience	(19,970)	—	(19,970)	7,663	—	7,663
Assumption changes	7,903	—	7,903	—	—	—
Contributions - employer	—	54,849	(54,849)	—	10,677	(10,677)
Contributions - member	—	—	—	—	—	—
Net investment income	—	(209)	209	—	(192)	192
Benefit payments	(46,848)	(44,908)	(1,940)	(11,551)	(12,006)	455
Third-party administrator charges	—	—	—	—	(2,739)	2,739
Administrative expense	—	(209)	209	—	(183)	183
Other changes	—	(230)	230	—	231	(231)
Net changes	(7,473)	9,293	(16,766)	14,978	(4,212)	19,190
Balances at June 30, 2023	$ 610,019	$ 131,253	$ 478,766	$ 116,318	$ 227,870	$ (111,552)

	Other Plans (3)	
	Commonwealth's Proportion	Proportionate Share of Net OPEB Liability
Group Life Insurance	15.6 %	$ 187,331
Line of Duty Act	2.9 %	11,184
Balance at June 30, 2023		$ 198,515
Total balance at June 30, 2023: (excludes VSDP net OPEB asset) (1) (4)		$ 677,281

(1) The VSDP net OPEB asset is included in Other Restricted Assets in the accompanying government-wide financial statements.
(2) The primary government's aggregate OPEB liability is $975,700 (dollars in thousands) as of June 30, 2023. This includes amounts for both the VRS-administered and DHRM-administered plans.
(3) The primary government's proportion for Group Life Insurance and Line of Duty changed by 0.0 percent and 0.3 percent, respectively, while the component units' proportion changed by 0.1 percent and -0.2 percent, respectively, when compared to the prior year. The Commonwealth's proportion of the Retiree Health Insurance Credit: Non-State for the primary government did not change from the prior year.
(4) The component unit's aggregate OPEB liability is $868,198 (dollars in thousands) as of June 30, 2023. This includes amounts for both the VRS-administered and DHRM-administered plans as well as other OPEB plans.

The amounts in the previous tables include governmental, business-type, and component unit activity for the Commonwealth's VRS OPEB plans. The table excludes other net OPEB liability amounts of $14.4 million for all other component units.

The net OPEB liabilities were based on an actuarial valuation as of June 30, 2021, using the entry age normal actuarial cost method. The actuarial assumptions included the following: (a) investment rate of return, net of OPEB plan investment expenses, including inflation: 6.8 percent for RHIC, VSDP, and GLI, and 3.7 percent for LODA; and (b) projected salary increases, including a 2.5 percent inflation component, ranging from 3.5 percent to 6.0 percent for VRS state, JRS, SPORS, and VaLORS employees, and teachers and political subdivision employees. For these OPEB plans, the teachers and political subdivision employees are not Commonwealth employees and, therefore, are excluded from the accompanying tables.

For more detailed actuarial information, refer to the Virginia Retirement System's financial statements, including the "Actuarial Assumptions and Methods – Other Post-Employment Benefit Plan Funds" schedule.

5) Changes to and Sensitivity of Discount Rate

The discount rate used to measure the total OPEB liability was 6.8 percent for the prefunded plans. These include the Group Life Insurance Program, the Retiree Health Insurance Credit Program, and the Disability Insurance Program.

The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be based on the actuarially determined rates based on the Board's funding policy, which certifies the required rates under Title 51.1 of the *Code of Virginia*. Based on those assumptions, the fiduciary net position was projected to be available to make all of the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of the projected benefit payments to determine the total OPEB liability. In accordance with GASB Statement No. 75 regarding the disclosure of the sensitivity of the net OPEB liability to changes in the discount rate, the following table (dollars in thousands) presents the employers' net OPEB liability for each of the plans calculated using the discount rate of 6.8 percent, as well as what the employers' net OPEB liability would be if it were calculated using a discount rate that is 1.0 percent lower (5.8 percent) or 1.0 percent higher (7.8 percent) than the current rate.

The Line of Duty Act Program is funded on a pay-as-you-go basis. As a result, the liabilities are valued using a discount rate of 3.7 percent, which approximates the risk-free rate of return. This rate increased by 1.5 percent when compared to the prior year. The following table (dollars in thousands) shows the Commonwealth's changes in the discount rate and the healthcare trend rate.

Primary Government

Changes in Discount Rate

RHIC Net OPEB Liability 1.0% Decrease (5.8%)	RHIC 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%)
$ 382,247	$ 340,407	$ 304,485	$ (168,987)	$ (183,600)	$ (196,440)

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

Changes in Discount Rate — **RHIC: Non-State** — Proportionate Share of Net OPEB Liability

1.0% Decrease (5.8)%	Current Discount Rate (6.8%)	1.0% Increase (7.8)%
$ 44,102	$ 38,979	$ 34,625

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%)
$ 180,393	$ 214,061	$ 256,320

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%)
$ 537,613	$ 478,766	$ 428,244	$ (102,674)	$ (111,552)	$ (119,353)

GLI Proportionate Share of Net OPEB Liability 1.0% Decrease (5.8)%	GLI Current Discount Rate (6.8%)	GLI 1.0% Increase (7.8%)	LODA Proportionate Share of Net OPEB Liability 1.0% Decrease (2.7%)	LODA Current Discount Rate (3.7%)	LODA 1.0% Increase (4.7%)
$ 272,588	$ 187,331	$ 118,431	$ 12,766	$ 11,184	$ 9,889

Changes in Healthcare Cost Trend Rates — **LODA** — Proportionate Share of Net OPEB Liability

1.0% Decrease (6.0% decreasing to 3.8%)	Healthcare Cost Trend Rates (7.0% decreasing to 4.8%)	1.0% Increase (8.0% decreasing to 5.8%)
$ 9,424	$ 11,184	$ 13,391

(1) The VSDP net OPEB asset is included in Other Restricted Assets in the accompanying government-wide financial statements.

The long-term expected rate of return on the System's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term target allocations are based on the Strategic Asset Allocation Implementation Schedule and Allowable Ranges document, which was approved by the VRS Board of Trustees on October 10, 2019. Best estimates of arithmetic real rates of return for each major asset class included in the System's long-term target asset allocation are summarized in the following table.

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.0 %	5.7 %	1.9 %
Fixed Income	15.0 %	2.0 %	0.3 %
Credit Strategies	14.0 %	4.8 %	0.7 %
Real Assets	14.0 %	4.5 %	0.6 %
Private Equity	14.0 %	9.7 %	1.4 %
MAPS - Multi-Asset Public Strategies	6.0 %	3.7 %	0.2 %
PIP-Private Investment Partnerships	3.0 %	6.6 %	0.2 %
Total	100.0 %		5.3 %
Inflation			2.5 %
Expected arithmetic nominal return			7.8 %

The allocation in the previous table provides a one-year expected return of 7.8 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the pension system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.7 percent, including expected inflation of 2.5 percent. On October 10, 2019, the VRS Board of Trustees elected a long-term rate of return of 6.8 percent which is roughly at the 40th percentile of expected long-term results of VRS fund asset allocation at that time, providing a median of 7.1 percent, including expected inflation of 2.5 percent.

The long-term expected rate of return on the LODA OPEB Program's investments was set at 3.7 percent for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.8 percent assumption. Instead, the assumed annual rate of return of 3.7 percent was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Fidelity Fixed Income General Obligation 20-year Municipal Bond Index as of June 30, 2022.

6) OPEB Related Deferred Outflows and Deferred Inflows

GASB Statement No. 75 requires certain OPEB related items to be reported as either deferred outflows or deferred inflows of resources. The following tables (dollars in thousands) summarize these amounts as of June 30, 2023, in total and by individual plan.

Primary Government (3)

	Totals (1)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 49,176	$ 191,604
Changes of assumptions	80,300	265,723
Net difference between projected and actual earnings on plan investments	214	22,161
Changes in proportion and difference between employer contributions and proportionate share of contributions	192,114	207,473
Employer contributions subsequent to the Measurement Date	89,374	—
Amounts associated with transactions subsequent to the Measurement Date	22,692	—
Total	$ 433,870	$ 686,961

	RHIC		VSDP	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 58	$ 20,573	$ 18,483	$ 27,331
Changes of assumptions	11,388	172	1,059	3,607
Net difference between projected and actual earnings on plan investments	—	185	—	10,138
Changes in proportion and difference between employer contributions and proportionate share of contributions	65,249	66,624	27,675	28,422
Employer contributions subsequent to the Measurement Date	38,803	—	19,467	—
Total	$ 115,498	$ 87,554	$ 66,684	$ 69,498

	GLI		LODA	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 13,844	$ 7,013	$ 16,446	$ 40,009
Changes of assumptions	6,520	17,028	59,696	52,797
Net difference between projected and actual earnings on plan investments	—	10,923	—	915
Changes in proportion and difference between employer contributions and proportionate share of contributions	37,596	39,583	25,841	27,242
Employer contributions subsequent to the Measurement Date	18,967	—	7,756	—
Total	$ 76,927	$ 74,547	$ 109,739	$ 120,963

	RHIC: Non-State	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 345	$ 1,954
Changes of assumptions	1,637	116
Net difference between projected and actual earnings on plan investments	214	—
Changes in proportion and difference between employer contributions and proportionate share of contributions	2,056	2,113
Employer contributions subsequent to the Measurement Date	4,381	—
Total	$ 8,633	$ 4,183

Component Units (2) (3)

	Totals (1)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 27,004	$ 126,387
Changes of assumptions	26,766	167,835
Net difference between projected and actual earnings on plan investments	—	18,172
Changes in proportion and difference between employer contributions and proportionate share of contributions	52,529	42,353
Employer contributions subsequent to the Measurement Date	85,070	—
Amounts associated with transactions subsequent to the Measurement Date	17,045	—
Total	$ 208,414	$ 354,747

	RHIC		VSDP	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 82	$ 28,936	$ 11,228	$ 16,607
Changes of assumptions	16,017	242	644	2,191
Net difference between projected and actual earnings on plan investments	—	259	—	6,159
Changes in proportion and difference between employer contributions and proportionate share of contributions	18,850	17,859	3,614	3,016
Employer contributions subsequent to the Measurement Date	53,502	—	11,666	—
Total	$ 88,451	$ 47,296	$ 27,152	$ 27,973

	GLI		LODA	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 14,834	$ 7,516	$ 860	$ 2,089
Changes of assumptions	6,987	18,246	3,118	2,758
Net difference between projected and actual earnings on plan investments	—	11,706	—	48
Changes in proportion and difference between employer contributions and proportionate share of contributions	6,656	7,724	1,935	2,072
Employer contributions subsequent to the Measurement Date	19,514	—	388	—
Total	$ 47,991	$ 45,192	$ 6,301	$ 6,967

(1) These tables aggregate the deferred inflows of resources and deferred outflows of resources for both the VRS-administered and DHRM-administered plans. During fiscal year 2023, the Commonwealth made a payment of $13,382 (dollars in thousands) to the System. This amount is reflected as deferred outflows of resources in the accompanying financial statements and excluded from the primary government amounts on the previous page.

(2) The component unit amounts in the accompanying financial statements include deferred outflows of resources and deferred inflows of resources of $24,093 (dollars in thousands) and $12,208 (dollars in thousands), respectively, for other OPEB plans.

(3) Additionally, during fiscal year 2023, the Commonwealth recognized OPEB expense for the primary government and component units of negative $60,303 (dollars in thousands) and negative $35,678 (dollars in thousands), respectively, for the VRS-administered OPEB plans and the DHRM-administered OPEB plans. The recognized OPEB expense by plan for the primary government was as follows for the VRS-administered OPEB plans (dollars in thousands): RHIC $26,014; VSDP $1,481; GLI $4,262; LODA $28,470; and RHIC: Non-State $4,005. The recognized OPEB expense by plan for component units was as follows (dollars in thousands): RHIC $41,432; VSDP $1,076; GLI $6,026; and LODA $1,519. The Commonwealth recognized OPEB expense for the primary government and component units of negative $124,535 (dollars in thousands) and negative $85,731 (dollars in thousands) respectively, for the DHRM-administered OPEB plan.

Deferred Amounts to be Recognized in Fiscal Years Following Reporting Date

The following tables (dollars in thousands) provide the net estimated amount of the deferred inflows and deferred outflows of resources that will be recognized in the Commonwealth's OPEB expense for each of the next five fiscal years and thereafter. These amounts exclude employer contributions made subsequent to the measurement date as those contributions will reduce the fiscal year 2024 net OPEB liability (asset).

Primary Government

	RHIC	VSDP	GLI	LODA
2024	$ (2,436)	$ (8,434)	$ (3,322)	$ (120)
2025	(2,363)	(8,366)	(3,228)	(99)
2026	(3,504)	(10,405)	(9,993)	(77)
2027	(850)	1,424	1,437	636
2028	(1,657)	439	(1,481)	(417)
Thereafter	(49)	3,061	—	(18,903)

	RHIC: Non-State
2024	$ 144
2025	161
2026	(44)
2027	35
2028	(100)
Thereafter	(127)

Component Units

	RHIC	VSDP	GLI	LODA
2024	$ (2,771)	$ (4,727)	$ (3,349)	$ (6)
2025	(2,686)	(4,689)	(3,252)	(6)
2026	(3,985)	(5,831)	(10,070)	(4)
2027	(966)	798	1,449	35
2028	(1,883)	246	(1,493)	(23)
Thereafter	(56)	1,716	—	(1,050)

B. Department of Human Resource Management (DHRM-administered) OPEB Plan

1) Administration

The DHRM-administered defined benefit OPEB plan mentioned below does not have a trust that meets the requirements of GASB Statement No. 75. In addition, the total OPEB liability for this plan has a measurement date of June 30, 2022. A separately issued financial report for this DHRM-administered OPEB plan is not available.

2) Plan Description

The Commonwealth provides a Pre-Medicare Retiree Healthcare (PMRH) plan established by Title 2.2 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. It is the same health insurance program offered to active employees and managed by DHRM. After retirement, the Commonwealth of Virginia no longer subsidizes the retiree's premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit. Following are eligibility requirements for Virginia Retirement System (VRS) retirees:

- Retiring state employee who is eligible for a monthly retirement benefit from VRS;
- Start receiving (do not defer) retirement benefit immediately upon retirement;
- Last employer before retirement was the Commonwealth of Virginia;
- Eligible for (even if not enrolled) coverage as an active employee in the State Health Benefits Program until retirement date (not including Extended Coverage/COBRA); and
- Enroll no later than 31 days from retirement date.

Effective January 1, 2017, are the following eligibility requirements for Optional Retirement Plan (ORP) retirees:

- Terminating state employee who participates in one of the qualified Optional Retirement Plans;
- Last employer before termination was the Commonwealth of Virginia;
- Eligible for (even if not enrolled) coverage in the State Employee Health Benefits Program for active employees at the time of termination;
- Meet age and service requirements for an immediate retirement benefit under the non-ORP VRS plan that the retiree would have been eligible for on the date of hire had the retiree not elected the ORP; and
- Enroll in the State Retiree Health Benefits Program no later than 31 days from the date the retiree loses coverage (or loses eligibility for coverage) in the State Health Benefits Program for active employees due to termination of employment.

Eligibility for ORP retirees who terminated prior to January 1, 2017, would be based on the policy in place at the time of their termination.

This fund is reported as part of the Commonwealth's Health Care Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 3,647 retirees and

92,839 active employees in the program as of June 30, 2022. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

3) Funding

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

4) Changes in Total OPEB Liability

The PMRH total OPEB liability of $363.4 million as of June 30, 2023, was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2022. The following tables (dollars in thousands) show the Commonwealth's total OPEB liability for the current and prior year:

Primary Government

	PMRH Increase (Decrease) Total OPEB Liability
Balances at June 30, 2022	$ 257,325
Changes for the year	
Service cost	17,880
Interest cost	5,719
Changes of benefit terms	—
Differences between expected and actual experience	(13,759)
Changes of assumptions	(39,897)
Benefit payments	(19,830)
Net change	(49,887)
Balances at June 30, 2023	$ 207,438

Component Units

	PMRH Increase (Decrease) Total OPEB Liability
Balances at June 30, 2022	$ 191,567
Changes for the year	
Service cost	13,445
Interest cost	4,301
Changes of benefit terms	—
Differences between expected and actual experience	(10,346)
Changes of assumptions	(29,999)
Benefit payments	(12,990)
Net change	(35,589)
Balances at June 30, 2023	$ 155,978

The amounts in the previous tables include governmental, business-type, and component unit activity for the DHRM-administered OPEB plan. The table excludes the non-DHRM OPEB plans' total OPEB liability of $20.5 million for all other component units.

The PMRH total OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2022. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 8.0 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 4.5 percent for medical and pharmacy and 4.0 percent for dental.

Actuarial Assumptions and Methods

Valuation Date of June 30, 2022

Measurement Date	June 30, 2022 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	5.86 years
Discount Rate	3.5%
Projected Salary Increases	5.4% to 3.5% based on years of service from 1 year to 20 years or more
Medical Trend Under 65	Medical & Rx: 8.0% to 4.5% Dental: 4.0%
Year of Ultimate Trend	2033
Mortality	Mortality rates vary by participant status
Pre-Retirement:	Pub-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years
Post-Retirement:	Pub-2010 Benefits Weighted General Healthy Retiree Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females
Post-Disablement:	Pub-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; males and females set forward 3 years
Beneficiaries and Survivors:	Pub-2010 Benefits Weighted General Contingent Annuitant Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for males and females

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2022. The inflation rate used was 2.3 percent per year and there were no ad hoc postemployment benefit changes used to measure the total OPEB liability.

Changes of Assumptions

The following actuarial assumptions were updated since the June 30, 2021 valuation based on recent experience:

- Retiree participation - reduced the rate from 40.0 percent to 35.0 percent

Retiree participation was based on a blend of recent experience and the prior year assumptions. The trend rates were updated based on economic conditions as of June 30, 2022. Additionally, the discount rate was increased from 2.2 percent to 3.5 percent based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date of June 30, 2022. There were no plan changes in the valuation since the prior year.

5) Changes to and Sensitivity of Discount Rate

The following table (dollars in thousands) shows the Commonwealth's changes in discount rate and the healthcare cost trend rates.

Primary Government

Changes in Discount Rate		
PMRH		
Total OPEB Liability		
1.0% Decrease (2.5%)	Current Discount Rate (3.5%)	1.0% Increase (4.5%)
$ 218,981	$ 207,438	$ 196,137

Changes in Healthcare Cost Trend Rates		
PMRH		
Total OPEB Liability		
1.0% Decrease	Healthcare Cost Trend Rates	1.0% Increase
(7.0% decreasing to 3.5%)	(8.0% decreasing to 4.5%)	(9.0% decreasing to 5.5%)
$ 188,848	$ 207,438	$ 228,844

Component Units

Changes in Discount Rate		
PMRH		
Total OPEB Liability		
1.0% Decrease (2.5%)	Current Discount Rate (3.5%)	1.0% Increase (4.5%)
$ 164,658	$ 155,978	$ 147,481

Changes in Healthcare Cost Trend Rates		
PMRH		
Total OPEB Liability		
1.0% Decrease	Healthcare Cost Trend Rates	1.0% Increase
(7.0% decreasing to 3.5%)	(8.0% decreasing to 4.5%)	(9.0% decreasing to 5.5%)
$ 142,000	$ 155,978	$ 172,074

6) OPEB Related Deferred Outflows and Deferred Inflows

The following tables (dollars in thousands) summarize the OPEB related items reported as deferred outflows or deferred inflows of resources:

Primary Government (2)

	PMRH	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ —	$ 94,724
Changes of assumptions	—	192,003
Changes in proportion	33,697	43,489
Amounts associated with transactions subsequent to the Measurement Date	22,692	—
Total	$ 56,389	$ 330,216

Component Units (1) (2)

	PMRH	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ —	$ 71,239
Changes of assumptions	—	144,398
Changes in proportion	21,474	11,682
Amounts associated with transactions subsequent to the Measurement Date	17,045	—
Total	$ 38,519	$ 227,319

(1) The component unit amounts exclude deferred outflows of resources and deferred inflows of resources of $1,188 and $41,781 (dollars in thousands), respectively, for other OPEB plans.

(2) Additionally, during fiscal year 2023, the Commonwealth recognized OPEB expense for the primary government and component units of negative $124,535 (dollars in thousands) and negative $85,731 (dollars in thousands), respectively, for the DHRM-administered OPEB plan.

Deferred Amounts to be Recognized in Fiscal Years Following Reporting Date

The following tables (dollars in thousands) provide the net estimated amount of the deferred inflows and deferred outflows of resources that will be recognized in the Commonwealth's OPEB expense for each of the next five fiscal years. These amounts exclude amounts associated with transactions subsequent to the measurement date as those will reduce the fiscal year 2023 total OPEB liability.

Primary Government

		PMRH
2024	$	(128,214)
2025		(81,793)
2026		(46,228)
2027		(27,336)
2028		(12,948)

Component Units

		PMRH
2024	$	(89,007)
2025		(56,781)
2026		(32,092)
2027		(18,976)
2028		(8,989)

7) Other OPEB Plans

Higher Education

The University of Virginia (nonmajor component unit) has an Optional Retirement Life Insurance Plan that is offered to University faculty and Medical Center employees who participate in the Optional Retirement Plans. The University reported a total OPEB liability of $19.7 million, deferred outflows of resources of $1.1 million, and deferred inflows of resources of $41.4 million as of June 30, 2023. Additional information on these plans can be found at the University's website at www.virginia.edu.

The Roanoke Higher Education Authority (nonmajor component unit) reported a net OPEB liability of $62,974, deferred outflows of resources of $28,218, and deferred inflows of resources of $34,315 for Group Life Insurance and Retiree Health Insurance Credit OPEB Plans. Additional information on these plans can be found at the Authority's website at www.education.edu/.

Other Component Units

The Virginia Housing Development Authority (major component unit) offers a medical, dental, and vision benefit plan, and reported deferred outflows of resources of $11.3 million and deferred inflows of resources of $1.5 million as of June 30, 2023. Additional information on these plans can be found at the Authority's website at www.virginiahousing.com.

The Virginia Resources Authority (major component unit) offers an optional Retirement Life Insurance Plan for those employees who choose to participate. The Authority reported a net OPEB liability of $207,923, deferred outflows of resources of $23,362, and deferred inflows of resources of $25,836 as of June 30, 2023. Additional information on these plans can be found at the Authority's website at www.virginiaresources.gov.

The Virginia Port Authority (nonmajor component unit) offers medical and dental benefits for retirees. The Authority reported a total OPEB Liability of $804,000 a net OPEB Liability of $910,000, deferred outflows of resources of $514,142 and deferred inflows of resources of $543,814 as of June 30, 2023. For additional information, please see the Authority's website at www.portofvirginia.com.

Hampton Roads Sanitation District (nonmajor component unit) offers a health and dental benefit plan for those employees who choose to participate. The District reported a net OPEB liability of $13.2 million, deferred inflows of resources of $10.4 million and deferred outflows of resources of $12.3 million as of June 30, 2023. For additional information, please see the Authority's website at www.hrsd.com.

The Virginia Biotechnology Research Partnership Authority (nonmajor component unit) offers an Optional Retirement Life Insurance Plan for those employees who choose to participate. The Authority reported a net OPEB liability of $47,810, deferred outflows of resources of $26,441, and deferred inflows of resources of $16,728 as of June 30, 2023.

20. DEFERRED COMPENSATION PLANS

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The Virginia Retirement System (the System) administers the deferred compensation plan, pursuant to the Government Employees Deferred Compensation Plan Act, Section 51.1 of the *Code of Virginia*. The System contracts with private corporations or institutions subject to the standards set forth in the Code to provide investment products as well as any other goods and services related to the administration of the deferred compensation plan. The Department of Accounts is responsible for the accounting, reconciliation, payment to the plan through payroll deductions, and timely transfer of withheld funds to the trustee designated by the System for investment. The plan provides a number of investment options and is designed so that each participant retains investment control of his/her individual account. The plan, available to all state employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of plan participants and their beneficiaries and is not available to employees until termination, retirement, death, unforeseeable emergency, or an in-service distribution at age 72 or later. Since the System has no fiduciary relationship with plan participants, plan assets as of June 30, 2023, of $4.1 billion are not included in the accompanying financial statements.

In addition, the Commonwealth provides a cash match under Internal Revenue Code Section 401(a) for employees participating in the deferred compensation plan. The match amount for an employee was established at 50.0 percent of the voluntary contributions to the deferred compensation plan. During the current fiscal year, the maximum match was $20 per pay period or $40 per month. The fair value of assets in the cash match savings plan as of June 30, 2023, was $591.5 million, which is also excluded from the accompanying financial statements. Employer contributions under this plan were approximately $14.3 million for fiscal year 2023.

Most employees of the Commonwealth's colleges and universities may participate in the Commonwealth's deferred compensation plan in accordance with Internal Revenue Code Section 457(b) and/or the institution's deferred compensation plan in accordance with Internal Revenue Code Section 403(b). Under either plan, the institution's cash match under the Internal Revenue Code Section 401(a) during fiscal year 2023 was a maximum match of up to $20 per pay period or $40 per month. This employer match is for either plan but not both plans. Employer contributions under these plans were approximately $13.0 million for fiscal year 2023.

The deferred compensation plan for the University of Virginia Medical Center (part of the University of Virginia – nonmajor component unit) employees hired on or after September 30, 2002, allows employee contributions of up to 4.0 percent of their salary and the employer match is 50.0 percent of the 4.0 percent deferral not to exceed 2.0 percent of the employees' salary. Employer contributions under this plan were approximately $7.1 million for fiscal year 2023. The University of Virginia provides executive deferred compensation retirement benefits for certain officers and executives of the University and the University Medical Center. The University makes contributions on behalf of each participant each plan year as determined by the Board of Visitors. The University contributed $2.2 million to these accounts for fiscal year 2023.

The Virginia Housing Development Authority and the Virginia Resources Authority (major component units) have deferred compensation plans available to all employees created in accordance with Internal Revenue Section 457(b). The plan permits participants to defer a portion of their salary or wages until future years. The deferred compensation is not available to employees until termination, retirement, or death. The assets of the plan are in an irrevocable trust with an external trustee and, accordingly, no assets or liabilities are reflected in the accompanying financial statements. For additional information, please see the Authority's website at www.virginiahousing.com.

The Virginia Port Authority (VPA) (nonmajor component unit) offers two deferred compensation plans and a matching savings plan under Internal Revenue Code Sections 457 and 401(a), respectively. For additional information, please see the Authority's website at www.portofvirginia.com.

The Assistive Technology Loan Fund Authority (nonmajor component unit) employees contribute an amount of their choosing into Deferred Compensation Plans administered by the Virginia Retirement System and into a qualified 403(b) plan. For additional information, please see the Authority's website at www.atlfa.org.

21. STATE NON-ARBITRAGE POOL

The Commonwealth sponsors the Virginia State Non-Arbitrage Program (SNAP) for use by the Commonwealth and local governments to invest bond proceeds. The Treasury Board is responsible for the oversight of SNAP, procuring the following services: investment management, program administration, arbitrage rebate and calculation, and custodial and depository services. The Commonwealth does not have fiduciary responsibility for SNAP.

The SNAP fund is a local government investment pool. PFM Asset Management LLC serves as the investment adviser of the SNAP fund. The SNAP individual investment portfolios are the responsibility of the SNAP investment manager and the governments investing proceeds in the portfolios. These investments are held solely in the SNAP participants' names. Since the Commonwealth has no fiduciary relationship with local governmental entities participating in the plan, these assets of $3.9 billion are not included in the financial statements.

22. COMMITMENTS

A. Construction Projects

Primary Government

Highway Projects

As of June 30, 2023, the Department of Transportation had contractual commitments of approximately $5.4 billion for construction of various highway projects. Funding for these expenditures is expected to be provided as follows: (1) State funds - approximately 58.3 percent or $3.1 billion; (2) Proceeds from Bonds - approximately 25 percent or $1.4 billion; and, (3) Federal funds – approximately 16.7 percent or $893.0 million.

Mass Transit Projects

As of June 30, 2023, the Department of Rail and Public Transportation had contractual commitments of approximately $344.4 million for various public transportation and rail preservation projects. Funding of the future expenditures is expected to be as follows: 1) State funds – approximately 91.1 percent or $313.6 million, and 2) Federal funds – approximately 8.9 percent or $30.8 million.

Wastewater Treatment Projects

As of June 30, 2023, the Department of Environmental Quality was committed to grant contracts with localities to reimburse a portion of construction costs for nutrient reduction facilities at wastewater treatment plants totaling $136.9 million provided by bond proceeds and the Water Quality Improvement Fund.

Other Construction Projects

As of June 30, 2023, the Department of Forensic Science had commitments of approximately $166.1 million for construction projects.

As of June 30, 2023, the Department of Corrections had contractual commitments of $ 83.3 million and non-contractual commitments of $20.1 million for construction projects.

As of June 30, 2023, the Department of General Services had construction commitments of approximately $119.7 million.

As of June 30, 2023, the Department of Behavioral Health and Developmental Services had construction contractual commitments of approximately $21.6 million.

As of June 30, 2023, the Department of Conservation and Recreation had contractual commitments of $15.0 million for construction projects.

As of June 30, 2023, the Department of Veterans Services had contractual commitments of $16.8 million and non-contractual commitments of $11.0 million for construction projects.

As of June 30, 2023, the Department of Military Affairs had construction contractual commitments of approximately $48.7 million.

Component Units

Port Projects

As of June 30, 2023, the Virginia Port Authority (nonmajor) was committed to construction contracts totaling $773.3 million.

Wallops Island Project

As of June 30, 2023, the Virginia Commercial Space Flight Authority (nonmajor) was committed to construction programs totaling $6.9 million, approximately $4.5 million of which will be reimbursable under separate private and federal contract agreements and approximately $157,000 of which are funded by the Commonwealth.

Treatment Plant

As of June 30, 2023, the Hampton Roads Sanitation District Commission (nonmajor) was committed to construction contracts totaling $1.3 billion.

Higher Education Institutions

Colleges and universities (nonmajor) had contractual commitments as of June 30, 2023, of approximately $1.8 billion primarily for construction contracts. Higher education foundations' construction and other commitments total approximately $44.4 million and $9.8 million, respectively.

B. Long-term Leases

As of June 30, 2023, the Commonwealth has entered into long-term leases that have not yet commenced. Commitments for the primary government were $27.8 million for lease payments due for governmental activities (including internal service funds). Business-type activities did not have lease commitments at June 30, 2023. Commitments for component units total $9.4 million for higher education institutions, excluding foundations.

Lease agreements are for various terms and contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

C. Long-term Subscription-Based Information Technology Arrangements (SBITAs)

As of June 30, 2023, the Commonwealth has entered into long-term SBITAs that have not yet commenced. Commitments for the primary government were $1.3 million for SBITA payments due for governmental activities (including internal service funds). Business-type activities did not have SBITA commitments at June 30, 2023. Commitments for component units total $2.4 million for higher education institutions, excluding foundations.

D. Investment Commitments – Virginia Retirement System

The Virginia Retirement System extends investment commitments in the normal course of business, which, as of June 30, 2023, amounted to $19.1 billion.

E. Virginia Transportation Infrastructure Bank

Section 33.2-1500 of the *Code of Virginia* states the Virginia Transportation Infrastructure Bank is intended to help alleviate a critical financing need for present and future highways within the Commonwealth. This includes toll facilities; mass transit; freight, passenger, and commuter rail; and port, airport and other transportation facilities.

As of June 30, 2023, $227.0 million included as Loans Receivable in the accompanying statements represents loans to the City of Chesapeake for the Dominion Boulevard Project, Loudoun County for the Pacific Boulevard Project, the Chesapeake Bay Bridge and Tunnel District for the Parallel Thimble Shoal Tunnel, and the 95 Express Lanes LLC for the 395 Express Lanes Northern Extension. A $49 million loan to Capital Beltway Express, LLC for the I-495 Express Lanes loan has been approved, but no disbursements were made as of June 30, 2023. Payments were made by the City of Chesapeake for $10.1 million, Chesapeake Bay Bridge and Tunnel District for $730,105, the 95 Express Lanes LLC for $827,624, and Loudoun County for $278,493 for the Pacific Boulevard Project in July 2023. All loans are coordinated through the Virginia Resources Authority (major component unit).

F. Tobacco Grants

The Tobacco Region Revitalization Commission (nonmajor component unit) had $66.3 million in grant award commitments not reflected in the accompanying financial statements since eligibility requirements were not met as of June 30, 2023, in accordance with GASB Statement No. 33.

G. Other Commitments

Primary Government

As of June 30, 2023, the Virginia Department of Transportation had contractual commitments of approximately $951.6 million for individual contracts awarded with a contract value of $1.0 million or more for operational services, facilities, tolling services and other non-highway construction type contracts.

As of June 30, 2023, the Department of Corrections had contractual commitments of approximately $22.2 million for detention services and medical care.

As of June 30, 2023, the Department of Behavioral Health and Developmental Services had contractual commitments of approximately $37.7 million.

As of June 30, 2023, the Department of Motor Vehicles had contractual commitments of approximately $46.5 million for driver's licenses and technology services.

As of June 30, 2023, the Virginia Employment Commission had contractual commitments of approximately $11.0 million for information systems modernization projects and approximately $1.1 million for other non-contractual commitments.

As of June 30, 2023, the Virginia Department of Health had commitments of approximately $25.1 million to localities, trauma centers, grants to rescue squads, and water supply assistance grants.

The Virginia College Savings Plan (major enterprise fund) administers the Defined Benefit 529 Program. As of June 30, 2023, the Program had $282.0 million in private equity commitments.

The Virginia Wireless E-911 (nonmajor enterprise fund) had $33.9 million in outstanding grants awarded but not yet disbursed to localities as of June 30, 2023, since all of the eligibility criteria have not been met in accordance with GASB Statement No. 33.

Component Units

The Virginia Housing Development Authority (major) and Virginia Resources Authority (major) had $965.9 million and $417.4 million, respectively, in commitments to fund new loans not reflected in the accompanying financial statements since eligibility requirements were not met as of June 30, 2023, in accordance with GASB Statement No. 33.

As of June 30, 2023, the Virginia Passenger Rail Authority (nonmajor) had capital grant commitments outstanding of $247.1 million and other contractual commitments of $93.8 million. The Authority also has $17.1 million of funding committed to reimburse the Department of Rail and Public Transportation (part of primary government) for planned expenses related to grants managed by the Department.

The Virginia Small Business Financing Authority (nonmajor) had $4.1 million in loan commitments to banks and borrowers not reflected in the accompanying financial statements since eligibility requirements were not met as of June 30, 2023, in accordance with GASB Statement No. 33.

23. ACCRUED LIABILITY FOR COMPENSATED ABSENCES

Employees accrue annual leave at a rate of four to nine hours semimonthly, depending on their length of service. The maximum leave accumulation is dependent upon years of service, but in no case may it exceed 432 hours at the end of the leave year. The maximum compensation for annual leave balances is also dependent upon years of service, but in no case may an employee be compensated for more than 336 hours upon separation.

All employees hired after January 1, 1999, are required to enroll in the Virginia Sickness and Disability Program (VSDP) (see Note 18). Under the VSDP, employees receive a specified number of sick and personal leave hours, depending on their length of service, and any balances at the end of the leave year revert. Individuals employed at January 1, 1999, had the option of converting to the VSDP or remaining in the traditional sick leave plan. If converting, the employee’s sick leave balance could be used to purchase retirement credits or be converted to disability credits. If an employee opted to remain in the traditional sick leave program, sick leave accrues at a rate of five hours semimonthly. Employees who leave state service after a minimum of five years employment receive the lesser of 25.0 percent of the value of their disability credits or accumulated sick leave at their current earnings rate or $5,000. All employees leaving state service are paid for accrued annual leave up to the maximum leave year limit at their current earnings rate.

In conformance with Section C60 of the GASB Codification, the monetary value of accumulated vacation, compensatory, overtime, recognition, and sick leave payable upon termination is included in the accompanying financial statements and is reported as Compensated Absences. In the government-wide statements, proprietary fund statements, and discrete component unit fund statements, compensated absence amounts are segregated into two components – the amount due within one year and the amount due in more than one year. Compensated absences due within one year consist of an estimate of the amount that will be used by active employees for paid time off and/or paid upon termination, plus the actual amount paid after June 30 for employees terminating on or before June 30. In the governmental fund statements, amounts to be paid from expendable resources are recognized as fund liabilities in the applicable governmental fund types as long-term liabilities and represent payments to employees for separations that occurred on or before June 30. Amounts not payable from expendable resources are reflected in the governmental activities column in the Government-wide Statement of Net Position (see Note 28). All amounts related to the fiduciary funds are recognized in those funds.

The liability as of June 30, 2023, was computed using salary rates effective at that date, and represents vacation, compensatory, overtime, recognition, and sick leave earned, or disability credits held by employees, up to the allowable ceilings.

24. POLLUTION REMEDIATION OBLIGATIONS

The Commonwealth has pollution remediation obligations of $8.2 million, of which $6.1 million is due within one year. With the exception of the Department of Environmental Quality (DEQ), agencies estimated future obligations based on professional consultant estimates and/or historical project expenses of similar projects; however, there is the potential for change in estimates due to price increases or reductions, technology, or applicable laws and regulations. Remediations for DEQ are not estimates but contractual obligations between the Commonwealth and the U.S. Environmental Protection Agency (EPA), and any change due to a reconciliation of incurred costs requires mutual consent and contract amendment.

The estimated Commonwealth pollution remediation liability relates to the anticipated cost of cleanup relating to leakage of underground storage tanks, soil and groundwater contaminations, dump site cleanups, mold remediation and remediation relating to superfund state contracts.

Agencies involved in remediation include:

- Department of Conservation and Recreation (DCR)
- Department of Corrections (DOC)
- Department of Environmental Quality (DEQ)
- Department of Juvenile Justice (DJJ)
- Department of Transportation (VDOT)

A Facility Lead Agreement was signed between the EPA and VDOT to resolve an issue concerning the storage of lab wastewater in an outdoor lined surface impoundment that operated between 1979 and 1983 for which contamination is present in soil and groundwater. DOC was fined by the EPA in September/October 2003. DOC proposed to conduct a Supplemental Environmental Project (SEP) which included the formation of the Pollution Prevention Section of the Environmental Services Unit, disclosure of all environmental deficiencies to both the EPA and DEQ and corrections of those deficiencies.

The following pollution remediation outlays could not reasonably be estimated as of June 30, 2023:

- DJJ relating to petroleum storage tank removal
- VDOT relating to groundwater contamination

25. INSURANCE

A. Self-Insurance

The Commonwealth maintains three types of self-insurance plans. The first type of self-insurance is a health care plan administered by the Department of Human Resource Management (DHRM) for Commonwealth employees. The plan is accounted for in the Health Care Internal Service Fund. Interfund premiums are accounted for as internal activity receipts from other funds. As of June 30, 2023, $95.2 million is reported as the estimated claims payable for this fund, which is undiscounted as nearly all healthcare claims are current in nature. The estimated liability is based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported as described in Note 1.W. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	Balance July 1,	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, (1)
2022-2023	$ 117,657	$ 1,602,583	$ (1,625,051)	$ 95,189
2021-2022	$ 116,457	$ 1,528,780	$ (1,527,580)	$ 117,657

(1) The entire ending balance shown above is due within one year.

The second type of plan, Risk Management, is administered by the Department of the Treasury, Division of Risk Management and the Department of Human Resource Management, Worker's Compensation Program. These plans are accounted for in the Risk Management Internal Service Fund. The Department of the Treasury administers risk management programs providing property, general (tort) liability, medical malpractice, automobile and surety bond exposures for the Commonwealth of Virginia as provided in Sections 2.2-1834 through 1838 and Section 2.2-1840 of the *Code of Virginia*. Established subject to the approval of the Governor, risk management plans provide state agencies with protection through purchased insurance, self-insurance or a combination thereof. Interfund premiums for the fund are accounted for as internal activity receipts from other funds. The claims payable is an estimated liability based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported. As of June 30, 2023, $393.6 million is reported as the estimated claims payable for the risk management plan. This amount is discounted to present value at rates of 4.0 percent for DHRM and 5.4 percent for Department of Treasury. Undiscounted claims payable as of June 30, 2023, is $598.5 million. The estimated losses are based upon actual claims that have been submitted, as well as claims incurred but not reported. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	Balance July 1,	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, (1)
2022-2023	$ 451,148	$ (4,056)	$ (53,516)	$ 393,576
2021-2022	$ 799,256	$ (294,219)	$ (53,889)	$ 451,148

(1) Of the balance shown above, $67.3 million is due within one year.

For workers' compensation, the Commonwealth assumes the full risk of claims filed. For tort and automobile, liability is assumed at a maximum of $2.0 million per occurrence. Medical malpractice is assumed at the maximum per occurrence recovery limited as stated in Section 8.01-581.15 of the *Code of Virginia*. Risk Management purchases commercial insurance to protect state-owned property with deductibles as stated in the insurance policies.

The third type of plan, Line of Duty, is administered by the Department of Human Resource Management for Line of Duty recipients. Per the amended Line of Duty Act Section 9.1-401 of the *Code of Virginia*, the Department of Human Resource Management is responsible for administration of the premium-free health benefits provided to eligible Line of Duty recipients. The plan is accounted for in the Line of Duty Internal Service Fund. All eligible employees, former employees, and eligible family members will be covered under one program, the Line of Duty Health Benefit Plans. Participating or non-participating refers to whether the employer participates in the Line of Duty Death and Health Benefits Trust Fund, administered by VRS. All state agencies are participating employers, but localities can be either participating or non-participating. As of June 30, 2023, $403,902 is reported as the claims payable for the fund for state employees and participating localities, which is undiscounted as nearly all healthcare claims are current in nature. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	Balance July 1,	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, (1)
2022-2023	$ 407	$ 9,173	$ (9,176)	$ 404
2021-2022	$ 601	$ 6,616	$ (6,810)	$ 407

(1) The entire ending balance shown above is due within one year.

The Commonwealth has not had any insurance settlements exceed the coverage during the past three years.

University of Virginia (nonmajor component unit) employees have the option to participate in the University's self-funded, comprehensive medical care benefits program. The cost of medical care is paid out of employee and employer contributions. Claims and expenses are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported and the future costs of handling claims. The estimated liability for outstanding claims on June 30, 2023 was $10.4 million. The University has contracted with several third-party claims administrators: Aetna for its medical and pharmacy claims and United Concordia for its dental claims.

As of June 30, 2023, the Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – nonmajor component unit) reports the following claims payable amounts: estimated workers' compensation claims of $3.3 million and estimated losses on malpractice claims of $3.5 million. Aries Insurance Captive (component unit of the Authority) reports claims payable of $26.5 million for estimated losses on malpractice claims, $4.2 million for estimated workers' compensation claims, and $5.3 million for other insurance coverages. Additional information on claims payable can be found in the Authority's separately issued financial statements, which can be found at the University's website at www.vcu.edu.

Virginia International Terminals, LLC (VIT) (a blended component unit of the Virginia Port Authority – nonmajor) participates in a workers compensation insurance pool and shares risk with other members of the pool. VIT remains obligated under its former self-insured plan for future losses as a result of accidents that occurred prior to April 12, 1999. VIT bears some self-insurance risk for health/medical insurance claims cost in excess of employee premiums/contributions received. Pursuant to a joint arrangement with the Virginia Port Authority, (VPA) (nonmajor) the entity carries stop loss insurance to mitigate exposure to significant claims. The stop loss policy is on a calendar year basis, with renewals effective each January 1. During the calendar year 2023 and 2022, the individual claim cost limit (deductible) under the policy for the Authority was $150,000. The aggregate deductible for VIT and VPA combined claims in excess of the individual limit was $7.2 million for calendar year 2023 and $6.1 million for calendar year 2022. For additional information, please see the Authority's website at www.portofvirginia.com.

B. Public Entity Risk Pools

The Commonwealth administers three types of public entity risk pools for the benefit of local governmental units: healthcare, risk management, and line of duty insurance. The Local Choice Health Care plan was established to make comprehensive healthcare insurance available to localities and political subdivisions at affordable rates and with stable premiums. During the fiscal year, there were 446 local government units participating in the pool. This includes 66 school districts, 39 counties, 134 cities/towns, and 207 other subdivisions. This program is accounted for in the Local Choice Health Care Enterprise Fund (nonmajor).

The Department of Human Resource Management, under Section 2.2-1204 of the *Code of Virginia*, has the authority to design, set rates, and administer the Local Choice Health Care fund. The pool's standard contract period is one year. However, a member group may withdraw on the last day of any month with three month's written notice. Contributions are based on the current necessary contribution and the amortization of experience adjustments in the pool. As of June 30, 2023, $48.7 million is reported as the actuarially determined estimated claims payable for this fund based on claims incurred but not reported.

The actuarial liability is determined for the membership pool in total and then adjusted for each locality based on individual historic and demographic data. If the pool's assets were to be exhausted, the program participants would share the responsibility for any liabilities or deficits.

The Department of the Treasury, Division of Risk Management administers the VARisk and VARisk2 risk management programs for political subdivisions, constitutional officers and others in accordance with Section 2.2-1839 of the *Code of Virginia*. These pools were established to provide an economical, low-cost alternative to the commercial insurance market for the Commonwealth's political subdivisions. These risk programs are accounted for in the Risk Management Enterprise Fund (nonmajor). The pool is established subject to approval by the Governor. It may be insurance, self-insurance, or any combination thereof, and must provide protection and legal defense against liability. Participation is voluntary and open to those identified in Section 2.2-1839 of the *Code of Virginia*. As of June 30, 2023, there were 488 units of local government in the pool, including 13 towns and 23 counties. The remaining 452 units include a large variety of boards, commissions, authorities, and special districts.

The VARisk program is comprised of constitutional officers and regional jails, and participation is not mandated by the *Code of Virginia*. However, the Compensation Board (part of the primary government) requires participation by all constitutional officers.

The VARisk2 program is comprised of local governments and has a minimum membership period of one year. However, a member group can cancel membership and withdraw from the plan on their coverage anniversary date or at the end of the fiscal year with 30 days' notice.

No excess insurance or reinsurance is provided. The risk assumed by the VARisk and VARisk2 pool for liability is $1.0 million per occurrence, with the exception of sheriffs and their deputies, which is $1.5 million per occurrence.

As of June 30, 2023, $40.0 million and $3.2 million is reported as estimated claims payable for the VARisk and the VARisk2 programs, respectively. These figures are actuarially determined for the funds in total and are reported at gross. They are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. They do not reflect possible reimbursements for insurance recoveries.

Per the amended Line of Duty Act Section 9.1-401 of the *Code of Virginia*, the Virginia Department of Human Resource Management (DHRM) is responsible for administration of the premium-free health benefits provided to eligible LODA recipients. All eligible employees, former employees, and eligible family members will be covered under one program, the LODA Health Benefits Plans. As of June 30, 2023, $988,866 is reported as the actuarially determined estimated claims payable for the non-participating localities reported in this fund based on claims incurred but not reported.

The following schedule (dollars in thousands) shows the changes in claims liabilities for the past two fiscal years.

	Local Choice Health Care		Risk Management		Line of Duty	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Unpaid Claims and Claim						
Adjustment Expenses at Beginning of Fiscal Year	$ 47,568	$ 49,932	$ 48,326	$ 48,916	$ 996	$ 1,472
Incurred Claims and Claim Adjustment Expenses:						
Provision for Insured Events of the Current Fiscal Year	495,020	445,550	12,488	15,653	22,459	16,196
Changes in Provision for Insured Events of Prior Fiscal Years	—	—	(7,597)	(5,387)	—	—
Total Incurred Claims and Adjustment Expenses	495,020	445,550	4,891	10,266	22,459	16,196
Payments:						
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	493,877	447,914	1,628	1,949	22,467	16,672
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Fiscal Year	—	—	7,413	9,854	—	—
Total Payments	493,877	447,914	9,041	11,803	22,467	16,672
Change in Provision for Discounts	—	—	(1,007)	947	—	—
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Discounted) (1) (2) (3)	$ 48,711	$ 47,568	$ 43,169	$ 48,326	$ 988	$ 996
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Undiscounted)	$ 48,711	$ 47,568	$ 48,750	$ 51,559	$ 988	$ 996

Note (1): The entire balance for Local Choice Health Care, $48,711 (dollars in thousands) is due within one year.

Note (2): Of the balance shown above for Risk Management, $12,120 (dollars in thousands) is due within one year.

Note (3): The entire balance for Line of Duty, $988,866 is due within one year.

26. ACCOUNTS PAYABLE

The following table (dollars in thousands) summarizes Accounts Payable as of June 30, 2023.

	Vendor	Salary / Wage	Retainage	Other	Foundations (1)	Total
Primary Government:						
General	$ 807,001	$ 153,437	$ 1,075	$ —	$ —	$ 961,513
Major Special Revenue Funds:						
Commonwealth Transportation	420,295	46,343	2,409	—	—	469,047
Federal Trust	136,956	27,801	4,538	—	—	169,295
Nonmajor Governmental Funds	54,710	21,186	23,907	459	—	100,262
Major Enterprise Funds:						
Virginia Lottery (2)	23,739	2,481	—	12,599	—	38,819
Virginia College Savings Plan	208	966	—	266	—	1,440
Unemployment Compensation	—	—	—	19	—	19
Nonmajor Enterprise Funds	97,231	11,264	—	55	—	108,550
Internal Service Funds	103,150	4,262	—	—	—	107,412
Private Purpose Trust Funds	—	—	—	868	—	868
Pension and Other Employee Benefit Trust Funds (3)	4,892	4,834	—	29,812	—	39,538
Custodial Funds - External Investment Pool (4)	—	—	—	66,518	—	66,518
Custodial Funds - Other	3,016	—	—	137	—	3,153
Total Primary Government (5)	$ 1,651,198	$ 272,574	$ 31,929	$ 110,733	$ —	$ 2,066,434
Discrete Component Units:						
Virginia Housing Development Authority (6)	$ 1,132	$ 6,431	$ —	$ 103,347	$ —	$ 110,910
Virginia Public School Authority	130	—	—	—	—	130
Virginia Resources Authority	91	3	—	—	—	94
Virginia College Building Authority	16	—	—	—	—	16
Nonmajor Component Units	968,608	596,869	93,239	358	132,841	1,791,915
Total Component Units	$ 969,977	$ 603,303	$ 93,239	$ 103,705	$ 132,841	$ 1,903,065

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

Note (2): Other Accounts Payable for the Virginia Lottery primarily represents unclaimed prizes attributable to multi-state games and player subscription wallets.

Note (3): Other Accounts Payable for the Pension and Other Employee Benefit Trust Fund consists of $25,306 (dollars in thousands) in investment management fees and $4,506 (dollars in thousands) in program benefit liabilities.

Note (4) Other Accounts Payable for the Custodial Funds - External Investment Pool consists of $66,518 (dollars in thousands) of investments purchased during fiscal year 2023 but received after June 30.

Note (5): Fiduciary liabilities of $43,559 (dollars in thousands) are not included in the Government-wide Statement of Net Position. In addition, governmental fund liabilities of $166,590 (dollars in thousands) are included in the Government-wide Statement of Net Position, but excluded from the above amounts.

Note (6): Other Accounts Payable for the Virginia Housing Development Authority (major) of $84,707 (dollars in thousands) predominantly represents federal pass-through grant awards that have not been disbursed to the recipients as of June 30.

27. OTHER LIABILITIES

The following tables (dollars in thousands) summarize Other Liabilities as of June 30, 2023.

	Primary Government					
	General	Commonwealth Transportation	Federal Trust	Nonmajor Governmental Funds	Virginia Lottery	Virginia College Savings Plan (1)
Lottery Prizes Payable	$ —	$ —	$ —	$ —	$ 113,552	$ —
Medicaid Payable	112,323	—	1,249,320	245,504	—	—
Family Access to Medical Insurance Security Payable	8,292	—	16,993	—	—	—
Tax Refunds Payable	2,539,295	—	—	—	—	—
Accrued Interest Payable	—	—	—	26,120	52	35
Deposits Pending Distribution	17,043	5,513	16	28,499	—	—
Car Tax Payable	263,025	—	—	—	—	—
Other Liabilities	7	27,548	164	16,920	—	32,527
Total Other Liabilities	$ 2,939,985	$ 33,061	$ 1,266,493	$ 317,043	$ 113,604	$ 32,562

	Primary Government				
	Nonmajor Enterprise Funds	Internal Service Funds	Pension and Other Employee Benefit Trust Funds (2)	Custodial Funds - Other	Total Primary Government (3)
Lottery Prizes Payable	$ —	$ —	$ —	$ —	$ 113,552
Medicaid Payable	—	—	—	—	1,607,147
Family Access to Medical Insurance Security Payable	—	—	—	—	25,285
Tax Refunds Payable	—	—	—	—	2,539,295
Accrued Interest Payable	—	—	—	—	26,207
Deposits Pending Distribution	122	662	—	—	51,855
Car Tax Refund Payable	—	—	—	—	263,025
Other Liabilities	—	—	66,548	2,122	145,836
Total Other Liabilities	$ 122	$ 662	$ 66,548	$ 2,122	$ 4,772,202

Note (1): Other Liabilities of $32,527 (dollars in thousands) reported by the Virginia College Savings Plan (major) represent amounts associated with pending investment trades and program distributions payable.

Note (2): Other Liabilities of $66,548 (dollars in thousands) reported in Pension and Other Employee Benefit Trust Funds are made up of $2,098 (dollars in thousands) in other payables related to the System benefit plans; and $64,450 (dollars in thousands) in pending investment transactions consisting of: $43,085 (dollars in thousands) in net foreign exchange contracts payable; $2,000 in call option payables; $6,000 in put option payables; $16,252 (dollars in thousands) in other miscellaneous payables; $3,867 (dollars in thousands) in foreign taxes payable related to the System benefit plans; and $1,238 (dollars in thousands) in dividends payable related to the System benefit plans.

Note (3): Fiduciary liabilities of $68,670 (dollars in thousands) are not included in the Government-wide Statement of Net Position. Governmental fund liabilities of $321,171 (dollars in thousands) are included in the Government-wide Statement of Net Position, but excluded from the above amounts.

	Component Units					
	Virginia Housing Development Authority	Virginia Public School Authority	Virginia Resources Authority	Virginia College Building Authority	Nonmajor Component Units (4)	Total Component Units
Accrued Interest Payable	$ 35,392	$ 56,613	$ 20,820	$ 92,473	$ 99,303	$ 304,601
Deposits Pending Distribution	—	—	—	—	580,553	580,553
Short-term Debt	400,000	—	—	—	90,121	490,121
Grants Payable	—	—	—	—	8,874	8,874
Other Liabilities	30,572	—	8,242	—	464,143	502,957
Total Other Liabilities	$ 465,964	$ 56,613	$ 29,062	$ 92,473	$ 1,242,994	$ 1,887,106

Note (4): Other Liabilities of nonmajor component units are predominantly comprised of the following (dollars in thousands); derivative instruments reported by University of Virginia of $12,619, Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University) (VCUHSA) of $13,193, and foundations of higher education institutions of $8,412. Other Liabilities also includes third party settlements reported by VCUHSA of $124,841 (dollars in thousands). Other Liabilities also includes $248,574 installment payables reported by the Virginia Port Authority.

Medicaid Payable

Medicaid Payable represents services rendered but not billed by providers and potential liability resulting from cost reports not settled as of year-end. Providers subject to cost settlement are paid in the interim based on established per diem or diagnosis related group rates for services.

The Department of Medical Assistance Services (DMAS) estimates, based on past experience, the total amount of Medicaid claims that will be paid from the Medicaid program in the future which relate to services provided before year-end. As of June 30, 2023, the estimated liability related to Medicaid claims totaled $1.6 billion in the fund financial statements. Of this amount, $112.3 million is reflected in the General Fund (major governmental), $1.2 billion in the Federal Trust Special Revenue Fund (major governmental), and $245.5 million in the Health and Social Services Fund (nonmajor special revenue).

Family Access to Medical Insurance Security Payable

DMAS estimates the total amount of claims that will be paid from the Family Access to Medical Insurance Security program in the future which relate to services provided before year-end. As of June 30, 2023, the estimated liability related to claims totaled $25.3 million. Of this amount, $8.3 million is reflected in the General Fund (major governmental) and $17.0 million in the Federal Trust Special Revenue Fund (major governmental).

Tax Refunds Payable

Tax refunds payable represent refunds due on individual tax returns filed for the calendar year ended on or before December 31, 2022, and on business tax returns filed for corporate fiscal years ending on or before June 30, 2023. The individual tax return filing deadline is May 1 of each year for the preceding calendar year. The corporate tax return filing deadline is the 15th day of the fourth month following the close of the corporate fiscal year. In fiscal year 2023, included in the tax refunds payable amount is $906.8 million relating to the individual income tax rebate provided to taxpayers as required by Chapter 1, 2023 Acts of Assembly Special Session I, Item 3-5.28, see Note 7.

Car Tax Refund Payable

During the year ended June 30, 1998, the General Assembly passed the Personal Property Tax Relief Act. Under the terms of this legislation, the Commonwealth assumed financial responsibility for a portion, ranging from 12.5 percent to 70.0 percent, of the personal property taxes assessed by localities.

During 2004, the General Assembly modified this legislation. Chapter 1 of Special Session 1 (2004) established a $950.0 million limit on the amount the Commonwealth would appropriate for personal property tax relief, beginning in tax year 2006. It further established that each county, city, and town would receive a fixed percentage of the $950.0 million, with payments to begin on or after July 1, 2006 (fiscal year 2007). The accrued liability amount of $263.0 million reflects payments owed to localities as of June 30 and paid in July.

Termination Benefits

During fiscal year 2023, the Commonwealth laid off 50 employees. The affected employees had the option of volunteering for enhanced retirement benefits or severance benefits. The enhanced retirement benefits option was elected by nine employees, and the remaining 41 employees elected severance benefits. The severance benefits include salary payments based on years of service and insurance premium payments for health and life insurance. All severance benefits were initiated during fiscal year 2023 and will end no later than June 30, 2024. The benefit cost expended and the outstanding liability as of June 30, 2023 for governmental funds, are $492,502 and $375,185, respectively. Since the severance benefits last for a maximum of 12 months, discounting of future cash flows is unnecessary. Additionally, the estimated payments are calculated using the Department of Human Resources' Termination Benefits Calculator and actual costs.

Short-term Debt

Short-term debt results from borrowings from anticipation notes, lines of credit, and similar loans with parties external to the primary government. The primary government's policy is to disclose activity related to short-term borrowings occurring during the fiscal year. For fiscal year 2023, the primary government's agencies did not participate in short-term borrowings with external parties.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, requires the disclosure of any unused lines of credit. The primary government does not have any unused lines of credit at June 30, 2023.

The Hampton Roads Transportation Accountability Commission (nonmajor governmental) has unused lines of credit of $415.8 million at June 30, 2023 for various Transportation Infrastructure Finance and Innovation Act (TIFIA) loans.

The Virginia Housing Development Authority (major component unit) has a direct borrowing from a line of credit of $400.0 million. Virginia Polytechnic Institute and State University and Virginia Commonwealth University (nonmajor component units) have commercial paper of $6.8 million and $8.5 million, respectively, primarily for capital projects. Various higher education institution foundations (nonmajor component units) have lines of credit of $72.9 million primarily for construction or property acquisition. The Virginia Museum of Fine Arts Foundation (nonmajor component unit) has borrowed $1.9 million from a line of credit to purchase a building expected to be used by the Museum. Additionally, the Library of Virginia Foundation (nonmajor component unit) has a $3,500 note with a related party. The balance of Other Liabilities is spread among various other funds.

The Virginia Housing Development Authority (major component unit) has an unused line of credit of $250.0 million. The University of Virginia, Virginia Polytechnic Institute and State University, Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University), and Christopher Newport University (nonmajor component units) have unused lines of credit of $500.0 million, $373.0 million, $100.0 million, and $364,185, respectively. The Hampton Roads Sanitation District Commission and the Virginia Port Authority (nonmajor component units) have unused lines of credit of $31.4 million and $1.0 million, respectively. For the University of Virginia, in the event of default under revolving credit agreements, any outstanding advances, interest, and the value of the promissory note would be due and payable to the various banking institutions.

28. LONG-TERM LIABILITIES

Commonwealth bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. Section 9(a) bonds have been issued to redeem previous debt obligations. Section 9(b) bonds have been authorized by the citizens of Virginia through bond referenda to finance capital projects. These bonds are retired through the use of state appropriations. Section 9(c) bonds are issued to finance capital projects which, when completed, will generate revenue to repay the debt. Section 9(a), 9(b), and 9(c) bonds are tax-supported general obligation bonds and are backed by the full faith and credit of the Commonwealth. No other long-term debt obligations are backed by the full faith and credit of the Commonwealth.

Section 9(d) bonds are revenue bonds that are not backed by the full faith and credit of the Commonwealth. These bonds are not general obligation bonds and are not deemed to constitute a legal liability of the Commonwealth. However, this debt may be supported by state appropriations in whole or in part, such as certain debt of the Commonwealth Transportation Board (primary government) and the Virginia Port Authority (nonmajor component unit). Other 9(d) revenue bonds are payable from general revenues of the component units, or from revenues of specific revenue-producing capital projects, such as the teaching hospitals, dormitories, student centers, and dining halls at the various colleges and universities (nonmajor component units).

Certain 9(d) bonds are considered, along with 9(a), 9(b), and 9(c) bonds, to be tax-supported debt of the Commonwealth. Tax-supported debt includes all bonds and short-term debt for which debt service payments are made or are ultimately pledged to be made from tax revenues (net of sinking fund requirements).

Other 9(d) revenue bonds are considered debt not supported by taxes. For this debt, the Commonwealth has no direct or indirect pledge of tax revenues. In certain limited cases, the Commonwealth has made a moral obligation pledge. A government’s moral obligation pledge provides a deficiency make-up for bondholders in the event pledged revenues prove to be insufficient. If a revenue deficiency exists, monies held in a debt service reserve fund are used to pay bondholders. The issuer then requests that the legislative body provide an appropriation to replenish the reserve fund before subsequent debt service is due. The legislative body may, but is not legally required to, replenish the reserve fund.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, requires disclosures related to unused lines of credit (see Note 27), direct borrowings and placement debt, and specific disclosures related to debt default. Direct borrowings and placements have terms with an investor or lender and are not offered for public sale.

GASB Statement No. 91, *Conduit Debt Obligations,* was implemented in fiscal year 2023. The Commonwealth had no conduit debt to record in accordance with GASB No. 91.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was implemented in fiscal year 2023 and resulted in significant changes to intangible right-to-use asset accounting and reporting requirements. Accordingly, beginning balances have been restated.

The following schedule presents the total long-term liabilities of the Commonwealth, and the portion of these amounts which are due within one year, as reported on the Government-wide Statement of Net Position.

Total Long-term Liabilities

June 30, 2023

(Dollars in Thousands)	Balance At June 30	Amount Due Within One Year
Primary Government:		
Governmental Activities: (1)		
General Obligation Bonds: (2)		
9(b) Public Facilities (3)	$ 173,122	$ 44,390
9(c) Parking Facilities (3)	4,646	953
Total General Obligation Bonds	177,768	45,343
Nongeneral Obligation Bonds - 9(d):		
Transportation Debt (3) (4)	3,777,042	224,701
Virginia Public Building Authority (3)	3,519,630	223,880
Total Nongeneral Obligation Bonds	7,296,672	448,581
Other Long-term Obligations:		
Net Pension Liability	3,430,433	—
Net OPEB Liability	745,003	4,649
Total OPEB Liability	198,865	21,819
Compensated Absences	370,698	198,968
Long-term Lease Liabilities (12)	422,175	41,942
Long-term Subscription-Based Information Technology Arrangements (13)	145,101	62,543
Pollution Remediation Obligations	8,171	6,074
Installment Purchase Obligations from Direct Borrowings	88,575	14,056
Hampton Roads Transportation Accountability Commission (3) (5)	2,562,835	—
Other Liabilities	23,103	2,499
Total Other Long-term Obligations	7,994,959	352,550
Total Governmental Activities	15,469,399	846,474
Business-type Activities: (1) (5)		
Other Long-term Obligations:		
Net Pension Liability	132,815	—
Net OPEB Liability	23,259	42
Total OPEB Liability	8,573	863
Compensated Absences	15,244	11,775
Long-term Lease Liabilities	202,663	25,392
Long-term Subscription-Based Information Technology Arrangements	207,239	11,158
Installment Purchase Obligations from Direct Borrowings	—	—
Educational Benefits Payable	1,384,699	184,019
Lottery Prizes Payable	198,128	13,562
Total Other Long-term Obligations	2,172,620	246,811
Total Business-type Activities	2,172,620	246,811
Total Primary Government	17,642,019	1,093,285

Total Long-term Liabilities
June 30, 2023

(Dollars in Thousands)	Balance At June 30	Amount Due Within One Year
Component Units:		
General Obligation Bonds: (2)		
Higher Education Fund - 9(c) Bonds (3)	940,849	70,877
Nongeneral Obligation Bonds:		
Higher Education Institutions - 9(d) (3) (5)	4,154,882	15,530
Higher Education Institutions - 9(d) from Direct Placements (3) (5)	270,534	10,641
Virginia College Building Authority (3)	5,636,772	394,940
Virginia Port Authority - 9(d) (3) (6)	627,923	17,985
Virginia Housing Development Authority - 9(d) (3) (5)	4,547,880	120,322
Virginia Housing Development Authority from Direct Placements - 9(d) (3) (5)	215,835	7,670
Virginia Resources Authority - 9(d) (3) (7)	3,194,504	192,080
Virginia Resources Authority from Direct Placements (3) (9)	98,000	8,000
Virginia Public School Authority - 9(d) (3) (5)	3,961,308	270,575
Virginia Public School Authority from Direct Placements - 9(d) (3) (5)	87,286	4,010
Hampton Roads Sanitation District Commission (3) (5)	979,742	93,198
Foundations (5) (8)	999,422	37,917
Total Nongeneral Obligation Bonds	24,774,088	1,172,868
Other Long-term Obligations:		
Net Pension Liability (9)	2,065,850	—
Net OPEB Liability (10)	691,731	245
Total OPEB Liability (11)	176,467	17,053
Compensated Absences	419,401	314,146
Long-term Lease Liabilities (12)	4,916,709	90,076
Long-term Subscription-Based Information Technology Arrangements (13)	209,855	81,874
Notes Payable (5)	1,814,266	243,775
Notes Payable from Direct Borrowings (5)	167,559	4,823
Installment Purchase Obligations from Direct Borrowings	225,249	9,693
Trust and Annuity Obligations (5) (13)	93,474	—
Other Liabilities (5)	237,239	14,468
Total Other Long-term Obligations (Excluding Foundations)	11,017,800	776,153
Other Long-term Obligations (Foundations): (5) (8)		
Compensated Absences	30,875	20,146
Notes Payable	372,964	41,591
Trust and Annuity Obligations (14)	83,650	2,488
Other Liabilities	569,464	181,442
Total Other Long-term Obligations - Foundations	1,056,953	245,667
Total Other Long-term Obligations	12,074,753	1,021,820
Total Component Units	37,789,690	2,265,565
Total Long-term Liabilities	$ 55,431,709	$ 3,358,850

1. Pursuant to GASB Statement No. 34, governmental activities include internal service funds. Business-type activities are considered enterprise funds.
2. Total general obligation debt of the Commonwealth is $1.1 billion.
3. Amounts are net of any unamortized discounts and premiums.
4. This debt includes $974.6 million that is not supported by taxes.
5. This debt is not supported by taxes.
6. This debt includes $259.0 million for bonds that is not supported by taxes.
7. This debt is not supported by taxes; however, $906.8 million is considered moral obligation debt.
8. Foundations represent FASB reporting entities defined in Note 1.B.
9. This includes net pension liabilities that do not relate to the Virginia Retirement System’s State Plan from the Hampton Roads Sanitation District Commission and Virginia Port Authority of $18.3 million and $11.5 million, respectively. This debt is not supported by taxes.
10. This includes OPEB obligations that do not relate to the Virginia Retirement System’s State Plan from the Hampton Roads Sanitation District Commission, Virginia Port Authority, Virginia Resources Authority, Roanoke Higher Education Authority, and Virginia Biotechnology Research Partnership Authority, of $13.2 million, $910,000, $207,923, $62,974, and $47,810 respectively. This debt is not supported by taxes.
11. This includes OPEB obligations that do not relate to the Department of Human Resource Management from the University of Virginia of $19.7 million and Virginia Port Authority of $804,000. This debt is not supported by taxes.
12. This includes $330.7 million for governmental activities and $273.4 million for component units that are supported by taxes.
13. This includes $137.1 million for governmental activities and $46.4 million for component units that are supported by taxes.
14. These generally represent split-interest agreements that represent donor contributed assets with the requirement that an annual distribution be made to the donor or specified beneficiary. The annual distributions are usually for a fixed dollar amount or a fixed percentage of the trust's fair market value. The present value of these commitments is reported as Trust and Annuity Obligations.

Primary Government

Transportation Facilities Debt

Transportation Facilities Bonds include $3.8 billion of Transportation Facilities Section 9(d) debt. The Section 9(d) debt includes $2.8 billion of Section 9(d) revenue bonds, $873.8 million of Grant Anticipation Revenue Notes (GARVEES), and $100.8 million of I-81 revenue bonds in addition to the outstanding Section 9(d) revenue bonds. There are no Section 9(c) bonds outstanding at June 30, 2023. Section 9(d) principal and interest requirements for the current year totaled $368.4 million. The Section 9(d) Transportation Facilities Bonds were issued to fund the construction of State Route 28, U.S. Route 58, the Northern Virginia Transportation District Program, the Interstate 81 Improvement Program, and the costs of certain transportation projects throughout the Commonwealth. The interest rates for these bonds range from 2.5 percent to 5.4 percent and the issuance dates range from October 10, 2002 to June 22, 2023. The GARVEES were issued to finance various Federal Aid Transportation projects throughout the Commonwealth. The interest rates for these bonds range from 2.0 percent to 5.0 percent and the issuance dates range from November 9, 2016 to September 22, 2020.

The following schedule details the annual funding requirements necessary to amortize Transportation 9(d) debt. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $37.0 million for Build America Bonds (BABs) issued. The BABs are applicable to Commonwealth of Virginia Transportation Series 2010A Capital Project Revenue Bonds. The following schedule details the annual funding requirements necessary to repay the Transportation Facilities 9(d) debt. Additionally, the Commonwealth will receive the amounts required to pay the debt service on outstanding Series 2002 and Series 2012 bonds from the Route 28 Transportation Improvement District, annually. The Commonwealth will also receive a portion of the debt service amount for the Northern Virginia Transportation District from the localities where the projects are located, annually.

9(d) TRANSPORTATION FACILITIES DEBT
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2024	$ 224,700,602	$ 150,122,237	$ 374,822,839
2025	222,323,739	140,125,588	362,449,327
2026	232,794,277	129,117,925	361,912,202
2027	235,481,299	117,468,790	352,950,089
2028	229,310,000	105,670,637	334,980,637
2029-2033	1,013,035,000	376,885,527	1,389,920,527
2034-2038	714,865,000	171,534,829	886,399,829
2039-2043	351,055,000	69,082,768	420,137,768
2044-2048	123,225,000	22,240,975	145,465,975
2049-2053	16,940,000	6,839,750	23,779,750
2054-2058	16,865,000	2,159,750	19,024,750
Less: Unamortized Discount	(57,142)	—	(57,142)
Add: Accretion on Capital Appreciation Bonds	18,667,784	—	18,667,784
Unamortized Premium	377,836,530	—	377,836,530
Total	$ 3,777,042,089	$ 1,291,248,776	$ 5,068,290,865

Public Facilities Bonds

Section 9(b) general obligation bonds consist of Public Facilities Bonds, Series 2012A Refunding, Series 2013B Refunding, Series 2015B Refunding, Series 2016B Refunding, and Series 2019C Refunding. Bonds were issued to fund construction projects for higher educational institutions, behavioral health, and/or park facilities. The Series 2012A bonds were issued to advance refund outstanding Series 2002, Series 2003A, Series 2004A, and Series 2005A bonds. The Series 2013B bonds were issued to advance refund outstanding Series 2005A, Series 2006B, Series 2007A, and Series 2007B bonds. The Series 2015B bonds were issued to advance refund certain maturities of outstanding Series 2007B, Series 2008A, and Series 2008B bonds. The Series 2016B bonds were issued to advance refund certain maturities of outstanding Series 2009A bonds. The Series 2019C bonds were issued to advance refund outstanding 2009E bonds. Principal and interest requirements for the current year totaled $55.9 million. The interest rates for all bonds range from 2.0 percent to 5.0 percent and the issuance dates range from March 7, 2012, to August 14, 2019. The following schedule details the annual funding requirements necessary to repay these bonds.

9(b) PUBLIC FACILITIES BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2024	$ 44,390,000	$ 6,830,292	$ 51,220,292
2025	36,280,000	4,807,314	41,087,314
2026	30,400,000	3,243,986	33,643,986
2027	24,430,000	1,874,093	26,304,093
2028	14,130,000	740,575	14,870,575
2029-2033	4,835,000	180,280	5,015,280
Add: Unamortized Premium	18,657,308	—	18,657,308
Total	$ 173,122,308	$ 17,676,540	$ 190,798,848

Parking Facilities Bonds

Section 9(c) general obligation bonds consist of Parking Facilities Bonds, Series 2012A Refunding and Series 2016B Refunding. The Series 2012A Refunding bonds were issued to advance refund outstanding Series 2002 Refunding and Series 2004A bonds. The Series 2016B Refunding bonds were issued to advance refund certain maturities of outstanding Series 2009B bonds. The interest rate for these bonds range from 2.0 percent to 5.0 percent, and the issuance dates range from March 7, 2012, to November 10, 2016. Current year principal and interest requirements totaled $1.1 million. The following schedule details the annual funding requirements necessary to repay these bonds.

9(c) PARKING FACILITIES BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2024	$ 952,789	$ 178,339	$ 1,131,128
2025	575,000	130,700	705,700
2026	605,000	101,950	706,950
2027	630,000	71,700	701,700
2028	660,000	40,200	700,200
2029-2033	675,000	27,000	702,000
Add:			
Unamortized Premium	547,912	—	547,912
Total	$ 4,645,701	$ 549,889	$ 5,195,590

Virginia Public Building Authority

Virginia Public Building Authority Section 9(d) bonds consist of 2010B-2 (Taxable Build America Bonds), 2010B-3 Refunding, 2012A Refunding, 2013A, 2013B Refunding, 2014A, 2014B (Taxable), 2014C Refunding, 2015A, 2015B Refunding, 2016A, 2016B Refunding, 2016C (AMT), 2016D (Taxable), 2017A Refunding, 2018A, 2018B (Taxable), 2019A, 2019B (AMT), 2019C (Taxable), 2020A, 2020B Refunding, 2020C (Taxable), 2021A, 2021B Refunding (Taxable), 2022A, and 2022B (Taxable). All bonds were issued for the purpose of constructing, improving, furnishing, maintaining, and acquiring public buildings for the use of the Commonwealth and also to reimburse localities, regional jail authorities or other combinations of localities under the Regional Jail Financing Program. The Series 2010B-3 bonds were issued to advance refund outstanding series 2002A and 2004B Revenue bonds. The Series 2012A bonds were issued to advance refund outstanding series 2004B and 2005C Revenue bonds. The Series 2013B bonds were issued to advance refund 2006A and 2006B revenue bonds. The Series 2014C bonds were issued to advance refund outstanding Series 2004A Refunding, 2004B, 2004C Refunding, and 2004D Refunding bonds, and certain maturities of the 2005C, 2006A, 2006B, and 2007A bonds. The Series 2015B bonds were issued to advance refund outstanding series 2005A Refunding, 2005B Refunding, and 2006A bonds and certain maturities of the series 2008B bonds. The Series 2016B bonds were issued to advance refund certain maturities of the series 2009B and 2011A bonds. The Series 2017A bonds were issued to advance refund certain maturities of the 2011A, 2013A, and 2014A bonds. The Series 2020B bonds were issued to advance refund outstanding Series 2005D, Series 2009D Refunding and 2010A bonds. The Series 2021B bonds were issued to advance refund outstanding Series 2011B bonds. The interest rates range from 0.3 percent to 5.9 percent and the issuance dates range from November 23, 2010, to April 26, 2022.

Current year principal and interest requirements for all VPBA bonds totaled $336.2 million. The following schedule details the annual funding requirements necessary to repay these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $10.4 million for Build America Bonds (BABs) issued. The BABs are applicable to Series 2010 Revenue Bonds.

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

Maturity	Principal	Interest	Total
2024	$ 223,880,000	$ 132,085,178	$ 355,965,178
2025	234,485,000	121,243,304	355,728,304
2026	228,810,000	110,284,949	339,094,949
2027	224,600,000	99,613,798	324,213,798
2028	204,855,000	89,520,709	294,375,709
2029-2033	889,840,000	315,947,047	1,205,787,047
2034-2038	695,100,000	145,151,477	840,251,477
2039-2043	417,615,000	28,686,480	446,301,480
Add:			
Unamortized Premium	400,445,028	—	400,445,028
Total	$ 3,519,630,028	$ 1,042,532,942	$ 4,562,162,970

Hampton Roads Transportation Accountability Commission

Hampton Roads Transportation Accountability Commission bonds consists of Senior Lien Revenue Bonds, Series 2018A, Senior Lien Revenue Bonds, Series 2020A, Senior Lien Revenue Bonds, Series 2022A, and a TIFIA loan, Series 2021A. The bonds were issued to pay for the costs of planning, design, and construction of transportation infrastructure in the localities comprising Planning District 23. The TIFIA loans were issued to refund the 2019A and 2021A bond anticipation notes. The interest rates for these bond and loan series range from 1.9 percent to 5.5 percent and the issue dates range from February 14, 2018 to March 27, 2023. Current year principal and interest requirements totaled $496.9 million.

The following schedule details the annual funding requirements necessary to repay these bonds. This schedule includes future capitalized interest of $54.0 million through June 30, 2025.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2024	$ —	$ 52,240,100	$ 52,240,100
2025	—	56,405,215	56,405,215
2026	6,788,369	60,364,636	67,153,005
2027	7,505,354	68,033,901	75,539,255
2028	20,553,521	75,267,038	95,820,559
2029-2033	142,017,293	362,544,103	504,561,396
2034-2038	243,138,292	330,614,317	573,752,609
2039-2043	312,955,292	288,209,100	601,164,392
2044-2048	397,122,865	234,020,550	631,143,415
2049-2053	492,572,339	168,810,022	661,382,361
2054-2058	535,504,059	94,243,044	629,747,103
2059-2063	312,235,473	17,053,705	329,289,178
Add:			
Unamortized Premium	146,456,479	—	146,456,479
Total	$ 2,616,849,336	$ 1,807,805,731	$ 4,424,655,067

Component Units

Higher Education Institution Bonds

Higher Education Institution Bonds are comprised of both 9(c) general obligation bonds and 9(d) revenue bonds. Section 9(d) bonds are from several sources as shown on the following schedule (dollars in thousands).

College and university bonds backed by pledge of general revenue or revenue from specific revenue-producing capital projects	$ 3,884,222
College and university debt backed exclusively by pledged revenues of an institution	541,194
Total Higher Education Institution 9(d) debt	$ 4,425,416

The interest rates for these bonds range from 0.4 percent to 6.2 percent and the issuance dates range from April 15, 2009, to February 1, 2023. The Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – nonmajor) Series 2013B bonds are variable rate bonds and the rates are reset weekly by the remarketing agent.

The following schedules detail the annual funding requirements necessary to amortize Higher Education Institution 9(c) and 9(d) bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $157.8 million for Build America Bonds (BABs) issued. The BABs are applicable to General Obligation Series 2010A Bonds, Series 2010B 21st Century Virginia College Building Authority Education Facilities Bonds, and the University of Virginia's Series 2009 and 2010 General Revenue Bonds. Virginia Commonwealth University (nonmajor component unit) and Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University - nonmajor component unit) (VCUHSA) have Direct Placement Bond Series. The VCUHSA bonds include event of default provisions that could change the timing of repayment of the outstanding amounts to become immediately due.

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

Maturity	Principal	Interest	Total
2024	$ 70,877,211	$ 31,274,844	$ 102,152,055
2025	73,695,000	28,591,614	102,286,614
2026	75,550,000	25,819,908	101,369,908
2027	72,880,000	22,849,028	95,729,028
2028	68,935,000	19,911,696	88,846,696
2029-2033	292,050,000	64,723,111	356,773,111
2034-2038	163,025,000	25,014,758	188,039,758
2039-2043	50,315,000	7,187,568	57,502,568
2044-2048	7,020,000	2,743,625	9,763,625
2049-2053	6,920,000	886,250	7,806,250
Add:			
Unamortized Premium	59,581,978	—	59,581,978
Total	$ 940,849,189	$ 229,002,402	$ 1,169,851,591

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

Maturity	Principal	Interest (1)	Total
2024	$ 15,530,000	$ 149,750,879	$ 165,280,879
2025	16,355,000	149,156,466	165,511,466
2026	18,435,000	148,466,641	166,901,641
2027	27,325,000	147,592,484	174,917,484
2028	28,925,000	146,596,558	175,521,558
2029-2033	184,260,000	716,583,279	900,843,279
2034-2038	182,820,000	688,890,584	871,710,584
2039-2043	663,015,000	559,764,733	1,222,779,733
2044-2048	696,585,000	405,438,970	1,102,023,970
2049-2053	1,471,265,000	229,171,561	1,700,436,561
2054-2058	100,000,000	123,657,500	223,657,500
2059-2063	—	119,157,500	119,157,500
2064-2068	—	119,157,500	119,157,500
2069-2073	—	119,157,500	119,157,500
2074-2078	—	119,157,500	119,157,500
2079-2083	—	119,157,500	119,157,500
2084-2088	—	119,157,500	119,157,500
2089-2093	—	119,157,500	119,157,500
2094-2098	—	119,157,500	119,157,500
2099-2103	—	119,157,500	119,157,500
2104-2108	—	119,157,500	119,157,500
2109-2113	—	119,157,500	119,157,500
2114-2118	300,000,000	112,889,000	412,889,000
2119-2123	350,000,000	16,941,750	366,941,750
Add:			
Unamortized Premium	100,367,256	—	100,367,256
Total	$ 4,154,882,256	$ 4,905,632,905	$ 9,060,515,161

Note (1): The future interest requirements exclude any net Payments associated with hedging derivative instruments. See Note 16 for more details on hedging derivative instruments.

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

Maturity	Principal	Interest	Total
2024	$ 10,640,598	$ 9,235,577	$ 19,876,175
2025	15,011,169	8,896,234	23,907,403
2026	14,991,056	8,543,385	23,534,441
2027	14,356,518	8,190,675	22,547,193
2028	14,802,903	7,869,971	22,672,874
2029-2033	77,030,039	33,224,153	110,254,192
2034-2038	92,371,522	15,517,524	107,889,046
2039-2043	22,485,000	4,480,516	26,965,516
2044-2048	8,845,000	1,041,760	9,886,760
Total	$ 270,533,805	$ 96,999,795	$ 367,533,600

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

Maturity	Principal	Interest	Total
2024	$ 394,940,000	$ 202,563,791	$ 597,503,791
2025	376,970,000	201,136,858	578,106,858
2026	377,115,000	183,894,718	561,009,718
2027	369,275,000	167,495,508	536,770,508
2028	369,020,000	151,363,568	520,383,568
2029-2033	1,571,695,000	514,232,827	2,085,927,827
2034-2038	1,048,745,000	224,360,580	1,273,105,580
2039-2043	510,360,000	55,318,700	565,678,700
Add:			
Unamortized Premium	618,652,424	—	618,652,424
Total	$ 5,636,772,424	$ 1,700,366,550	$ 7,337,138,974

Various higher education institutions' foundations (component units) and a museum foundation (component unit) have bonds outstanding as of year-end. The purpose of a majority of these bonds is for construction, property acquisition, and defeasance of prior debt. The following schedule details the future principal payments.

FOUNDATIONS' BONDS (1)
Debt Service Requirements to Maturity

Maturity	Principal
2024	$ 37,917,441
2025	38,905,608
2026	41,524,166
2027	40,472,142
2028	64,411,769
Thereafter	776,190,870
Total	$ 999,421,996

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

Virginia Port Authority

The Virginia Port Authority (nonmajor) has issued Section 9(d) revenue bonds and notes pursuant to powers provided to its Board of Commissioners by the *Code of Virginia.* The interest rates for these bonds range from 0.6 percent to 5.3 percent, and the issuance dates range from January 25, 2012, to May 11, 2023. The following schedule details the annual funding requirements necessary to amortize these bonds.

9(d) VIRGINIA PORT AUTHORITY DEBT
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2024	$ 17,985,000	$ 20,940,772	$ 38,925,772
2025	18,610,000	23,945,442	42,555,442
2026	19,275,000	23,261,386	42,536,386
2027	19,980,000	22,535,539	42,515,539
2028	20,725,000	21,767,026	42,492,026
2029-2033	108,295,000	97,921,142	206,216,142
2034-2038	104,345,000	76,674,062	181,019,062
2039-2043	130,170,000	52,128,638	182,298,638
2044-2048	127,700,000	19,161,051	146,861,051
2048-2052	18,515,000	486,019	19,001,019
Add:			
Unamortized Premium	42,322,547	—	42,322,547
Total	$ 627,922,547	$ 358,821,077	$ 986,743,624

Virginia Housing Development Authority

The Virginia Housing Development Authority (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 2.1 percent to 6.6 percent and the issuance dates range from June 8, 2006, to June 1, 2023. The following schedule details the annual funding requirements necessary to amortize these bonds. VHDA has an option to redeem various bonds pursuant the terms of each bond issue. The redemptions generally cannot be exercised without condition until the bonds have been outstanding for nine years or more.

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

Maturity	Principal	Interest	Total
2024	$ 120,321,788	$ 141,935,347	$ 262,257,135
2025	124,370,000	139,263,549	263,633,549
2026	104,470,000	137,039,762	241,509,762
2027	121,935,000	134,301,379	256,236,379
2028	105,685,000	131,479,886	237,164,886
2029-2033	547,690,000	613,929,496	1,161,619,496
2034-2038	629,707,587	525,511,469	1,155,219,056
2039-2043	789,735,009	409,169,039	1,198,904,048
2044-2048	743,605,540	266,531,093	1,010,136,633
2049-2053	879,679,641	142,035,299	1,021,714,940
2054-2058	328,325,000	29,579,991	357,904,991
2059-2063	33,850,000	6,268,755	40,118,755
2064-2068	19,575,000	1,173,434	20,748,434
Unamortized Discount	(1,069,805)	—	(1,069,805)
Total	$ 4,547,879,760	$ 2,678,218,499	$ 7,226,098,259

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

Maturity	Principal	Interest	Total
2024	$ 7,670,000	$ 8,386,227	$ 16,056,227
2025	7,930,000	8,083,470	16,013,470
2026	8,210,000	7,770,205	15,980,205
2027	8,490,000	7,445,935	15,935,935
2028	8,780,000	7,110,661	15,890,661
2029-2033	48,670,000	30,102,429	78,772,429
2034-2038	57,680,000	19,794,889	77,474,889
2039-2043	68,405,000	7,568,935	75,973,935
Total	$ 215,835,000	$ 96,262,751	$ 312,097,751

Virginia Resources Authority

The Virginia Resources Authority (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 0.2 percent to 6.3 percent and the issuance dates range from July 31, 2002, to May 23, 2023. The following schedule details the annual funding requirements necessary to amortize these bonds.

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

Maturity	Principal	Interest	Total
2024	$ 192,080,000	$ 110,585,251	$ 302,665,251
2025	202,045,000	102,278,063	304,323,063
2026	208,515,000	93,531,084	302,046,084
2027	206,725,000	84,721,930	291,446,930
2028	207,725,000	76,281,467	284,006,467
2029-2033	870,915,000	269,800,240	1,140,715,240
2034-2038	587,230,000	139,813,587	727,043,587
2039-2043	377,820,000	57,320,249	435,140,249
2044-2048	115,470,000	16,413,689	131,883,689
2049-2053	38,900,000	3,046,803	41,946,803
2054-2058	760,000	15,441	775,441
Less: Unaccreted Capital Appreciation Bonds	(2,921,817)	—	(2,921,817)
Add: Unamortized Premium	189,240,370	—	189,240,370
Total	$ 3,194,503,553	$ 953,807,804	$ 4,148,311,357

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

Maturity	Principal	Interest	Total
2024	$ 8,000,000	$ 2,955,200	$ 10,955,200
2025	3,520,000	2,806,032	6,326,032
2026	3,635,000	2,692,268	6,327,268
2027	3,750,000	2,574,846	6,324,846
2028	3,870,000	2,453,688	6,323,688
2029-2033	21,270,000	10,312,263	31,582,263
2034-2038	24,875,000	6,650,732	31,525,732
2039-2043	29,080,000	2,369,577	31,449,577
Total	$ 98,000,000	$ 32,814,606	$ 130,814,606

Virginia Public School Authority

The Virginia Public School Authority (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 0.0 percent to 5.5 percent, and the issuance dates range from November 13, 2009, to May 16, 2023. The following schedules detail the annual funding requirements necessary to amortize these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $78.9 million for Qualified School Construction Bonds (QSCBs) issued. The QSCBs are applicable to Series 2010-1, 2011-1, 2011-2, and 2012-1 Revenue Bonds. VPSA's 2014-1 QZAB Bond Series shall bear interest at the default rate, payable on demand by the owner of the Bonds.

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

Maturity	Principal	Interest	Total
2024	$ 270,575,000	$ 141,770,142	$ 412,345,142
2025	270,350,000	130,758,122	401,108,122
2026	266,695,000	119,384,695	386,079,695
2027	456,305,000	108,333,489	564,638,489
2028	241,835,000	90,900,745	332,735,745
2029-2033	1,115,900,000	311,138,571	1,427,038,571
2034-2038	717,085,000	147,290,317	864,375,317
2039-2043	376,760,000	58,328,782	435,088,782
2044-2048	92,640,000	20,866,984	113,506,984
2049-2053	62,670,000	5,434,100	68,104,100
Add:			
Unamortized Premium	90,493,255	—	90,493,255
Total	$ 3,961,308,255	$ 1,134,205,947	$ 5,095,514,202

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

Maturity	Principal	Interest	Total
2024	$ 4,010,000	$ 2,254,778	$ 6,264,778
2025	7,871,000	2,139,851	10,010,851
2026	4,105,000	2,023,571	6,128,571
2027	4,160,000	1,905,795	6,065,795
2028	4,215,000	1,786,451	6,001,451
2029-2033	24,300,000	7,085,100	31,385,100
2034-2038	23,585,000	3,843,439	27,428,439
2039-2043	15,040,000	647,520	15,687,520
Total	$ 87,286,000	$ 21,686,505	$ 108,972,505

Hampton Roads Sanitation District Commission

The Hampton Roads Sanitation District Commission (nonmajor) issues revenue bonds for various capital improvements including, but not limited to, wastewater treatment plants and interceptor system improvements. Bond issue dates range from November 12, 2009 to June 11, 2020. The interest cost for these bonds range from 1.0 percent to 5.9 percent. The following schedule details the annual funding requirements necessary to amortize these bonds. The fiscal year 2023 principal amount includes $50.0 million for demand bonds, which are also classified as “due within one year” in the accompanying financial statements.

HAMPTON ROADS SANITATION DISTRICT COMMISSION
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2024	$ 93,198,000	$ 29,402,000	$ 122,600,000
2025	50,540,000	27,286,000	77,826,000
2026	51,812,000	26,710,000	78,522,000
2027	53,056,000	25,287,000	78,343,000
2028	51,042,000	23,853,000	74,895,000
2029-2033	263,638,000	96,224,000	359,862,000
2034-2038	223,550,000	55,552,000	279,102,000
2039-2043	88,292,000	28,235,000	116,527,000
2044-2048	16,136,000	19,679,000	35,815,000
2049-2053	74,759,000	14,085,000	88,844,000
Add:			
Unamortized Premium	13,719,000	—	13,719,000
Total	$ 979,742,000	$ 346,313,000	$ 1,326,055,000

Total principal outstanding as of June 30, 2023, on all component unit bonds amounted to $25.7 billion.

The following schedule summarizes the changes in long-term liabilities:

(Dollars in Thousands)

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

	Balance July 1, as restated (3)	Issuances and Other Increases	Retirements and Other Decreases	Subtotal June 30
Primary Government				
Governmental Activities:				
Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
General Obligation Bonds - 9(b) and 9(c):				
Public Facilities Bonds	$ 201,415	$ —	$ (46,950)	$ 154,465
Parking Facilities Bonds	5,004	—	(906)	4,098
Add: Unamortized Premium	24,845	—	(5,640)	19,205
Total General Obligation Bonds	231,264	—	(53,496)	177,768
Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Transportation Facilities Bonds	3,399,495	217,510	(236,410)	3,380,595
Virginia Public Building Authority Bonds	3,339,940	—	(220,755)	3,119,185
Hampton Roads Transportation Accountability Commission	2,490,826	1,157,887	(1,232,334)	2,416,379
Add: Unamortized Premium	1,133,606	19,885	(228,753)	924,738
Accretion on Capital Appreciation Bonds	22,113	1,700	(5,146)	18,667
Less: Unamortized Discount	(62)	5	—	(57)
Installment Purchase Obligations from Direct Borrowings	107,224	7,450	(26,099)	88,575
Compensated Absences	333,763	225,660	(188,725)	370,698
Long-term Lease Liabilities	396,390	74,899	(49,114)	422,175
Long-term Subscription-Based Information Technology Arrangements	144,782	81,702	(81,383)	145,101
Net Pension Liability*	2,728,430	702,003	—	3,430,433
Net OPEB Liability* (5)	784,210	—	(39,207)	745,003
Total OPEB Liability* (5)	247,471	—	(48,606)	198,865
Pollution Remediation Obligations	8,685	55	(569)	8,171
Other	28,411	2,453	(7,761)	23,103
Total Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth	15,165,284	2,491,209	(2,364,862)	15,291,631
Total Governmental Activities	15,396,548	2,491,209	(2,418,358)	15,469,399
Business-type Activities:				
Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Compensated Absences	13,699	4,470	(2,925)	15,244
Long-term Lease Liabilities	193,959	34,433	(25,729)	202,663
Long-term Subscription-Based Information Technology Arrangements	22,267	202,281	(17,309)	207,239
Net Pension Liability*	95,141	37,674	—	132,815
Net OPEB Liability* (5)	21,595	1,664	—	23,259
Total OPEB Liability* (5)	9,854	—	(1,281)	8,573
Installment Purchase Obligations from Direct Borrowings	572	—	(572)	—
Lottery Prizes Payable	112,828	91,446	(6,146)	198,128
Educational Benefits Payable	1,613,747	—	(229,048)	1,384,699
Total Business-type Activities	2,083,662	371,968	(283,010)	2,172,620
Total Primary Government	$ 17,480,210	$ 2,863,177	$ (2,701,368)	$ 17,642,019

*Net increase/decrease is shown.

Foundations (4)	Balance June 30	Due Within One Year
$ —	$ 154,465	$ 44,390
—	4,098	953
—	19,205	—
—	177,768	45,343
—	3,380,595	224,701
—	3,119,185	223,880
—	2,416,379	—
—	924,738	—
—	18,667	—
—	(57)	—
—	88,575	14,056
—	370,698	198,968
—	422,175	41,942
—	145,101	62,543
—	3,430,433	—
—	745,003	4,649
—	198,865	21,819
—	8,171	6,074
—	23,103	2,499
—	15,291,631	801,131
—	15,469,399	846,474
—	15,244	11,775
—	202,663	25,392
—	207,239	11,158
—	132,815	—
—	23,259	42
—	8,573	863
—	—	—
—	198,128	13,562
—	1,384,699	184,019
—	2,172,620	246,811
$ —	$ 17,642,019	$ 1,093,285

Continued on next page

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

(Dollars in Thousands) (*Continued from previous page)*

	Balance July 1, as restated (3)	Issuances and Other Increases	Retirements and Other Decreases	Subtotal June 30
Component Units				
Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
General Obligation Bonds - Higher Education 9(c) (6)	$ 912,817	$ 100,424	$ (72,392)	$ 940,849
Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Bonds (7)	22,664,732	2,173,820	(1,735,541)	23,103,011
Bonds from Direct Placements (7)	525,561	157,469	(11,375)	671,655
Installment Purchase Obligations from Direct Borrowings (4)	232,324	6,161	(13,236)	225,249
Long-term Lease Liabilities	4,782,342	243,297	(108,930)	4,916,709
Long-term Subscription-Based Information Technology Arrangements (3)	168,370	130,471	(88,986)	209,855
Notes Payable	1,711,155	236,613	(133,502)	1,814,266
Notes Payable from Direct Borrowings	171,297	3,629	(7,367)	167,559
Compensated Absences	379,422	476,547	(436,568)	419,401
Net Pension Liability*	1,646,852	418,998	—	2,065,850
Net OPEB Liability* (6)	707,957	—	(16,226)	691,731
Total OPEB Liability* (6)	258,308	—	(81,841)	176,467
Trust and Annuity Obligations	96,431	6,365	(9,322)	93,474
Other	430,234	67,869	(260,864)	237,239
Total Component Units	$ 34,687,802	$ 4,021,663	$ (2,976,150)	$ 35,733,315

*Net increase/decrease is shown.

Note (1): Pursuant to GASB Statement No. 34, governmental activities include internal service funds. Business-type activities are considered enterprise funds.

Note (2): Payments on bonded debt that pertain to the Commonwealth's governmental activities are made through the debt service funds. Payments for installment purchases, compensated absences, long-term leases, long-term SBITAs, pension, other post-employment benefits, and other obligations that pertain to the Commonwealth's governmental activities are made through the general and all special revenue funds, excluding the Literary Fund (major). Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the total for governmental activities. Enterprise funds, or business-type activities, are self-supporting funds. Accordingly, long-term liabilities are paid from each respective fund.

Note (3): As a result of the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, the beginning balances associated with the implementation have been restated/reclassified by $57.0 million due to a restatement amount of $80.3 million in assets offset by a $23.3 million reclassification of liabilities for governmental activities. Additionally, $182.7 million has been restated for component units.

Note (4): Component Unit Installment Purchase Obligations from Direct Borrowing has been restated by $1,218 (dollars in thousands) as a result of prior year error corrections.

Note (5): Foundations represent FASB reporting entities defined in Note 1.B.

Note (6): The Net OPEB Liability amount reported as due within one year pertains to the Commonwealth's Line of Duty (LODA) OPEB plan because the ending fiduciary net position is less than the benefit payments expected to be paid within one year. The Total OPEB Liability amount reported as due within one year represents the benefit payments expected to be paid within one year from the Pre-Medicare Retiree Healthcare (PMRH) OPEB plan. This plan does not have a trust.

Note (7): Amounts are net of any unamortized discounts and premiums.

Foundations (5)	Balance June 30	Due Within One Year
$ —	$ 940,849	$ 70,877
999,422	24,102,433	1,142,547
—	671,655	30,321
—	225,249	9,693
—	4,916,709	90,076
—	209,855	81,874
372,964	2,187,230	285,366
—	167,559	4,823
30,875	450,276	334,292
—	2,065,850	—
—	691,731	245
—	176,467	17,053
83,650	177,124	2,488
569,464	806,703	195,910
$ 2,056,375	$ 37,789,690	$ 2,265,565

Bond and Note Defeasance

GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of June 30, 2023, there were $936.2 million in bonds from the primary government that have been refunded and defeased in-substance from the governmental activities column by placing existing assets and the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments. In addition, there were $1.2 billion in bonds and notes outstanding considered defeased from the component units.

Primary Government

In 2022, the Commonwealth Transportation Board of the Commonwealth of Virginia did an in-substance defeasance of $25.4 million of Northern Virginia Transportation District Program Revenue Bonds Series 2012A and Route 28 Project Transportation Revenue Refunding Bonds Series 2012 along with $4.7 million of the unamortized bond premium. VDOT used current resources for the defeasance and no new debt was issued. VDOT recognized an economic gain of $1.1 million. None of these defeased bonds are outstanding at year end.

In November 2022, the Virginia Public Building Authority (VPBA) used General Fund appropriations to defease $22.1 million of Public Facilities Revenue and Revenue Refunding Bonds Series 2010B-2, 2013A, 2014A, 2014C, 2015A, 2016A, 2016B, 2017A, 2018A, 2019A, 2020A, and 2020B. The funds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the defeased bonds to their next available redemption date. VPBA recognized an economic gain of $1.3 million.

In 2023, the Hampton Roads Transportation Accountability Commission (HRTAC) did an in-substance defeasance of $818.0 million of the Series 2021A Senior Lien Bond Anticipation Notes, along with $50.9 million of the unamortized bond premium. HRTAC issued new debt in the form of a TIFIA Loan for the majority of the defeasance, along with current resources. Funds were placed in escrow to pay the bonds as they mature. HRTAC recognized a gain on the defeasance of $84.7 million and the balance of the defeased bonds is $817.9 million as of June 30, 2023.

On July 1, 2022, HRTAC paid in full $414.3 million the Intermediate Lien Bond Anticipation Notes (BAN), Series 2019A, using the remaining balance of the BAN project fund held at the trustee, general funds and the proceeds from the new TIFIA loan.

Component Units

In February 2023, Virginia Commonwealth University (nonmajor) issued $22.8 million of General Revenue Pledge Refunding Bonds, Series 2023A. These bonds were used to forward refund $3.1 million of General Revenue Pledge Refunding Bonds, Series 2013A, and $19.3 million of General Revenue Pledge Bonds, Series 2014A. For additional information, see the University's separately issued financial statements, which can be found at the University's website at www.vcu.edu.

In May 2023, the Virginia Port Authority (VPA) (nonmajor) issued $52.7 million of Commonwealth Port Fund Revenue Refunding Bonds, Series 2023B (Non-AMT) to advance refund $59.3 million in principal amount of the Authority's Commonwealth Port Fund Revenue Bonds, Series 2018 (Taxable) issued in the original par amounts of $60.3 million. The net proceeds from the issuance, along with other funds available from the Authority, were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are to be called. At June 30, 2023, $59.3 million of these defeased bonds are still outstanding. The result of the refunding saved the Authority $4.3 million in future debt service and resulted in $3.2 million economic gain. For additional information, please see the Authority's website at www.portofvirginia.com.

In June 2023, the Virginia College Building Authority (VCBA) (major) issued $341.8 million of Series 2023B 21st Century Program refunding bonds. The bonds were issued to refund $401.9 million of its 2010B-2, 2014A, 2015A, 2015D, 2016A and 2020B bonds (selected maturities only). The net proceeds from the sale of the refunding bonds of $397.5 million were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the defeased bonds. This defeasance resulted in an accounting gain of $27.1 million. Total debt service payments over the next 12 years will be reduced by $27.7 million resulting in a present value savings of $20.6 million discounted at the rate of 3.0 percent.

Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt calculate and rebate arbitrage earnings to the Federal government. The U.S. Treasury has issued regulations on calculating the rebate amount and complying with the provisions of the Tax Reform Act of 1986. Governmental issuers must comply with the rebate regulations in order for their bonds to maintain tax-exempt status. The regulations require earnings on investments purchased with bond proceeds in excess of the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, be subject to rebate to the Federal government. Income earned on excess earnings is also subject to rebate. Rebate liability, if any, must be paid every five years over the life of the bonds. Governmental issuers may at the time of issuance elect to pay a penalty in lieu of rebate. Bonds may be exempt from the rebate requirements if they qualify for certain exceptions under the regulations. If the issuer meets one of the exceptions, the issuer retains any arbitrage earnings. Rebate and penalty payments are calculated and paid as required by law on bond issues that do not qualify for an exception.

Rebate liability on bonds of the VPSA (major component unit) issued under its Pooled Bond Programs is payable from earnings on related bond funds and from local issuers whose local school bonds were purchased by the VPSA. During fiscal year 2023, no rebate payments were owed on VPSA bonds issued under its Pooled Bonds Programs. Rebate liability on notes of the VPSA issued under its School Technology and Security Notes Program is payable from earnings on related note funds and funds of the Commonwealth. During fiscal year 2023, a final arbitrage rebate calculation for VPSA's School Technology and Security Notes, Series VI identified an arbitrage rebate liability payment of $48,422 due to the Federal government in fiscal year 2023. The liability was paid in fiscal year 2023 by the VPSA. The Virginia Department of Education reimbursed the VPSA in fiscal year 2023.

Rebatable arbitrage need only be calculated for tax purposes every fifth year that debt is outstanding. Consistent with the modified accrual basis of accounting, it is not recognized as a liability in governmental funds until amounts actually become due and payable; however, a liability is recognized in accrual basis government-wide statements as soon as the underlying event has occurred.

Amounts remitted to the Federal government for rebate liability are generally paid from earnings derived from the issue. However, if all proceeds have been expended and depending on the type of issue, it may be necessary to use project revenues or general or non-general fund appropriations to satisfy any rebate liability. During fiscal year 2023, no rebate payments were owed on the Commonwealth's General Obligation Bonds, Virginia Public Building Authority, Commonwealth Transportation Board, the Virginia College Building Authority 21st Century or Pooled Bond Programs, or the Virginia Port Authority.

Long-term Leases

The Commonwealth leases buildings, equipment, and land under various agreements that are accounted for as long-term leases under GASB Statement No. 87, *Leases*. The lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly. The Commonwealth has recorded $26.1 million of variable payments for leases. These amounts are recognized as an expense in the period in which the obligation for those payments is incurred.

Presented in the following tables are repayment schedules for long-term lease liabilities as of June 30, 2023.

Long-term Lease Liabilities
Governmental Funds
June 30, 2023

Maturity	Principal	Interest	Total
2024	$ 41,942,411	$ 30,595,038	$ 72,537,449
2025	36,489,012	27,995,527	64,484,539
2026	30,914,361	25,608,428	56,522,789
2027	25,431,126	23,577,062	49,008,188
2028	24,431,526	21,651,112	46,082,638
2029-2033	109,846,632	82,301,173	192,147,805
2034-2038	98,176,948	39,923,901	138,100,849
2039-2043	42,599,021	10,891,814	53,490,835
2044-2048	6,291,998	2,566,753	8,858,751
2049-2053	4,052,550	855,416	4,907,966
2054-2058	927,994	252,863	1,180,857
2059-2063	882,273	105,188	987,461
2064-2068	189,539	3,353	192,892
Total	$ 422,175,391	$266,327,628	$ 688,503,019

Long-term Lease Liabilities
Business-type Activities
June 30, 2023

Maturity	Principal	Interest	Total
2024	$ 25,391,500	$ 7,151,536	$ 32,543,036
2025	20,373,389	6,338,041	26,711,430
2026	18,998,219	5,641,512	24,639,731
2027	16,750,799	4,993,440	21,744,239
2028	14,713,768	4,421,418	19,135,186
2029-2033	59,037,913	14,873,846	73,911,759
2034-2038	35,683,830	5,706,355	41,390,185
2039-2043	11,563,525	964,910	12,528,435
2044-2048	149,970	4,500	154,470
Total	$ 202,662,913	$ 50,095,558	$ 252,758,471

Long-term Lease Liabilities
Component Units
June 30, 2023

Maturity	Principal	Interest	Total
2024	$ 90,075,581	$ 175,471,431	$ 265,547,012
2025	(9,435,143)	174,121,201	164,686,058
2026	34,227,154	172,901,745	207,128,899
2027	33,649,706	171,695,632	205,345,338
2028	36,546,759	170,760,985	207,307,744
2029-2033	82,082,359	835,775,260	917,857,619
2034-2038	2,442,914	824,374,635	826,817,549
2039-2043	144,730,789	809,978,010	954,708,799
2044-2048	365,261,732	763,044,835	1,128,306,567
2049-2053	636,253,132	671,398,108	1,307,651,240
2054-2058	985,572,157	527,204,208	1,512,776,365
2059-2063	1,469,942,702	317,909,134	1,787,851,836
2064-2068	1,045,354,540	51,118,515	1,096,473,055
2069-2073	4,841	159	5,000
Total	$ 4,916,709,223	$ 5,665,753,858	$10,582,463,081

Long-term Subscription-Based Information Technology Arrangements

The Commonwealth implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, for the fiscal year ended June 30, 2023. The Commonwealth has entered into contractual agreements with various vendors that convey control of the right-to-use another entity's IT asset, alone, or in conjunction with a tangible capital asset in an exchange or exchange-like transaction under GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The Commonwealth has a variety of variable payment clauses within its SBITAs, including variable payments based on future performance, usage of the underlying asset, number of software licenses, or hours of access necessary. Such amounts are recognized as an expense in the period in which the obligation for those payments is incurred. During the year, the Commonwealth recorded $19.9 million for variable payments related to a SBITA.

Presented in the following tables are repayment schedules for long-term SBITA liabilities as of June 30, 2023.

Long-term Subscription-Based Information Technology Arrangements
Governmental Funds
June 30, 2023

Maturity	Principal	Interest	Total
2024	$ 62,543,113	$ 7,441,626	$ 69,984,739
2025	26,903,532	3,719,917	30,623,449
2026	15,302,093	2,642,320	17,944,413
2027	13,306,978	1,928,921	15,235,899
2028	6,828,471	1,249,343	8,077,814
2029-2033	19,897,748	2,421,957	22,319,705
2034-2038	319,512	25,576	345,088
Total	$ 145,101,447	$ 19,429,660	$ 164,531,107

Long-term Subscription-Based Information Technology Arrangements
Business-type Activities
June 30, 2023

Maturity	Principal	Interest	Total
2024	11,158,279	6,740,955	17,899,234
2025	10,395,453	6,415,088	16,810,541
2026	10,182,282	6,102,290	16,284,572
2027	9,876,891	5,591,151	15,468,042
2028	9,218,295	5,200,833	14,419,128
2029-2033	45,685,831	21,306,482	66,992,313
2034-2038	53,199,414	13,495,103	66,694,517
2039-2043	57,523,046	4,096,954	61,620,000
Total	$ 207,239,491	$ 68,948,856	$ 276,188,347

Long-term Subscription-Based Information Technology Arrangements
Component Units
June 30, 2023

Maturity	Principal	Interest	Total
2024	81,873,713	4,931,388	86,805,101
2025	52,628,577	3,568,806	56,197,383
2026	33,426,168	2,418,016	35,844,184
2027	19,902,288	1,253,967	21,156,255
2028	10,085,920	720,239	10,806,159
2029-2033	11,619,168	695,362	12,314,530
2034-2038	319,355	9,968	329,323
Total	$ 209,855,189	$ 13,597,746	$ 223,452,935

Notes Payable

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

Primary Government		
Installment Notes from Direct Borrowings	$	88,575
Total Primary Government		88,575
Component Units		
Virginia Public School Authority		191,765
Nonmajor Component Units		1,622,501
Nonmajor Component Units from Direct Borrowings		167,559
Installment Notes from Direct Borrowings		225,249
Subtotal (excluding Foundations)		2,207,074
Foundations:		
Notes Payable		372,964
Subtotal - Foundations		372,964
Total Component Units		2,580,038
Total Notes Payable	$	2,668,613

The Virginia Public School Authority (major component unit) notes of $191.8 million are for the School Technology and Security Notes Program. The note proceeds were used to finance technology equipment purchases and to make grants to school divisions for the purchase of security equipment. The notes will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund (major special revenue).

An additional amount of $1.6 billion is comprised primarily of higher education institutions' (nonmajor component units) promissory notes with the Virginia College Building Authority (VCBA) (major component unit) to finance the construction of various higher education facilities pursuant to the Pooled Bond Program. Interest rates range from 0.5 percent to 5.6 percent and shall be paid semi-annually and the planned interest payments total $427.0 million. Additionally, in accordance with the American Recovery and Reinvestment Act, the Commonwealth expects to receive a Build America Bonds (BABs) interest subsidy to reimburse interest payments of $13.7 million. The final principal payment is due in fiscal year 2053.

University of Virginia (nonmajor) and Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – nonmajor component unit) reported notes payable of $6.2 million and $161.3 million, respectively. For additional information pertaining to these direct borrowings, refer to the separately issued financial statements. In addition, the Hampton Roads Sanitation District Commission (nonmajor component unit) reported notes payable of $68.6 million.

Various foundations (nonmajor component units) have notes outstanding as of year-end. The purpose of a majority of these notes is for property acquisition, working capital, and construction. Future principal payments as of June 30, 2023, are shown in the following table (dollars in thousands).

Foundations' Notes Payable (Component Units) (1)

Maturity	Principal
2024	$ 41,591
2025	67,701
2026	21,440
2027	13,925
2028	20,673
Thereafter	207,634
Total	$ 372,964

Installment purchase obligations have been entered into by agencies and institutions of the Commonwealth. These agreements, other than those in the component units and certain institutions of higher education, contain nonappropriation clauses indicating that continuation of the installment purchase obligations is subject to funding by the General Assembly. Installment purchase obligations represent $313.8 million of the total outstanding debt of the Commonwealth. Presented in the following tables are repayment schedules for installment purchase obligations as of June 30, 2023.

Installment Purchase Obligations from Direct Borrowings
Governmental Funds
June 30, 2023

Maturity	Principal	Interest	Total
2024	$ 14,056,250	$ 1,896,447	$ 15,952,697
2025	14,016,011	1,594,577	15,610,588
2026	13,157,266	1,290,290	14,447,556
2027	12,224,595	1,122,429	13,347,024
2028	11,893,388	925,790	12,819,178
2029-2033	17,930,752	1,767,382	19,698,134
2034-2038	5,296,759	191,429	5,488,188
Total	$ 88,575,021	$ 8,788,344	$ 97,363,365

Installment Purchase Obligations from Direct Borrowings
Component Units
June 30, 2023

Maturity	Principal	Interest	Total
2024	$ 9,694,097	$ 10,280,428	$ 19,974,525
2025	645,376	10,317,819	10,963,195
2026	3,796,840	10,375,578	14,172,418
2027	4,465,033	10,428,341	14,893,374
2028	5,032,841	10,424,323	15,457,164
2029-2033	15,780,208	52,222,495	68,002,703
2034-2038	(4,108,643)	53,842,012	49,733,369
2039-2043	(3,664,682)	56,155,051	52,490,369
2044-2048	4,829,321	56,436,654	61,265,975
2049-2053	18,983,568	53,218,083	72,201,651
2054-2058	41,340,754	44,619,492	85,960,246
2059-2063	74,351,998	27,988,650	102,340,648
2064-2068	54,102,467	4,269,078	58,371,545
Total	$225,249,178	$400,578,004	$625,827,182

The foundations (nonmajor component units) had no installment purchase obligations as of June 30, 2023.

On May 23, 2016, the Virginia Department of Transportation (VDOT) (primary government) and Chesterfield County (County) signed a memorandum of understanding concerning payment of interest relating to the County's contribution to VDOT for the construction of the Powhite Parkway Extension Project. The parties agreed that the interest to be paid by VDOT on the County's contribution to the construction of the Powhite Parkway Extension is $18.5 million. The interest requirement paid during fiscal year 2023 totaled $1.2 million. The outstanding interest amount of $99,185 is payable in annual installments on September 1 in the fiscal year 2024. This interest is applicable to a note payable that VDOT repaid to the County in fiscal year 2014.

Lottery Prizes Payable

Lottery prizes are paid in 20, 25, 26, or 30 installments. The first installment is paid on the day the prize is claimed. The subsequent annual payments are funded with U.S. Treasury STRIPS purchased by the Virginia Lottery. For Life prizes payable represent estimated prizes payable monthly, quarterly or annually for the life of the winner based on life expectancy tables from the Virginia Bureau of Insurance, and funded with a pool of U.S. Treasury STRIPS.

Lottery prizes payable represent the future annual prize payments valued at cost plus accrued interest (current value of securities held to maturity) of the assets funding the payments.

Lottery prizes payable for the fiscal year ended June 30, 2023, are shown in the following table:

	Jackpot	Win For Life	Total
Due within one year	$ 7,586,524	$ 5,975,589	$ 13,562,113
Due in subsequent years	106,351,497	78,214,658	184,566,155
Total (current value)	113,938,021	84,190,247	198,128,268
Add: Interest to Maturity	81,028,979	34,295,753	115,324,732
Lottery Prizes Payable at Maturity	$ 194,967,000	$ 118,486,000	$ 313,453,000

Educational Benefits Payable

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

As of June 30, 2023, educational benefits payable of $1.4 billion have been recorded for the Defined Benefit 529 program on the statement of net position for the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for the Defined Benefit 529 program. In addition, a receivable in the amount of $69.5 million has been recorded to reflect the actuarially determined present value of future payments anticipated from contract holders.

29. OTHER REVENUE

The following table (dollars in thousands) summarizes Other Revenue for the fiscal year ended June 30, 2023.

	Assessments and Receipts for Support of Special Services	Fines, Forfeitures, Court Fees, Penalties, and Escheats	Receipts from Cities, Counties, and Towns	Private Gifts, Grants, and Contracts	Sales of Property
Primary Government:					
General	$ 5,685	$ 257,934	$ 7,659	$ 392	$ 28,752
Major Special Revenue Funds:					
Commonwealth Transportation	19,630	28,280	475,699	7,275	662
Federal Trust	—	31,516	250	52	—
Literary	—	35,882	—	—	—
Nonmajor Governmental Funds	174,983	50,670	86,168	6,840	284,451
Major Enterprise Funds:					
Virginia College Savings Plan	—	—	—	—	—
Nonmajor Enterprise Funds	—	18,452	—	—	—
Internal Service Funds	—	—	—	—	—
Private Purpose Trust Funds	—	—	—	—	—
Pension and Other Employee Benefit Trust Funds	—	—	—	—	—
Custodial Funds - Other	—	—	—	—	—
Total Primary Government	$ 200,298	$ 422,734	$ 569,776	$ 14,559	$ 313,865

	Tobacco Master Settlement	Taxes	Other (1) (2)	Total Other Revenue
Primary Government:				
General	$ 56,987	$ —	$ 276,001	$ 633,410
Major Special Revenue Funds:				
Commonwealth Transportation	—	—	67,332	598,878
Federal Trust	—	—	624,185	656,003
Literary	—	—	—	35,882
Nonmajor Governmental Funds	—	—	499,746	1,102,858
Major Enterprise Funds:				
Virginia College Savings Plan	—	—	208,602	208,602
Nonmajor Enterprise Funds	—	4,680	10,531	33,663
Internal Service Funds	—	—	77,784	77,784
Private Purpose Trust Funds	—	—	10	10
Pension and Other Employee Benefit Trust Funds	—	—	4,232	4,232
Custodial Funds - Other	—	—	14,903	14,903
Total Primary Government	$ 56,987	$ 4,680	$ 1,783,326	$ 3,366,225

Note (1): $229,212 (dollars in thousands) and $574,855 (dollars in thousands) are related to prior year expenditures refunded in the current fiscal year for the General Fund and Federal Trust (major special revenue), respectively, and $27,120 (dollars in thousands) is related to localities' share of capital funding for the Washington Metropolitan Area Transit Authority in the Commonwealth Transportation Fund (major special revenue). $195,645 (dollars in thousands) is related to proceeds from unclaimed property in the Unclaimed Property Fund (nonmajor governmental), $91,650 (dollars in thousands) is related to indirect costs, reimbursable employee benefits, law enforcement services and court collection fees in the Other Special Revenue Fund, $26,090 (dollars in thousands) is related to welfare activity receipts in the Health and Social Services Special Revenue Fund, and the remaining $186,361 (dollars in thousands) is related to other miscellaneous activities in the nonmajor governmental funds.

Note (2): Of this amount, $77,784 (dollars in thousands) represents a decline in the actuarial estimate of long-term claims payable liabilities for the Risk Management internal service fund.

30. TAX ABATEMENTS

GASB Statement No. 77, *Tax Abatements*, requires disclosures to be made for tax abatements. These arise from agreements between the Commonwealth and taxpayers and result in reduced tax revenue when the taxpayer promises to provide economic benefits to the Commonwealth. As of June 30, 2023, the Commonwealth participates in the following tax abatement programs in excess of $1.0 million. There are no provisions for recapturing abated taxes since the requirements must be met prior to receiving the abatement.

- The Retail Sales and Use Tax Data Center Exemptions are intended to attract data centers to the Commonwealth pursuant to Section 58.1-609.3(18) of the *Code of Virginia*. Qualifying entities may purchase or lease certain computer equipment, enabling software and other enabling hardware for use in the data center exempt from the retail sales and use tax. Each recipient's retail sales and use taxes are reduced by being able to purchase qualifying items for use in the data center without having to pay the retail sales and use tax on the purchase price. The amount of the abatement for each recipient is determined by multiplying the purchase price of the qualifying computer equipment, enabling software and other enabling hardware purchased by the recipient by the rate of the retail sales and use tax that would be imposed on the purchase if the exemption was not available. The rate of the retail sales and use tax is 6.0 percent in the Northern Virginia, Hampton Roads, and Central Virginia regions; 7.0 percent in the Historic Triangle region; 6.3 percent in the city of Danville and the counties of Charlotte, Gloucester, Halifax, Henry, Northampton, Patrick, and Pittsylvania; and 5.3 percent in the remainder of the state. The exemption is available for data centers that (i) are located in a Virginia locality; (ii) result in a new capital investment on or after January 1, 2009, of at least $150.0 million; and (iii) result in the creation on or after July 1, 2009, of at least 50 new jobs by the data center operator and the tenants of the data center, collectively, associated with the operation or maintenance of the data center provided that such jobs pay at least one and one-half times the prevailing average wage in that locality. The requirement of at least 50 new jobs is reduced to 10 new jobs if the data center is located in a distressed locality at the time of the execution of a memorandum of understanding with the Virginia Economic Development Partnership Authority (nonmajor component unit). Additionally, the requirement of a $150.0 million capital investment is reduced to $70.0 million for data centers that qualify for the reduced jobs requirement. Effective July 1, 2012, the exemption was extended to purchases and leases made by tenants of a data center that meet the requirements of the data center exemption.

  In order to qualify for the exemption, the data center operator must enter into a memorandum of understanding with the Virginia Economic Development Partnership Authority. The exemption is scheduled to sunset June 30, 2035. The amount of abated taxes for fiscal year 2023 is estimated to be $750.4 million.

- The Motion Picture Production Tax Credit is intended to encourage the filming of motion picture productions in the Commonwealth. Pursuant to Section 58.1-439.12:03 of the *Code of Virginia*, a motion picture production company with qualifying expenses of at least $250,000 may abate its individual income tax or corporate income tax liability by the amount of the Motion Picture Production Tax Credit. The amount of the tax credit is equal to (i) 15.0 percent of the production company's qualifying expenses or (ii) 20.0 percent of such expenses if the production is filmed in an economically distressed area of the Commonwealth. In addition to the credit for the qualifying expenses incurred by a motion picture production company, such company may receive an Additional Virginia Resident Credit and an Additional Virginia Resident First-Time Industry Employee Credit. The Additional Virginia Resident Credit equals (i) 10.0 percent of the total aggregate payroll for Virginia residents employed in connection with the production of a film in Virginia when total production costs in Virginia are at least $250,000, but not more than $1.0 million or (ii) 20.0 percent of the total aggregate payroll of such residents when total production costs in Virginia exceed $1.0 million. The Additional Virginia Resident First-Time Industry Employee Credit is equal to 10.0 percent of the total aggregate payroll for Virginia residents employed for the first time as actors or members of a production crew in connection with the production of a film in Virginia.

  The Motion Picture Production Tax Credit is a refundable tax credit. Therefore, if the amount of credit that a company is allowed to claim exceeds the company's tax liability for the taxable year, the excess amount of credit will be refunded to the company. Companies must have a memorandum of understanding with the Virginia Tourism Authority (nonmajor component unit) in order to participate in this program.

  The credit is scheduled to sunset January 1, 2027. The annual cap on the amount of credits granted for a fiscal year is $6.5 million, and this amount is expected to be claimed annually. While a motion picture production company may receive approval within a given year, the credits may not be claimed by the taxpayer until at the earliest, the filing of a return. The filing of a return often occurs in a fiscal year subsequent to the year during which a credit is granted. In addition, the Virginia Tourism Authority is allowed to issue credits and a taxpayer can claim credits in future fiscal years subject to certain conditions. Because of these timing differences between when tax credits are granted and when they are claimed, the credits claimed in a fiscal year may fluctuate compared to the $6.5

million annual cap. For fiscal year 2023, $6.5 million of income tax was abated.

- The Retail Sales and Use Tax Entitlement to Tax Revenues from Tourism Projects is intended to encourage the development of certain tourism projects by assisting the developer in (i) obtaining gap financing needed to meet a shortfall in project funding between the expected costs of the project and the debt and equity capital provided by the developer and (ii) making payments of principal and interest on the gap financing.

  If the project qualifies for the entitlement, the developer is entitled to an amount equivalent to a one percent state sales tax on transactions taking place on the premises of the tourism project. The entitled sales tax revenues must be applied to payments of principal and interest on the gap financing. The entitlement continues until the gap financing is paid in full.

  Section 58.1-3851.1 of the *Code of Virginia* imposes requirements on both the local government and the developer in order for the project to qualify for the entitlement. The locality must have (i) established a tourism zone pursuant to Section 58.1-3851 of the *Code of Virginia*; (ii) established a tourism plan under the guidelines of the Virginia Tourism Authority; (iii) authorized a tourism project that meets a deficiency identified in the tourism plan; and (iv) dedicated an amount equivalent to a one percent sales tax on transactions taking place on the premises of the tourism project to the payment of principal and interest on the gap financing. The developer must have (i) secured a minimum of 70.0 percent of funding for the project in place through debt or equity; and (ii) entered into a performance agreement with the local economic development authority to pay an access fee equivalent to a one percent sales tax on transactions taking place on the premises of the tourism project to the payment of principal and interest on the gap financing. In order for the project to qualify for the entitlement, the project must be certified by the State Comptroller. The amount of abated taxes for fiscal year 2023 was $1.2 million.

31. PRIZES AND CLAIMS

The following table summarizes Prizes and Claims Expense for the fiscal year ended June 30, 2023.

(Dollars in Thousands)

	Insurance Claims	Lottery Prize Expense	Total Prizes and Claims
Proprietary Funds:			
Major Enterprise Funds:			
Virginia Lottery	$ —	$ 3,405,341	$ 3,405,341
Unemployment Compensation	191,441	—	191,441
Nonmajor Enterprise Funds	522,665	—	522,665
Total Enterprise Funds	$ 714,106	$ 3,405,341	$ 4,119,447
Internal Service Funds	$ 1,696,762	$ —	$ 1,696,762

32. DEPRECIATION AND AMORTIZATION

The following table summarizes Depreciation and Amortization Expense as of June 30, 2023.

(Dollars in Thousands)

	Depreciation	Amortization	Total Depreciation and Amortization
Proprietary Funds:			
Major Enterprise Funds:			
Virginia Lottery	$ 4,647	$ 5,424	$ 10,071
Virginia College Savings Plan	222	840	1,062
Nonmajor Enterprise Funds	13,075	35,528	48,603
Total Enterprise Funds	$ 17,944	$ 41,792	$ 59,736
Internal Service Funds	$ 26,311	$ 70,898	$ 97,209

33. OTHER EXPENSES

The following table summarizes Other Expenses for the fiscal year ended June 30, 2023.

(Dollars in Thousands)

	Grants and Distributions To Localities	Expendable Equipment/ Improvements	Other (1)	Total Other Expenses
Proprietary Funds:				
Major Enterprise Funds:				
Virginia College Savings Plan	$ —	$ 416	$ 2,282	$ 2,698
Nonmajor Enterprise Funds	53	6,717	4,062	10,832
Total Enterprise Funds	$ 53	$ 7,133	$ 6,344	$ 13,530
Internal Service Funds	$ 1,773	$ 2,670	$ 22,784	$ 27,227
Fiduciary Funds:				
Pension and Other Employee Benefit Trust Funds (2)	$ —	$ —	$ 4,259	$ 4,259
Custodial Funds - Other (2)	$ —	$ —	$ 112	$ 112

Note (1): $2,282 (dollars in thousands) can be attributed to the Defined Benefit 529 Program for the SOAR scholarship program, Access and Affordability program, and other promotional scholarships. $21,956 (dollars in thousands) can be attributed to expenses related to insurance program expenses in the Risk Management internal service fund.

Note (2): Fiduciary expenses of $4,371 (dollars in thousands) are not included in the Government-wide Statement of Activities.

34. OTHER NON-OPERATING REVENUE/EXPENSES

The following table summarizes Other Non-Operating Revenue/Expenses for the fiscal year ended June 30, 2023.

(Dollars in Thousands)

	Gain/(Loss) on Sale of Capital Assets	Securities Lending	Interest Expense	Other (1)	Total Other Non-Operating Revenue/ (Expenses)
Proprietary Funds:					
Major Enterprise Funds:					
Virginia Lottery	$ 11	$ (937)	$ (553)	$ 1,611	$ 132
Virginia College Savings Plan	—	(34)	(73)	544	437
Nonmajor Enterprise Funds	(17)	(1,415)	(11,065)	13,911	1,414
Total Enterprise Funds	$ (6)	$ (2,386)	$ (11,691)	$ 16,066	$ 1,983
Internal Service Funds	$ 4,923	$ (3,498)	$ (34,056)	$ 3,530	$ (29,101)

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

35. TRANSFERS

The following table summarizes Transfers In and Transfers Out for the fiscal year ended June 30, 2023 (dollars in thousands).

	Transfers In (Reported In):								
Transfers Out (Reported In):	**General**	**Commonwealth Transportation**	**Federal Trust**	**Literary**	**Nonmajor Governmental Funds**	**Unemployment Compensation**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Total Primary Government**
Primary Government									
General	$ —	$ 38,020	$ —	$ —	$ 455,890	$ —	$ —	$ —	$ 493,910
Major Special Revenue Funds:									
Commonwealth Transportation	28,657	—	—	—	542,346	—	—	388	571,391
Federal Trust	54	7,965	—	—	4,509	3,845	1,865	—	18,238
Literary	50,000	—	—	—	—	—	—	—	50,000
Nonmajor Governmental Funds	61,677	330	6,404	240,000	530,215	—	—	—	838,626
Major Enterprise Funds:									
Virginia Lottery	867,352	—	—	11,032	—	—	—	—	878,384
Virginia College Savings Plan	292	—	—	—	—	—	—	—	292
Unemployment Compensation	—	—	3,776	—	—	—	—	—	3,776
Nonmajor Enterprise Funds	230,230	—	—	—	15,184	—	—	—	245,414
Internal Service Funds	—	—	—	—	23,734	—	—	—	23,734
Total Primary Government	$ 1,238,262	$ 46,315	$ 10,180	$ 251,032	$ 1,571,878	$ 3,845	$ 1,865	$ 388	$ 3,123,765

Transfers are used to (1) move revenues from the fund that the *Code of Virginia* or budget requires to collect them to the fund that the *Code of Virginia* or budget requires to expend them; (2) move receipts restricted for debt service from the funds holding the resources to the debt service fund as principal and interest payments become due; and (3) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

As of June 30, 2023, the transfers executed pursuant to statutory or budgetary requirements are predominantly comprised of transfers of $867.4 million from Virginia Lottery (major enterprise) to the General Fund, a transfer of $229.7 million from the Alcoholic Beverage Control Fund (nonmajor enterprise) to the General Fund, and a transfer of $240.0 million from the Unclaimed Property Fund (nonmajor governmental) to the Literary Fund (major special revenue).

As discussed previously, transfers to move receipts restricted for debt service included a transfer from the General Fund of $411.7 million, a transfer from the Commonwealth Transportation Fund (major special revenue) of $533.0 million, and a transfer from Capital Project Funds (nonmajor governmental) of $527.7 million.

Transfers from the General Fund of $38.0 million to the Commonwealth Transportation Fund (major special revenue) for transportation related activities.

36. ENDOWMENTS

Donor-restricted endowments reside primarily within the higher education institutions. The net appreciation available for expenditure is $2.2 billion as of June 30, 2023. Of this amount, $1.9 million is reported as unrestricted net position and the remainder is reported as restricted net position. The *Code of Virginia* authorizes acceptance of donations. The governing boards of these entities and the donor agreements determine whether net appreciation can be spent and the accepted spending rate. These policies are entity specific and vary with each institution.

37. CASH FLOWS – ADDITIONAL DETAILED INFORMATION

The following table (dollars in thousands) summarizes specific cash flows for the fiscal year ended June 30, 2023.

	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash Flows Resulting from:						
Payments for Prizes, Claims, and Loss Control:						
Lottery Prizes	$ (3,320,290)	$ —	$ —	$ —	$ (3,320,290)	$ —
Claims and Loss Control	—	—	(205,893)	(525,585)	(731,478)	(1,687,695)
Total	$ (3,320,290)	$ —	$ (205,893)	$ (525,585)	$ (4,051,768)	$ (1,687,695)
Other Operating Revenue:						
Other Operating Revenue	$ —	$ 1	$ —	$ 10,575	$ 10,576	$ 24
Total	$ —	$ 1	$ —	$ 10,575	$ 10,576	$ 24
Other Operating Expense:						
Other Operating Expenses (1)	$ —	$ (2,282)	$ —	$ (68,913)	$ (71,195)	$ (24,407)
Total	$ —	$ (2,282)	$ —	$ (68,913)	$ (71,195)	$ (24,407)
Other Noncapital Financing Receipt Activities:						
Advances/Contributions from the Commonwealth	$ —	$ 2,000	$ —	$ 52,507	$ 54,507	$ 13,354
Receipts from Taxes	—	—	—	348,603	348,603	—
Games of Skill Proceeds, Retail Applications, and Rents	515	—	—	279	794	—
Interest	—	—	—	—	—	110
Total	$ 515	$ 2,000	$ —	$ 401,389	$ 403,904	$ 13,464
Other Noncapital Financing Disbursement Activities:						
Repayments of Advances/Contributions from the Commonwealth	$ —	$ —	$ —	$ (45,189)	$ (45,189)	$ (21,543)
Other Noncapital Financing Disbursement Activities	—	—	—	(200)	(200)	—
Total	$ —	$ —	$ —	$ (45,389)	$ (45,389)	$ (21,543)
Other Capital and Related Financing Receipt Activities:						
Interest	$ —	$ —	$ —	$ 1,258	$ 1,258	$ —
Total	$ —	$ —	$ —	$ 1,258	$ 1,258	$ —
Other Capital and Related Financing Disbursement Activities:						
Other Capital and Related Financing Disbursement Activities	$ —	$ —	$ —	$ (5,222)	$ (5,222)	$ —
Total	$ —	$ —	$ —	$ (5,222)	$ (5,222)	$ —

Note (1): $2,282 (dollars in thousands) can be attributed to SOAR scholarship expenses, Access and Affordability program, and other scholarships and awards. Also, $21,956 (dollars in thousands) can be attributed to expenses related to insurance program expenses in the Risk Management internal service fund and $509,422 can be attributed to Affordable Care Act related fees in the Health Care Fund internal service fund.

38. TOBACCO SETTLEMENT AND SECURITIZATION

On November 23, 1998, 46 states' Attorneys General and the major tobacco companies signed a proposed settlement that reimburses states for smoking-related medical expenses paid through Medicaid and other healthcare programs. At the time of the settlement, it was estimated that the Commonwealth could receive approximately $4.1 billion over the duration of the settlement. The settlement was approved in a Consent Decree in December 1998. On March 29, 1999, the General Assembly enacted a law approving the establishment of the Tobacco Region Revitalization Commission (Commission) (nonmajor component unit), in compliance with the Consent Decree, to help communities in Virginia hurt by the decline of tobacco.

The Commission was established for the purposes of determining the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund. The monies are to be used to provide payments to tobacco farmers as compensation for the tobacco equipment and barns and lost tobacco production opportunities associated with a decline in quota. The monies are also to be used to revitalize tobacco dependent communities.

The General Assembly also created the Virginia Foundation for Healthy Youth (Foundation) (nonmajor component unit). The purpose of the Foundation is to determine the appropriate recipients of monies in the Virginia Tobacco Settlement Fund. The Foundation will also be responsible for distributing monies for the purposes provided in the legislation. Disbursements can be made to assist in financing efforts to restrict the use of tobacco products by minors, through educational and awareness programs describing the health effects of tobacco use on minors, and laws restricting the distribution of tobacco products to minors. Monies from the fund can also be used to assist in financing efforts to reduce childhood obesity through such means as educational and awareness programs, implementing evidence based practices, and assisting schools and communities with policies and programs.

Additionally, the General Assembly created two special non-reverting funds. The Tobacco Settlement monies were accounted for in these funds and in the General Fund. Of the Settlement monies, 50.0 percent was deposited into the Tobacco Indemnification and Community Revitalization Fund at the Commission and 8.5 percent is deposited into the Virginia Tobacco Settlement Fund at the Foundation. The remaining 41.5 percent is reported in the General Fund.

Pursuant to Purchase and Sale Agreements executed in 2005 and 2007, the Commonwealth, acting as an agent on behalf of the Commission, sold the Commission's future right, title and interest in the Tobacco Settlement Revenues (TSRs) to the Tobacco Settlement Financing Corporation (Corporation) (related organization).

Consideration paid by the Corporation to the Commission for TSRs consisted of a cash amount deposited into an endowment to fund the long-term spending plan approved by the Commission. Bonds issued by the Corporation to finance the purchase price are asset-backed instruments secured solely by the Corporation's right to receive TSRs. At the time of issuance these revenues were expected to produce sufficient funds to repay the bond obligations issued by the Corporation.

The Commission is a nonmajor component unit of the Commonwealth, and the Corporation is disclosed as a related organization.

39. PUBLIC-PRIVATE AND PUBLIC-PUBLIC PARTNERSHIP ARRANGEMENTS (PPPs)

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, supersedes GASB Statement No. 60, *Service Concession Arrangements*, and describes a PPP as an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset for a period of time in an exchange or exchange-like transaction.

SERVICE CONCESSION ARRANGEMENTS (SCAs)

GASB Statement No. 94 describes the criteria for when an arrangement is classified as an SCA. The basic criteria are as follows: the operator of the capital asset owned by the transferor has the right to provide services in exchange for significant consideration; the operator's revenue must come from a third party; the transferor has the ability to modify or approve which services the operator is to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; the transferor is entitled to significant residual interest in the service utility of the underlying asset at the end of the arrangement.

Primary Government

The Commonwealth of Virginia has five SCAs as of June 30, 2023: Pocahontas 895, the 495 Express Lanes, Elizabeth River – Midtown Tunnel, the 95 Express Lanes, and the I-66 Outside the Beltway Express Lanes. They are all related to highway construction and operation and were established per the Public-Private Transportation Act of 1995, as amended (PPTA). PPTA project goals are to provide highway projects to the public in a timely and cost effective manner with private funding and support.

Pocahontas 895

On June 21, 2006, the Pocahontas Parkway Association (Association – previously reported as a blended component unit of the Virginia Department of Transportation (VDOT), part of primary government) signed an agreement with Transurban (895) LLC (Transurban). Under the terms of the agreement, all assets and rights of the Association under the Comprehensive Agreement with VDOT were transferred to Transurban. In exchange for the existing toll road and other assets, Transurban transferred sufficient funds and securities to pay or defease all outstanding bonds of the Association and pay all other outstanding obligations owed to VDOT. Additionally, Transurban agreed to construct an enhancement to the original toll road, and this enhancement was completed and placed in service in 2011.

During the 99-year agreement term, VDOT will have fee title or good and valid interest in the asset. VDOT retains the right of inspection of the asset and has outlined maximum toll charges and increases in the terms of the agreement. Capital assets of $337.2 million and deferred inflows of $472.0 million are included in the government-wide financial statements. No contractual liabilities exist for this arrangement as of June 30.

During fiscal year 2014, the Transurban Board approved the transfer of Pocahontas 895 to the lenders of the asset due to lower revenues than anticipated. On May 15, 2014, DBi Services assumed control of Pocahontas 895. In December 2016, the majority owner of toll rights, Macquarie and other rights owners closed on the sale of 100.0 percent of the tolling rights to Globalvia. Macquarie CAF Management LLC, Pocahontas Holdings LLC and Meeko LLC entered into a Sale and Purchase Agreement with Pocahontas Parkway Holdings LLC and Magnolia Operations LLC (Globalvia Inversiones SAU Subsidiaries) (as the buyers) in September 2016. The acquisition was effective on December 20, 2016 after VDOT's approval.

VDOT approved Globalvia Operations USA LLC as the new O&M contractor (as defined in the Concession Agreement) and the O&M agreement between Globalvia Operations USA LLC and Pocahontas Parkway Operations LLC (company the concession agreement with VDOT was transferred to after the acquisition in December 2016) in December 2017. Globalvia Operations USA LLC replaced DBi as the new O&M contractor in February 2018.

Globalvia acquired the company that had, at that time, the agreement with VDOT to develop, finance, operate, manage the tolls and maintain Route 895-Pocahontas Parkway. The concession agreement period will end in 2105.

495 Express Lanes

On December 19, 2007, VDOT signed an 80-year public-private partnership agreement with Capital Beltway Express, LLC. The purpose of this agreement is to build new express lanes to provide users with a faster and more reliable travel option. The construction of the express lanes was completed in November 2012.

During the 80-year agreement, VDOT maintains regulatory control and jurisdiction of the express lanes. VDOT will have fee title or good and valid interest in the express lanes. The lanes will remain open for the public as long as the applicable tolls are paid. Capital assets of $676.8 million and deferred inflows of $911.3 million are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement.

On September 30, 2021, the second amended and restated Comprehensive Agreement (ARCA) was signed between VDOT and Capital Beltway Express, LLC to add the scope of project work related to the northern extension of the 495 Express Lanes (495 NEXT), which is the approximately 2-mile extension of the existing express lanes from Route 738 to the vicinity of George Washington Memorial Parkway. As of June 2023, 495 NEXT is undergoing construction.

Elizabeth River – Midtown Tunnel

On December 5, 2011, VDOT signed a 58-year public-private partnership agreement with Elizabeth River Crossings OPCO, LLC. The purposes of this agreement are to design, build, finance, operate, and maintain a new Midtown Tunnel, adjacent to the existing Midtown Tunnel, provide improvements to the existing Midtown Tunnel and the Downtown Tunnel, and to provide various extensions and improvements of the Martin Luther King Jr. (MLK) Freeway and I-264. As of September 1, 2017, all project components of this agreement have reached substantial completion and are in service.

During the agreement, Elizabeth River Crossings OPCO, LLC will operate and maintain the road. The revenue source for the concessionaire will be toll collections, excluding the MLK Freeway, which will be used for maintenance, operating and return on investment for constructing the project. At the end of the 58-year term, control of and the rights to operate the facilities will revert back to VDOT. Capital assets of $844.9 million and deferred inflows of $814.1 million are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement. In July 2017, VDOT issued a Department Project Enhancement directive for Elizabeth River Crossings OPCO LLC, to design and build noise barrier walls on I-264. After the Preliminary Field Inspection Plans were developed, VDOT took over to complete the project due to lower costs. The project was initially advertised on September 12, 2022. The results of the bids were above the Department's estimates due to nationwide inflationary conditions. The current funds allocated to the project equal $24.4 million with an additional $9.1 million funding to be allocated to account for inflationary adjustments. The project was readvertised on August 8, 2023, based on the increase in funding allocation. The receipt and opening of the bids are scheduled for early 2024. In addition to these project enhancements, the Federal Highway Administration (FHWA) has also required an annual traffic study for the Value Pricing Pilot Program (VPPP) to monitor driver behavior, traffic volume, transit ridership, air quality, and availability of funds for transportation programs. VDOT has completed Years one to seven of the ten year VPPP study.

95 Express Lanes

On July 31, 2012, VDOT signed a 73-year public-private partnership agreement with 95 Express Lanes, LLC. This project will create approximately 29 miles of Express Lanes on I-95 in Northern Virginia. The project will also add capacity to the existing high occupancy vehicle (HOV) lanes. The construction of the express lanes was completed in December 2014.

During the agreement, 95 Express Lanes LLC will operate and maintain the road. The revenue source for the concessionaire will be toll collections which will be used for maintenance, operating and return on investment for constructing the project. At the end of the 73-year term, control of and the rights to operate the facilities will revert back to VDOT. The lanes will remain open for the public as long as the applicable tolls are paid. Capital assets of $470.6 million and deferred inflows of $556.6 million are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement.

During fiscal year 2016, the Commonwealth Transportation Board awarded a contract to design and construct a reversible extension of the 95 Express Lanes at the southern terminus in Stafford County. The approximately 2.5-mile extension will carry traffic beyond the location where the 95 Express Lanes currently end. The construction began in fiscal year 2017 and lanes opened to traffic on October 31, 2017. This 2.5-mile extension resulted in an increased value of $25.7 million to the 95 Express Lanes SCA.

On June 8, 2017, an amended and restated Comprehensive Agreement was signed between VDOT and 95 Express Lanes LLC to include the scope of the project work for the I-395 northern extension. The Comprehensive Agreement was updated to include this addition to the project and payments to VDOT for transit improvements. VDOT reached commercial close with 95 Express Lanes LLC on June 8, 2017, and financial close was completed on July 25, 2017, for this project. Construction on the 8-mile I-395 extension began in summer of 2017 and opened to traffic on November 17, 2019. In consideration for the rights granted by VDOT to 95 Express Lanes LLC, solely in respect of the I-395 Project, 95 Express Lanes LLC made an up-front payment to VDOT of $15.0 million on the I-395 Project Service Commencement date. Deferred inflows of $14.2 million relating to the 395 Express Lanes are included in the fund financial statements. Additionally, as part of the up-front consideration, VDOT will receive an annual payment that escalates at a rate of 2.5 percent per annum set forth in the Amended and Restated Comprehensive Agreement (ARCA). Accordingly, accounts receivable of $975.0 million and deferred inflows of $975.0 million, relating to the present value of the annual installment payments discounted at 2.5 percent are included in the fund financial statements. Capital assets of $258.9 million and deferred inflows of $284.7 million are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement.

In fiscal year 2017, planning was initiated on the additional extension of the Express Lanes from Garrisonville Road to Route 17 in Stafford County, which is about 10 miles. It will have direct connection with both the northbound and southbound Rappahannock River crossing projects, access points and operational improvements.

On April 18, 2019, a second amended and restated Comprehensive Agreement was signed between VDOT and 95 Express Lanes LLC to add the scope of the project work for the Fredericksburg Extension. The Comprehensive Agreement was updated to include payments to VDOT. At financial close on April 30, 2019, 95 Express Lanes LLC made a $45.0 million Initial Permit Fee Buyout Payment. The Concessionaire also provided a right of way cost deposit of $2.5 million and $4.0 million for southbound Rappahannock River Crossing work overlap funding. Deferred inflows of $48.2 million are included in the fund financial statements. VDOT received an additional $65.9 million from 95 Express Lanes LLC at the additional financial close in July 2019, which is a sum of $11.5 million Private Activity Bonds (PABs) payment and $54.4 million design-build price protection benefits. Deferred inflows of $62.0 million are included in the fund financial statements. The concessionaire will make $232.0 million Final Permit Fee Buyout Payments in installments as set forth in the Amended and Restated Comprehensive Agreement. Accounts Receivable of $232.0 million and deferred inflows of $217.7 million are included in the fund financial statements. As of June 2023, the Fredericksburg Extension project is under construction.

I-66 Outside the Beltway Express Lanes

On December 8, 2016, a 50-year Public Private Partnership Agreement (the Agreement) between VDOT, the Department of Rail and Public Transportation (DRPT), and private partner, I-66 Express Mobility Partners LLC, was signed.

The $2.4 billion I-66 Outside the Beltway Project with Express Mobility Partners is to build express lanes on I-66 outside the I-495 Capital Beltway. During the 50-year Agreement, VDOT maintains regulatory control and jurisdiction of the express lanes. VDOT will have fee title or good and valid interest in the express lanes. The purpose of this Agreement is to build new express lanes to provide users with a faster and more reliable travel option.

The I-66 Outside the Beltway Project will include 22.5 miles of new express lanes alongside three regular lanes from I-495 to University Boulevard in Gainesville, Virginia. The project will also provide new and improved bus service and transit routes, new and improved park and ride lots, and interchange improvements to enhance safety and reduce congestion.

Express Mobility Partners will be responsible for all costs to design, build, operate and maintain the I-66

Express Lanes, without any upfront public contribution. Financial close on the project occurred on November 9, 2017. Nine miles of the express lanes opened September 10, 2022 and the remaining 13 miles opened November 22, 2022. These lanes will remain open for the public as long as the applicable tolls are paid. Liabilities for VDOT from the Agreement are contingent on specific events occurring pursuant to the Agreement. Capital assets of $2.3 billion and deferred inflows of $2.3 billion are included in the government-wide financial statements.

Express Mobility Partners provided $578.9 million during fiscal 2018, as an up-front concession payment to VDOT. Pending approval by the Commonwealth Transportation Board, these funds will be used for project oversight by VDOT, contingency risk during construction that is released during the construction period, and projects in the corridor as selected by the Commonwealth Transportation Board. Deferred inflows of $513.3 million are included in the fund financial statements.

Additional consideration to be provided by Express Mobility Partners includes several components of the permit fee established in the Agreement. A description of these components and the stipulations around receiving is provided below.

Express Mobility Partners is required to pay VDOT a permit fee that consists of transit funding payments, support for corridor improvements, and revenue sharing as further described below.

The transit funding payment portion of the permit fee that becomes due during the operating period will be payable after debt service and required reserve accounts, and will be subject to the lock-up provisions required in the Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Agreement, but prior to support for corridor improvements and distributions. If funds are insufficient to make scheduled transit funding payments at the time due, such payments or any unpaid portion thereof will be considered past due and will remain due and payable without interest charges. In both fiscal years 2021 and 2022, VDOT received up-front payments of $21.3 million to be used for transit investments, and deferred inflows of $41.0 million are included in the fund financial statements. VDOT will receive annual transit investment payments as set forth in the Amended and Restated Comprehensive Agreement (ARCA). Accordingly, accounts receivable of $514.0 million and deferred inflows of $512.5 million, relating to the present value of the annual installment payments are included in the fund financial statements. The annual installment payments are discounted at a rate of 4.9 percent per annum.

The support for corridor improvements is to be paid as indicated in the Agreement. Amounts to be paid annually are contingent on actual toll revenues. At the end of the term of the Agreement, any unpaid balance of these payments is to be forgiven or cancelled.

Express Mobility Partners will make revenue sharing payments in amounts calculated based on actual cumulative net present value of gross revenue at the end of each year of the Agreement. The percentage of gross revenue to be paid by Express Mobility Partners to VDOT increases in accordance with a five-tier revenue sharing scale. Revenue sharing payments do not have to be made if transit funding payments or support for corridor improvements are past due or unpaid.

Additional information on these payments can be found in the Agreement executed between VDOT, DRPT, and Express Mobility Partners.

Component Units

Aramark – Dining Services

During the year ended June 30, 2015, the University of Virginia (nonmajor) entered into an agreement with Aramark Educational Services, LLC (Aramark) for Aramark to provide dining services to the University. In return for use of University facilities, Aramark is required to make certain payments to the University and the University is required to provide certain repair and maintenance services related to the facilities during the term of the agreement. The University also receives a yearly minimum guarantee on dining and vending commissions and has a minimum guaranteed profit split on residential and athletics services regardless of gross sales. As of June 30, 2023, the University has accrued $99.7 million in current and noncurrent receivables and a $154.3 million deferred inflow of resources related to the service concession arrangement.

OTHER PPPs

Other PPPs that do not meet the criteria to be reported as a SCA or a lease are discussed in this section.

The University of Virginia (nonmajor component unit) is a party to a limited number of other PPPs which primarily consists of the PPP to operate the John Paul Jones Arena for concerts and sporting events. Variable payments and other inflows of resources under PPPs are not included in the measurement of the related assets and deferred inflows of resources. Variable inflows amount to $7.7 million for the period ended June 30, 2023. Radford University (nonmajor component unit) has PPPs for dining services and bookstore services. As of June 30, 2023, the University recorded $1.0 million in noncurrent receivables and $781,543 in deferred inflow of resources. George Mason University (nonmajor component unit) has a PPP for arena management services. As of June 30, 2023, the University recorded $2.7 million in current and noncurrent receivables and $1.5 million in deferred inflow of resources. Additional information regarding PPPs can be found in the separately issued financial statements of the institutions.

40. INFORMATION TECHNOLOGY INFRASTRUCTURE

With the exception of NTT DATA (NTT), the Commonwealth is into its fifth or sixth contract year, depending on when services commenced, with all of its current IT infrastructure service providers. This includes SAIC for Multi-Services Integrator (MSI) services, Atos for managed security services, Xerox for managed print services, Iron Bow for end-user services, Unisys for server and data center services, and Verizon for voice and data network services. With a multi-services integrator (MSI) model in effect, the Commonwealth will continuously pursue new and additional IT service providers to ensure that the Commonwealth has a competitive portfolio of IT suppliers that deliver modern cost-effective technology services. The contract terms range from three years to six years, with additional renewal options on each.

Expenses in fiscal year 2023 associated with the service providers were $219.5 million, exclusive of amounts reported as lease payments and interest expense related to GASB Statement No. 87, *Leases* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* The Commonwealth expects to spend an additional $387.8 million over the remaining life of these contracts with the current portfolio of suppliers, exclusive of long-term lease and long-term SBITA liabilities related to GASBS No. 87 and GASBS No. 96. The remaining life calculation does not include any unexecuted renewals that are listed in the contract.

41. CONTINGENCIES

A. Grants and Contracts

The Commonwealth has received federal grants for specific purposes that are subject to review and audit by the grantor agencies or their auditors. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Commonwealth. The increased federal funding related to the COVID-19 pandemic could impact future liabilities.

Institutions of higher education (component units) and other state agencies are required to comply with various federal regulations issued by the Office of Management and Budget, if such agencies are recipients of federal grants, contracts, or other sponsored agreements. Failure to comply with certain requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. It is believed that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the Commonwealth.

The U.S. Department of Health and Human Services (DHHS) Office of the Inspector General conducted a review and indicated that the Commonwealth's Statewide Indirect Cost Allocation Plan rates have allowed over-recoveries and transfers in the internal service funds and portions of selected rebates. The Commonwealth payback schedules computed for 2022, 2021, and 2020 which are based on fiscal years 2021, 2020, and 2019 data, respectively, of $42.0 million has been paid subsequent to June 30 and is reported in the fund statements. The Commonwealth computed a liability of $31.2 million in fiscal year 2023 which is based on fiscal years 2022 and 2021 representing the amounts owed to the federal government for internal service fund over-recoveries and transfers, as well as the federal share of various rebates received. This amount has been reflected in the accompanying government-wide financial statements.

The Virginia Tourism Authority (nonmajor component unit) had unclaimed awards totaling $5.5 million payable to awardees upon submission of proper claims for reimbursement for the Marketing Leverage Program, the DMO Marketing Program and the Special Events & Festivals Program. Additionally, property at the Virginia/ Maryland border to be used for the Gateway Welcome Center was donated to the Authority in July 2008. The deed to the property includes a covenant requiring any or all land to revert to the U.S. Government should it become needed for national defense. The net book value of the property as of June 30, 2023 was $808,050.

The Virginia Innovation Partnership Authority (nonmajor component unit) had 24 open nonbinding term sheets totaling $6.0 million.

B. Litigation

The Commonwealth is named as a party in legal proceedings and investigations that occur in the normal course of governmental operations, some involving substantial amounts. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the Commonwealth in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits or investigations will not have a material, adverse effect on the financial condition of the Commonwealth.

C. Subject to Appropriation

Both the primary government and the discretely presented component units enter into agreements and issue debt secured solely by future appropriations from the General Fund of the Commonwealth. The primary government has leases and other agreements of such debt of $4.0 billion. The discretely presented component units have such debt of $5.6 billion.

D. Bailment Inventory

The Virginia Alcoholic Beverage Control Authority (ABC) houses and controls bailment inventory in the warehouse and is therefore responsible for the exercise of reasonable care to preserve the inventory until it is purchased by ABC or returned to the supplier. ABC uses the bailment system for payment of merchandise for resale. ABC initiates payments to the vendors based on shipments from the ABC warehouse to the retail stores, rather than receipt of invoice from the vendor. As of June 30, 2023, the bailment inventory was valued at $82.6 million.

E. Loan Guarantees

The Virginia Small Business Financing Authority (VSBFA) (nonmajor component unit) has a loan guaranty program which provides guarantees up to the lesser of $1.0 million, or 75.0 percent, of a bank loan for lines of credit and short-term working capital loans for small businesses as defined by Section 2.2-2285 of the *Code of Virginia*. The relationship of the Commonwealth to the issuer or issuers of the obligations are private banks that contact VSBFA to obtain guarantees if they deem it necessary to approve the loan. The VSBFA staff underwrites the request for guarantees and approves applications of $1.0 million or less with subsequent ratification by the Board of Directors. The Board of Directors approves applications in excess of $1.0 million. The maximum term of support for guarantees is up to five years for lines of credit and seven years for term loans. In the event the small business borrower fails to repay a loan guaranteed through the program, the originating bank lender exercises its rights against the collateral and the guarantors of the loan and proceeds from the sale of the collateral are applied to the loan. In the event the originating bank lender incurs a deficiency principal balance, the bank submits a claim to VSBFA under the program. If a claim payment is subsequently paid under the program, VSBFA retains the right to pursue collection from the borrower or the guarantor to the extent possible and provided that neither the borrower nor the guarantor has been adjudicated bankrupt. VSBFA submits collections to the Office of the Attorney General, Division of Debt Collection for legal action and collection of debt. As of June 30, 2023, the loan guaranty program has guarantees outstanding of $4.5 million. There are additional commitments to guarantees of $2.0 million.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* requires that certain information be disclosed regarding selected nonexchange financial guarantees. As of June 30, 2023, the VSBFA recognized a nonexchange financial guarantee liability of $89,141. This is an decrease of $17,896 from the beginning balance of $107,037. There were no required payments made during fiscal year 2023. Additionally, there have been no cumulative amounts paid on these outstanding loan guarantees nor are there any expected recoveries.

F. Regional Wet Weather Management Plan

Hampton Roads Sanitation District (HRSD) (nonmajor component unit) is party to a federal consent decree with the federal and state governments (the Consent Decree), which requires the HRSD to evaluate the wet weather capacity of the regional sewer system, including collection systems owned by 14 of the localities which the HRSD serves in the Hampton Roads area. Based upon that evaluation, the HRSD, in consultation with the localities, is required to develop a regional wet weather management plan (RWWMP) for submittal to the federal and state environmental agencies for their approval.

The HRSD and the localities believe that addressing wet weather capacity issues from a regional perspective will result in the most affordable and cost-effective approach for rate payers throughout the region. Toward that end, the HRSD and the localities entered into a legally binding Memorandum of Agreement in 2014 (the MOA). The MOA commits HRSD to (1) develop the RWWMP in consultation with the localities, (2) fund the approved plan through a regional rate imposed on all regional ratepayers, (3) design and construct the necessary improvements, and (4) assume responsibility for wet weather capacity throughout the region in each area once the RWWMP is implemented. In exchange, the localities have agreed to (1) cooperate with the HRSD, (2) facilitate the construction of and accept ownership of any improvements which the HRSD may need to construct in the localities' systems, and (3) maintain the integrity of their systems to industry standards.

The Consent Decree and MOA also contemplate that the localities' obligation to maintain the integrity of their sewer systems to industry standards was embodied in a State administrative order. While the HRSD is preparing the RWWMP, the Consent Decree also requires the HRSD to implement approximately $200.0 million in high priority capital system upgrade projects over the 10-year period between 2020 and 2030, and then another $200.0 million in high priority sewer overflow control projects between 2030 and 2040, which are included in the capital improvement and expansion program. These two sets of projects reflect further priority system improvements that HRSD is to implement along with the SWIFT project. The Amended Consent Decree gives HRSD until 2032 to invest $1.1 billion in the SWIFT program. Finally, the Amended Consent Decree provides that if HRSD will not make the full $1.1 billion investment in the SWIFT Project by 2032 then EPA can require HRSD to accelerate some or all of the second group ($200.0 million worth) of high priority sewer overflow control projects to offset the avoided investment in the SWIFT program. The HRSD is on schedule to complete these projects.

The HRSD has a major capital improvement and expansion program funded through the issuance of debt and its own resources. As of June 30, 2023, the HRSD has outstanding commitments for contracts in progress of approximately $1.3 billion.

42. SUBSEQUENT EVENTS

Primary Government

Debt

On August 17, 2023, the Virginia Department of Transportation (VDOT) and Transurban North America partially opened a 10-mile extension of the I-95 Express Lanes to reduce congestion on the Interstate 95 corridor through Stafford County and Fredericksburg. The 10-mile extension will continue the 95 Express Lanes from the current terminus just south of Route 610 (Garrisonville Road) to near Route 17 (Warrenton Road) in Stafford County.

On September 20, 2023, the Commonwealth Transportation Board authorized the Commissioner of Highways to execute a comprehensive agreement amendment to the Hampton Roads Bridge-Tunnel (HRBT) Project Agreement for Funding and Administration (PAFA) for the HRBT Expansion Project between VDOT and the Hampton Roads Transportation Accountability Commission (HRTAC). The amendment modified the existing terms in the HRBT PAFA and established a $373.1 million cap on the aggregate amount of increases to the contract price. Also, the amendment set forth a commitment from VDOT to provide $53.8 million in matching supplemental contingency funds.

On October 18, 2023, the Commonwealth Transportation Board redeemed $6.4 million of its Commonwealth of Virginia Transportation Contract Revenue Refunding Bonds, Series 2012 (Route 28 Project).

On November 16, 2023, the Hampton Roads Transportation Accountability Commission (HRTAC) (nonmajor governmental fund) issued Series 2023A Intermediate Lien Bond Anticipation Notes in the amount of $141.0 million. The related TIFIA Loan closed on November 14, 2023.

Component Units

Debt

On July 11, 2023, the Virginia Housing Development Authority (VHDA) (major) issued Rental Housing Bond 2023 Series D Non-AMT in the amount of $110.9 million.

On July 12, 2023, the Virginia College Building Authority (major), at the request of the College of William & Mary (nonmajor), defeased $1.5 million of its Public Higher Education Financing Program Bonds related to William and Mary's Barksdale Dormitory Project, consisting of $1.1 million of its Series 2014B bonds and $375,000 of its Series 2016A bonds.

On August 8, 2023, the Virginia Resources Authority (VRA) (major) used uncommitted equity in the Clean Water program to defease and redeem $38.0 million of the Series 2013 CWSRF bonds. The defeasance will result in debt service savings and provide additional program capacity.

On August 31, 2023, the Hampton Roads Sanitation District (nonmajor) had an increase to $200.0 million on the maximum outstanding authorization on their line of credit. As of June 30, 2023 there was $68.6 million outstanding on this credit facility.

On October 2, 2023, the VHDA redeemed Rental Housing Bond 2020 Series B Non-AMT in the amount of $1.7 million.

On November 9, 2023, the Virginia Public School Authority (VPSA) (major) issued its $79.7 million School Financing Bonds (1997 Resolution), Series 2023B to purchase certain general obligation local school bonds to finance capital projects for schools.

On November 9, 2023, the VPSA issued its $135.8 million Special Obligation School Financing Bonds, Prince William County, Series 2023 to purchase certain general obligation local school bonds to finance capital projects for schools.

On November 15, 2023, the VRA issued revenue bonds in the amount of $11.4 million through the Virginia Pooled Financing Program. Interest rates range from 4.0 percent to 6.1 percent.

Other

On May 4, 2023, George Mason University (nonmajor) Board of Visitors approved the acquisition of Vernon Smith Hall in Arlington (consisting of land, buildings, improvements, furniture, fixtures, and equipment) from GMU Foundation for a purchase price of $107.0 million. GMU Foundation will use the proceeds from the acquisition to pay off the outstanding long-term debt on the property including any accrued interest on the long-term debt. This transaction is scheduled to close in November 2023. In December 2023, the University is scheduled to close another capital acquisition in Arlington from a third party for a purchase price of $7.4 million.

In July 2023, to make it easier for residents of eastern Virginia to access innovative care for complex medical conditions as well as the latest clinical trials, Riverside Health System and UVA Medical Center (a division of University of Virginia - nonmajor) announced a strategic alliance to expand patient access to innovative care for complex medical conditions, transplantation, and the latest clinical trials. Under the agreement, Riverside and UVA Medical Center will collaborate in multiple areas including clinical program development, research, and medical education. To ensure a long-term, mutually beneficial alliance, the agreement provides UVA Medical Center with 5.0 percent ownership in Riverside, and in turn, UVA Medical Center has committed to financial and clinical resources to assist in growing local services in Eastern Virginia. UVA Medical Center and Riverside will each retain their existing governance and administrative structures. In exchange for the 5.0 percent minority ownership, UVA Medical Center made an investment totaling $55.0 million, which consisted of a $33.0 million cash investment at the time of closing and will make $22.0 million of strategic investments linked to performance deliverables, and staffing recruitment. The investment will be accounted for using the equity method of accounting.

In September 2023, UVA Community Health (blended component unit of UVA Medical Center) sold an assisted living facility, Caton Merchant House for $4.3 million.

Required Supplementary Information

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

Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
Revenues:				
Taxes:				
Individual and Fiduciary Income	$ 16,732,600	$ 16,732,435	$ 18,983,556	$ 2,251,121
Sales and Use	5,004,713	5,004,713	5,291,545	286,832
Corporation Income	1,737,000	1,737,000	2,031,120	294,120
Motor Fuel	—	—	—	—
Motor Vehicle Sales and Use	—	—	—	—
Communications Sales and Use	335,000	335,000	292,848	(42,152)
Deeds, Contracts, Wills, and Suits	608,700	608,700	437,137	(171,563)
Premiums of Insurance Companies	406,100	406,100	450,877	44,777
Alcoholic Beverage Sales	303,600	303,600	307,412	3,812
Tobacco Products	292,300	292,300	246,132	(46,168)
Estate	—	—	—	—
Public Service Corporations	103,500	103,500	104,449	949
Other Taxes	70,201	70,201	100,080	29,879
Rights and Privileges	100,385	100,385	126,834	26,449
Sales of Property and Commodities	11,772	15,772	28,879	13,107
Assessments and Receipts for Support of Special Services	6,321	6,321	5,514	(807)
Institutional Revenue	57,791	57,791	32,955	(24,836)
Interest, Dividends, and Rents	101,798	101,798	442,145	340,347
Fines, Forfeitures, Court Fees, Penalties, and Escheats	230,221	230,221	258,492	28,271
Federal Grants and Contracts	10,642	10,642	11,259	617
Receipts from Cities, Counties, and Towns	7,800	7,800	7,659	(141)
Private Donations, Gifts and Contracts	284	284	431	147
Tobacco Master Settlement	47,500	47,500	56,987	9,487
Other	322,186	322,141	466,650	144,509
Total Revenues	26,490,414	26,494,204	29,682,961	3,188,757
Expenditures:				
Current:				
General Government	3,173,670	3,082,613	2,715,673	366,940
Education	12,981,404	13,733,020	12,708,311	1,024,709
Transportation	41,534	235,962	6,349	229,613
Resources and Economic Development	1,213,811	1,396,977	770,440	626,537
Individual and Family Services	8,870,145	9,196,115	8,809,425	386,690
Administration of Justice	3,467,469	3,694,067	3,447,349	246,718
Capital Outlay	123,547	849,464	144,107	705,357
Debt Service:				
Principal Retirement	35,256	35,256	35,256	—
Interest and Charges	2,834	2,834	2,834	—
Total Expenditures	29,909,670	32,226,308	28,639,744	3,586,564
Revenues Over (Under) Expenditures	(3,419,256)	(5,732,104)	1,043,217	6,775,321
Other Financing Sources (Uses):				
Transfers:				
Transfers In	1,075,378	1,075,380	1,168,403	93,023
Transfers Out	(468,273)	(468,273)	(493,910)	(25,637)
Bonds Issued	—	—	—	—
Premium on Debt Issuance	—	—	—	—
Total Other Financing Sources (Uses)	607,105	607,107	674,493	67,386
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	(2,812,151)	(5,124,997)	1,717,710	6,842,707
Fund Balance, July 1	13,375,034	13,375,034	13,375,034	—
Fund Balance, June 30	$ 10,562,883	$ 8,250,037	$ 15,092,744	$ 6,842,707

See notes on page 209 in this section.

Special Revenue Funds			
Commonwealth Transportation Fund			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
$ —	$ —	$ —	$ —
1,930,371	1,974,182	2,109,417	135,235
—	—	—	—
1,839,300	1,839,300	1,851,281	11,981
1,157,300	1,157,300	1,217,551	60,251
—	—	—	—
129,000	129,000	86,264	(42,736)
202,496	202,496	202,496	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
146,147	146,147	220,101	73,954
770,653	770,653	787,807	17,154
424	424	1,108	684
18,000	18,000	19,607	1,607
—	—	—	—
37,505	37,505	113,092	75,587
15,312	15,312	26,718	11,406
1,746,997	1,746,997	1,390,835	(356,162)
1,003,483	1,003,483	474,812	(528,671)
25	25	3,935	3,910
—	—	—	—
40,961	40,961	67,802	26,841
9,037,974	9,081,785	8,572,826	(508,959)
61,087	75,087	71,003	4,084
1,643	1,643	1,631	12
9,219,176	9,333,314	7,329,189	2,004,125
29,122	26,869	22,650	4,219
—	—	—	—
10,779	10,779	10,775	4
110,869	113,070	22,584	90,486
20,646	20,646	20,646	—
1,088	1,088	1,088	—
9,454,410	9,582,496	7,479,566	2,102,930
(416,436)	(500,711)	1,093,260	1,593,971
32,788	32,788	46,315	13,527
(557,543)	(585,052)	(571,598)	13,454
217,510	217,510	217,510	—
19,884	19,885	19,885	—
(287,361)	(314,869)	(287,888)	26,981
(703,797)	(815,580)	805,372	1,620,952
5,256,419	5,256,419	5,256,419	—
$ 4,552,622	$ 4,440,839	$ 6,061,791	$ 1,620,952

Continued on next page

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

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

	Special Revenue Funds			
	Federal Trust			
	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
Revenues:				
Taxes:				
Individual and Fiduciary Income	$ —	$ —	$ —	$ —
Sales and Use	—	—	—	—
Corporation Income	—	—	—	—
Motor Fuel	—	—	—	—
Motor Vehicle Sales and Use	—	—	—	—
Communications Sales and Use	—	—	—	—
Deeds, Contracts, Wills, and Suits	—	—	—	—
Premiums of Insurance Companies	—	—	—	—
Alcoholic Beverage Sales	—	—	—	—
Tobacco Products	—	—	—	—
Estate	—	—	—	—
Public Service Corporations	—	—	—	—
Other Taxes	—	—	—	—
Rights and Privileges	—	—	30	30
Sales of Property and Commodities	—	—	—	—
Assessments and Receipts for Support of Special Services	—	—	—	—
Institutional Revenue	—	—	69	69
Interest, Dividends, and Rents	561	562	2,466	1,904
Fines, Forfeitures, Court Fees, Penalties, and Escheats	687	2,187	31,516	29,329
Federal Grants and Contracts	18,124,356	25,377,820	23,753,387	(1,624,433)
Receipts from Cities, Counties, and Towns	—	—	250	250
Private Donations, Gifts and Contracts	—	—	52	52
Tobacco Master Settlement	—	—	—	—
Other	510,303	510,303	1,133,654	623,351
Total Revenues	18,635,907	25,890,872	24,921,424	(969,448)
Expenditures:				
Current:				
General Government	1,231,920	1,210,406	600,936	609,470
Education	1,419,039	3,602,294	2,638,799	963,495
Transportation	35,150	30,648	26,353	4,295
Resources and Economic Development	200,537	1,002,556	444,204	558,352
Individual and Family Services	15,538,293	19,716,146	21,045,537	(1,329,391)
Administration of Justice	112,573	181,786	111,632	70,154
Capital Outlay	79,642	128,283	28,819	99,464
Debt Service:				
Principal Retirement	17,942	17,942	17,942	—
Interest and Charges	811	811	811	—
Total Expenditures	18,635,907	25,890,872	24,915,033	975,839
Revenues Over (Under) Expenditures	—	—	6,391	6,391
Other Financing Sources (Uses):				
Transfers:				
Transfers In	—	—	10,248	10,248
Transfers Out	—	—	(16,639)	(16,639)
Bonds Issued	—	—	—	—
Premium on Debt Issuance	—	—	—	—
Total Other Financing Sources (Uses)	—	—	(6,391)	(6,391)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	—	—	—	—
Fund Balance, July 1	—	—	—	—
Fund Balance, June 30	$ —	$ —	$ —	$ —

See notes on page 209 in this section.

1. Basis of Budgeting vs. Modified Accrual Basis Fund Balance (1)

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2023, to the fund balance on a modified accrual basis follows.

Fund Balance Comparison

Budgetary Basis to GAAP Basis

(Dollars in Thousands)

	General Fund	Commonwealth Transportation Fund	Federal Trust Fund
Fund Balance, Basis of Budgeting	$ 15,092,744	$ 6,061,791	$ —
Adjustments from Budget to Modified Accrual:			
Net Accrued Revenues:			
Taxes	1,293,854	354,304	—
Tax Refunds	(2,539,295)	—	—
Other Revenue/Other Sources	(376,662)	190,634	1,496,949
Deferral of Up-front SCA payment	—	—	—
Medicaid Payable	(112,323)	—	(1,249,320)
Net Accrued Expenditures/Other Uses	(840,603)	(588,576)	(39,095)
Fund Reclassification - Budget to Modified Accrual	—	(693,394)	—
Fund Balance, Modified Accrual Basis	$ 12,517,715	$ 5,324,759	$ 208,534

1. As discussed in Note 1.E., the Literary Fund has no approved budget.

2. Appropriations

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the General Fund and Major Special Revenue Funds, at June 30, 2023, except the Literary Fund which has no approved budget.

(Dollars in Thousands)	General Fund (8)	Commonwealth Transportation Fund	Federal Trust Fund (9)
Appropriations (1)	$ 29,909,670	$ 9,454,410	$ 18,635,907
Supplemental Appropriations:			
Reappropriations (2)	1,384,142	119,370	249,174
Subsequent Executive (3)	413,927	171,400	7,280,877
Subsequent Legislative (4)	491,995	—	—
Capital Outlay and Operating Reversions (5)	(472)	(1,000)	(1,112)
Transfers (6)	(22,924)	(43,395)	(58,401)
Capital Outlay Adjustment (7)	49,970	(118,289)	(215,573)
Appropriations, as adjusted	$ 32,226,308	$ 9,582,496	$ 25,890,872

1. Represents the budget appropriated through Chapter 2, 2022 Acts of Assembly Special Session I as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to carry forward any prior year unexpended balances, sum sufficient authority, and year 2 to year 1 reductions (General Fund) and actions taken to appropriate any additional revenues collected so that they can be legally spent (Special Revenue Funds).
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay and operating balances.
6. Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately $2.6 billion (General Fund) and $72.1 million (Commonwealth Transportation Fund) for transfers to component units and fiduciary funds that have been reclassified as expenditures in accordance with GASB Statement No. 34.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.
8. Budgetary reductions totaling $10.0 million are excluded since they were not available for disbursement during the current fiscal year.
9. Appropriations do not include food stamp issuances of $2.9 billion since this is a noncash item; however, this amount is included in actual expenditures.

Schedule of Changes in Employers' Net Pension Liability (1) (2)

Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

Change in the Net Pension Liability	VRS State 2023	2022	2021	2020	2019
Total pension liability:					
Service cost	$ 413,902	$ 404,703	$ 406,776	$ 379,359	$ 375,965
Interest	1,779,933	1,704,842	1,666,047	1,627,637	1,606,772
Benefit changes	—	—	—	—	—
Difference between actual and expected experience	(247,391)	(281,382)	(12,440)	181,189	(327,289)
Assumption changes	—	412,575	—	663,566	—
Benefit payments	(1,536,665)	(1,486,951)	(1,427,873)	(1,360,833)	(1,296,803)
Refunds of contributions	(31,680)	(29,065)	(27,427)	(26,897)	(30,236)
Net change in total pension liability	378,099	724,722	605,083	1,464,021	328,409
Total pension liability - beginning	26,739,647	26,014,925	25,409,842	23,945,821	23,617,412
Total pension liability - ending (a)	$ 27,117,746	$ 26,739,647	$ 26,014,925	$ 25,409,842	$ 23,945,821
Plan fiduciary net position:					
Contributions - employer	$ 852,894	$ 609,778	$ 576,443	$ 545,584	$ 548,158
Contributions - member	217,945	207,065	210,896	201,481	201,920
Net investment income	(21,579)	5,055,163	361,061	1,211,722	1,302,241
Benefit payments	(1,536,665)	(1,486,951)	(1,427,873)	(1,360,833)	(1,296,803)
Refunds of contributions	(31,680)	(29,065)	(27,427)	(26,897)	(30,236)
Administrative expense	(14,302)	(12,904)	(12,603)	(12,374)	(11,481)
Other	296	(737)	(539)	(762)	28,502
Net change in plan fiduciary net position	(533,091)	4,342,349	(320,042)	557,921	742,301
Plan fiduciary net position - beginning	23,112,417	18,770,068	19,090,110	18,532,189	17,789,888
Plan fiduciary net position - ending (b)	22,579,326	23,112,417	18,770,068	19,090,110	18,532,189
Net pension liability - ending (a-b)	$ 4,538,420	$ 3,627,230	$ 7,244,857	$ 6,319,732	$ 5,413,632
Plan fiduciary net position as a percentage of the total pension liability (b/a)	83.3 %	86.4 %	72.2 %	75.1 %	77.4 %
Covered payroll (c)	$ 4,661,991	$ 4,399,969	$ 4,440,135	$ 4,197,484	$ 4,152,368
Net pension liability as a percentage of covered payroll ((a-b)/c)	97.3 %	82.4 %	163.2 %	150.6 %	130.4 %

(1) The Commonwealth implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* effective for the fiscal year ended June 30, 2015, therefore, ten years of data is unavailable.

(2) The Commonwealth's fiscal year 2023 net pension liability measurement date is June 30, 2022, as reported in Note 17.

See notes on page 224 in this section.

2018	2017	2016	2015
$ 370,235	$ 369,779	$ 375,149	$ 369,120
1,562,819	1,533,764	1,482,951	1,436,064
—	—	—	—
(85,975)	(245,642)	59,923	—
76,965	—	—	—
(1,234,388)	(1,195,198)	(1,136,102)	(1,081,866)
(30,837)	(25,240)	(27,724)	(25,036)
658,819	437,463	754,197	698,282
22,958,593	22,521,130	21,766,933	21,068,651
$ 23,617,412	$ 22,958,593	$ 22,521,130	$ 21,766,933
$ 535,424	$ 722,617	$ 480,657	$ 343,259
201,391	200,184	195,582	198,035
1,963,811	277,166	728,083	2,243,999
(1,234,388)	(1,195,198)	(1,136,102)	(1,081,866)
(30,837)	(25,240)	(27,724)	(25,036)
(11,612)	(10,140)	(10,302)	(12,341)
(1,743)	(122)	(154)	123
1,422,046	(30,733)	230,040	1,666,173
16,367,842	16,398,575	16,168,535	14,502,362
17,789,888	16,367,842	16,398,575	16,168,535
$ 5,827,524	$ 6,590,751	$ 6,122,555	$ 5,598,398
75.3 %	71.3 %	72.8 %	74.3 %
$ 4,020,893	$ 3,977,759	$ 3,878,632	$ 3,861,712
144.9 %	165.7 %	157.9 %	145.0 %

Continued on next page

Schedule of Changes in Employers' Net Pension Liability (1) (2) *(Continued from previous page)*

Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

Change in the Net Pension Liability	VRS Teacher 2023	2022	2021	2020	2019
Total pension liability:					
Service cost	$ 823,885	$ 948,915	$ 938,143	$ 889,003	$ 885,510
Interest	3,568,410	3,355,158	3,269,776	3,184,697	3,099,338
Benefit changes	—	—	—	—	—
Difference between actual and expected experience	(361,725)	(178,349)	(404,985)	(174,815)	(440,308)
Assumption changes	—	845,179	—	1,472,649	—
Benefit payments	(2,635,945)	(2,553,153)	(2,448,204)	(2,331,038)	(2,241,927)
Refunds of contributions	(43,437)	(38,464)	(36,211)	(36,715)	(40,578)
Net change in total pension liability	1,351,188	2,379,286	1,318,519	3,003,781	1,262,035
Total pension liability - beginning	53,381,141	51,001,855	49,683,336	46,679,555	45,417,520
Total pension liability - ending (a)	$ 54,732,329	$ 53,381,141	$ 51,001,855	$ 49,683,336	$ 46,679,555
Plan fiduciary net position:					
Contributions - employer	$ 1,485,307	$ 1,416,135	$ 1,327,774	$ 1,280,964	$ 1,292,988
Contributions - member	439,139	419,415	418,909	403,258	391,490
Contributions - non-employer	442,371	61,344	—	—	—
Net investment income	(66,609)	9,887,249	689,010	2,311,028	2,421,157
Benefit payments	(2,635,945)	(2,553,153)	(2,448,204)	(2,331,038)	(2,241,927)
Refunds of contributions	(43,437)	(38,464)	(36,211)	(36,715)	(40,578)
Administrative expense	(27,876)	(24,543)	(23,649)	(22,843)	(20,945)
Other	737	832	(1,169)	(1,448)	(2,167)
Net change in plan fiduciary net position	(406,313)	9,168,815	(73,540)	1,603,206	1,800,018
Plan fiduciary net position - beginning	45,618,044	36,449,229	36,522,769	34,919,563	33,119,545
Plan fiduciary net position - ending (b)	45,211,731	45,618,044	36,449,229	36,522,769	34,919,563
Net pension liability - ending (a-b)	$ 9,520,598	$ 7,763,097	$ 14,552,626	$ 13,160,567	$ 11,759,992
Plan fiduciary net position as a percentage of the total pension liability (b/a)	82.6 %	85.5 %	71.5 %	73.5 %	74.8 %
Covered payroll (c)	$ 9,319,260	$ 8,843,887	$ 8,766,667	$ 8,387,503	$ 8,086,986
Net pension liability as a percentage of covered payroll ((a-b)/c)	102.2 %	87.8 %	166.0 %	156.9 %	145.4 %

See notes on page 224 in this section.

2018	2017	2016	2015
$ 830,475	$ 828,856	$ 828,901	$ 831,501
3,016,207	2,931,065	2,834,138	2,722,788
—	—	—	—
(642,745)	(391,881)	(212,089)	—
218,559	—	—	—
(2,147,781)	(2,081,069)	(1,980,353)	(1,874,636)
(39,521)	(35,067)	(36,058)	(36,103)
1,235,194	1,251,904	1,434,539	1,643,550
44,182,326	42,930,422	41,495,883	39,852,333
$ 45,417,520	$ 44,182,326	$ 42,930,422	$ 41,495,883
$ 1,137,976	$ 1,062,338	$ 1,074,366	$ 853,634
392,730	380,314	373,525	371,241
—	—	192,884	—
3,632,291	516,704	1,327,047	4,042,441
(2,147,781)	(2,081,069)	(1,980,353)	(1,874,636)
(39,521)	(35,067)	(36,058)	(36,103)
(21,123)	(18,859)	(18,238)	(22,036)
(3,238)	(222)	(284)	217
2,951,334	(175,861)	932,889	3,334,758
30,168,211	30,344,072	29,411,183	26,076,425
33,119,545	30,168,211	30,344,072	29,411,183
$ 12,297,975	$ 14,014,115	$ 12,586,350	$ 12,084,700
72.9 %	68.3 %	70.7 %	70.9 %
$ 7,891,783	$ 7,624,612	$ 7,434,932	$ 7,313,025
155.8 %	183.8 %	169.3 %	165.2 %

Continued on next page

Schedule of Changes in Employers' Net Pension Liability (1) (2) *(Continued from previous page)*

Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

	VRS Political Subdivisions				
Change in the Net Pension Liability	**2023**	**2022**	**2021**	**2020**	**2019**
Total pension liability:					
Service cost	$ 640,327	$ 613,227	$ 603,766	$ 556,149	$ 544,762
Interest	1,840,834	1,674,640	1,593,594	1,535,532	1,472,680
Benefit changes	9,042	13,157	19,657	3,948	10,811
Difference between actual and expected experience	(294,247)	(164,895)	221,364	45,032	(43,177)
Assumption changes	(15)	1,003,382	—	691,407	—
Benefit payments	(1,307,581)	(1,237,074)	(1,157,505)	(1,082,791)	(1,010,021)
Refunds of contributions	(48,297)	(42,460)	(38,323)	(40,249)	(41,324)
Net change in total pension liability	840,063	1,859,977	1,242,553	1,709,028	933,731
Total pension liability - beginning	27,309,293	25,449,316	24,206,763	22,497,735	21,564,004
Total pension liability - ending (a)	$ 28,149,356	$ 27,309,293	$ 25,449,316	$ 24,206,763	$ 22,497,735
Plan fiduciary net position:					
Contributions - employer	$ 608,879	$ 579,989	$ 521,543	$ 499,293	$ 490,286
Contributions - member	276,350	258,562	258,408	248,421	241,339
Net investment income	(26,243)	5,779,327	405,051	1,345,759	1,415,454
Benefit payments	(1,307,581)	(1,237,074)	(1,157,505)	(1,082,791)	(1,010,021)
Refunds of contributions	(48,297)	(42,460)	(38,323)	(40,249)	(41,324)
Administrative expense	(16,525)	(14,411)	(13,842)	(13,369)	(12,236)
Other	264	161	(274)	(853)	(30,924)
Net change in plan fiduciary net position	(513,153)	5,324,094	(24,942)	956,211	1,052,574
Plan fiduciary net position - beginning	26,558,184	21,234,090	21,259,032	20,302,821	19,250,247
Plan fiduciary net position - ending (b)	26,045,031	26,558,184	21,234,090	21,259,032	20,302,821
Net pension liability - ending (a-b)	$ 2,104,325	$ 751,109	$ 4,215,226	$ 2,947,731	$ 2,194,914
Plan fiduciary net position as a percentage of the total pension liability (b/a)	92.5 %	97.2 %	83.4 %	87.8 %	90.2 %
Covered payroll (c)	$ 5,699,596	$ 5,403,267	$ 5,368,250	$ 5,118,622	$ 4,932,344
Net pension liability as a percentage of covered payroll ((a-b)/c)	36.9 %	13.9 %	78.5 %	57.6 %	44.5 %

See notes on page 224 in this section.

2018	2017	2016	2015
$ 541,594	$ 535,322	$ 530,945	$ 524,758
1,422,753	1,362,892	1,309,484	1,243,386
36,652	2,053	1,135	—
(205,649)	(87,268)	(185,419)	—
(64,510)	—	—	—
(941,856)	(893,585)	(819,201)	(754,706)
(42,068)	(37,380)	(36,898)	(36,876)
746,916	882,034	800,046	976,562
20,817,088	19,935,054	19,135,008	18,158,446
$ 21,564,004	$ 20,817,088	$ 19,935,054	$ 19,135,008
$ 477,563	$ 543,947	$ 533,877	$ 539,366
238,636	231,934	227,060	225,555
2,113,973	300,995	761,164	2,272,284
(941,856)	(893,585)	(819,201)	(754,706)
(42,068)	(37,380)	(36,898)	(36,876)
(12,220)	(10,696)	(10,358)	(12,153)
(1,887)	(130)	(162)	120
1,832,141	135,085	655,482	2,233,590
17,418,106	17,283,021	16,627,539	14,393,949
19,250,247	17,418,106	17,283,021	16,627,539
$ 2,313,757	$ 3,398,982	$ 2,652,033	$ 2,507,469
89.3 %	83.7 %	86.7 %	86.9 %
$ 4,765,842	$ 4,628,806	$ 4,513,335	$ 4,434,764
48.5 %	73.4 %	58.8 %	56.5 %

Continued on next page

Schedule of Changes in Employers' Net Pension Liability (1) (2) *(Continued from previous page)*

Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

	SPORS				
Change in the Net Pension Liability	**2023**	**2022**	**2021**	**2020**	**2019**
Total pension liability:					
Service cost	$ 23,688	$ 22,042	$ 22,167	$ 20,079	$ 18,187
Interest	86,396	79,549	77,231	72,715	71,251
Benefit changes	—	—	—	—	—
Difference between actual and expected experience	25,538	(9,431)	4,466	45,330	(7,248)
Assumption changes	—	58,257	—	31,773	—
Benefit payments	(71,466)	(73,227)	(64,991)	(62,683)	(58,197)
Refunds of contributions	(378)	(271)	(552)	(805)	(867)
Net change in total pension liability	63,778	76,919	38,321	106,409	23,126
Total pension liability - beginning	1,292,177	1,215,258	1,176,937	1,070,528	1,047,402
Total pension liability - ending (a)	$ 1,355,955	$ 1,292,177	$ 1,215,258	$ 1,176,937	$ 1,070,528
Plan fiduciary net position:					
Contributions - employer	$ 47,452	$ 33,788	$ 32,497	$ 31,437	$ 35,806
Contributions - member	7,131	6,489	6,600	6,379	6,311
Net investment income	(902)	229,138	16,333	54,792	58,148
Benefit payments	(71,466)	(73,227)	(64,991)	(62,683)	(58,197)
Refunds of contributions	(378)	(271)	(552)	(805)	(867)
Administrative expense	(602)	(531)	(360)	(488)	(509)
Other	—	—	(38)	(61)	(63)
Net change in plan fiduciary net position	(18,765)	195,386	(10,511)	28,571	40,629
Plan fiduciary net position - beginning	1,050,148	854,762	865,273	836,702	796,073
Plan fiduciary net position - ending (b)	1,031,383	1,050,148	854,762	865,273	836,702
Net pension liability - ending (a-b)	$ 324,572	$ 242,029	$ 360,496	$ 311,664	$ 233,826
Plan fiduciary net position as a percentage of the total pension liability (b/a)	76.1 %	81.3 %	70.3 %	73.5 %	78.2 %
Covered payroll (c)	$ 138,644	$ 128,252	$ 130,759	$ 126,483	$ 124,003
Net pension liability as a percentage of covered payroll ((a-b)/c)	234.1 %	188.7 %	275.7 %	246.4 %	188.6 %

See notes on page 224 in this section.

2018	2017	2016	2015
$ 18,880	$ 18,700	$ 18,847	$ 18,341
74,042	72,618	70,350	67,978
—	—	—	—
(5,327)	(14,711)	(2,890)	—
(68,707)	—	—	—
(57,814)	(53,515)	(53,338)	(50,467)
(630)	(584)	(375)	(685)
(39,556)	22,508	32,594	35,167
1,086,958	1,064,450	1,031,856	996,689
$ 1,047,402	$ 1,086,958	$ 1,064,450	$ 1,031,856
$ 31,888	$ 33,655	$ 28,427	$ 42,683
5,701	5,759	5,680	5,646
87,265	12,634	32,466	98,682
(57,814)	(53,515)	(53,338)	(50,467)
(630)	(584)	(375)	(685)
(926)	(590)	(471)	(431)
(99)	(23)	(27)	—
65,385	(2,664)	12,362	95,428
730,688	733,352	720,990	625,562
796,073	730,688	733,352	720,990
$ 251,329	$ 356,270	$ 331,098	$ 310,866
76.0 %	67.2 %	68.9 %	69.9 %
$ 111,395	$ 114,395	$ 110,059	$ 112,010
225.6 %	311.4 %	300.8 %	277.5 %

Continued on next page

Schedule of Changes in Employers' Net Pension Liability (1) (2) *(Continued from previous page)*

Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

	VaLORS				
Change in the Net Pension Liability	**2023**	**2022**	**2021**	**2020**	**2019**
Total pension liability:					
Service cost	$ 44,326	$ 47,606	$ 48,003	$ 44,526	$ 45,179
Interest	159,759	149,677	143,708	139,307	136,289
Benefit changes	—	—	—	—	—
Difference between actual and expected experience	15,632	(25,405)	22,645	11,067	(26,111)
Assumption changes	—	66,216	—	62,090	—
Benefit payments	(129,974)	(124,045)	(117,137)	(109,193)	(104,776)
Refunds of contributions	(6,284)	(5,791)	(4,893)	(4,933)	(5,604)
Net change in total pension liability	83,459	108,258	92,326	142,864	44,977
Total pension liability - beginning	2,390,609	2,282,351	2,190,025	2,047,161	2,002,184
Total pension liability - ending (a)	$ 2,474,068	$ 2,390,609	$ 2,282,351	$ 2,190,025	$ 2,047,161
Plan fiduciary net position:					
Contributions - employer	$ 93,847	$ 76,415	$ 79,914	$ 75,327	$ 73,793
Contributions - member	17,276	17,602	18,712	17,871	17,496
Net investment income	(1,666)	405,217	28,579	93,872	98,292
Benefit payments	(129,974)	(124,045)	(117,137)	(109,193)	(104,776)
Refunds of contributions	(6,284)	(5,791)	(4,893)	(4,933)	(5,604)
Administrative expense	(1,074)	(943)	(623)	(831)	(861)
Other	(8)	—	(73)	(103)	(247)
Net change in plan fiduciary net position	(27,883)	368,455	4,479	72,010	78,093
Plan fiduciary net position - beginning	1,868,924	1,500,469	1,495,990	1,423,980	1,345,887
Plan fiduciary net position - ending (b)	1,841,041	1,868,924	1,500,469	1,495,990	1,423,980
Net pension liability - ending (a-b)	$ 633,027	$ 521,685	$ 781,882	$ 694,035	$ 623,181
Plan fiduciary net position as a percentage of the total pension liability (b/a)	74.4 %	78.2 %	65.7 %	68.3 %	69.6 %
Covered payroll (c)	$ 338,768	$ 348,650	$ 369,996	$ 349,998	$ 345,531
Net pension liability as a percentage of covered payroll ((a-b)/c)	186.9 %	149.6 %	211.3 %	198.3 %	180.4 %

See notes on page 224 in this section.

2018		2017		2016		2015
$	47,189	$	45,608	$	47,531	$	46,504
	135,453		129,756		124,579		119,040
	—		—		—		—
	(1,457)		4,997		(4,849)		—
	(63,457)		—		—		—
	(96,224)		(92,270)		(84,990)		(78,412)
	(4,938)		(4,524)		(4,797)		(4,665)
	16,566		83,567		77,474		82,467
	1,985,618		1,902,051		1,824,577		1,742,110
$	2,002,184	$	1,985,618	$	1,902,051	$	1,824,577
$	73,816	$	79,392	$	62,084	$	67,483
	17,598		17,574		17,081		17,908
	146,039		20,899		52,312		156,786
	(96,224)		(92,270)		(84,990)		(78,412)
	(4,938)		(4,524)		(4,797)		(4,665)
	(1,540)		(940)		(743)		(681)
	(310)		(38)		(44)		—
	134,441		20,093		40,903		158,419
	1,211,446		1,191,353		1,150,450		992,031
	1,345,887		1,211,446		1,191,353		1,150,450
$	656,297	$	774,172	$	710,698	$	674,127
	67.2 %		61.0 %		62.6 %		63.1 %
$	344,468	$	345,504	$	338,562	$	352,492
	190.5 %		224.1 %		209.9 %		191.2 %

Continued on next page

Schedule of Changes in Employers’ Net Pension Liability (1) (2) *(Continued from previous page)*

Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

	JRS				
Change in the Net Pension Liability	**2023**	**2022**	**2021**	**2020**	**2019**
Total pension liability:					
Service cost	$ 18,630	$ 19,335	$ 20,650	$ 18,767	$ 19,228
Interest	50,036	44,788	44,234	44,139	43,799
Benefit changes	—	—	—	—	—
Difference between actual and expected experience	(7,256)	(10,245)	(9,446)	(7,158)	(15,786)
Assumption changes	—	53,040	—	14,077	—
Benefit payments	(47,679)	(47,750)	(46,546)	(43,587)	(41,165)
Refunds of contributions	(41)	(135)	(12)	—	—
Net change in total pension liability	13,690	59,033	8,880	26,238	6,076
Total pension liability - beginning	746,502	687,469	678,589	652,351	646,275
Total pension liability - ending (a)	$ 760,192	$ 746,502	$ 687,469	$ 678,589	$ 652,351
Plan fiduciary net position:					
Contributions - employer	$ 30,266	$ 22,856	$ 24,819	$ 22,893	$ 28,096
Contributions - member	2,033	1,868	3,436	3,208	3,231
Net investment income	(477)	147,200	10,491	35,372	37,466
Benefit payments	(47,678)	(47,750)	(46,546)	(43,587)	(41,165)
Refunds of contributions	(41)	(135)	(12)	—	—
Administrative expense	(386)	(343)	(232)	(315)	(326)
Other	97	—	(42)	(39)	(42)
Net change in plan fiduciary net position	(16,186)	123,696	(8,086)	17,532	27,260
Plan fiduciary net position - beginning	673,151	549,455	557,541	540,009	512,749
Plan fiduciary net position - ending (b)	656,965	673,151	549,455	557,541	540,009
Net pension liability - ending (a-b)	$ 103,227	$ 73,351	$ 138,014	$ 121,048	$ 112,342
Plan fiduciary net position as a percentage of the total pension liability (b/a)	86.4 %	90.2 %	79.9 %	82.2 %	82.8 %
Covered payroll (c)	$ 79,540	$ 74,594	$ 74,769	$ 68,330	$ 68,245
Net pension liability as a percentage of covered payroll ((a-b)/c)	129.8 %	98.3 %	184.6 %	177.2 %	164.6 %

See notes on page 224 in this section.

2018	2017	2016	2015
$ 22,144	$ 21,978	$ 23,254	$ 24,024
42,081	42,820	41,759	40,013
—	(15,552)	—	—
(14,774)	(18,681)	(9,107)	—
16,114	—	—	—
(40,895)	(41,341)	(40,205)	(37,984)
—	—	—	—
24,670	(10,776)	15,701	26,053
621,605	632,381	616,680	590,627
$ 646,275	$ 621,605	$ 632,381	$ 616,680
$ 27,612	$ 41,502	$ 31,503	$ 27,727
3,272	3,236	3,015	3,051
56,029	8,112	20,051	60,833
(40,895)	(41,341)	(40,205)	(37,984)
—	—	—	—
(594)	(363)	(283)	(268)
(64)	(15)	(17)	—
45,360	11,131	14,064	53,359
467,389	456,258	442,194	388,835
512,749	467,389	456,258	442,194
$ 133,526	$ 154,216	$ 176,123	$ 174,486
79.3 %	75.2 %	72.1 %	71.7 %
$ 66,826	$ 66,621	$ 61,092	$ 61,020
199.8 %	231.5 %	288.3 %	285.9 %

Schedule of Employer Contributions – Pension Plans

(Dollars in Thousands)

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contributions Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
VIRGINIA RETIREMENT SYSTEM (VRS) - STATE					
2023	$ 716,311	$ 733,040	$ (16,729)	$ 5,069,435	14.46%
2022	674,124	674,124	—	4,661,991	14.46%
2021	636,236	636,236	—	4,399,969	14.46%
2020	600,306	600,306	—	4,440,135	13.52%
2019	567,450	567,450	—	4,197,484	13.52%
2018	560,154	560,154	—	4,152,368	13.49%
2017	542,418	542,418	—	4,020,893	13.49%
2016	628,486	557,160	71,326	3,977,759	14.01%
2015	612,824	478,235	134,589	3,878,632	12.33%
2014	504,726	338,286	166,440	3,861,712	8.76%
VIRGINIA RETIREMENT SYSTEM (VRS) - TEACHER					
2023	$ 1,471,664	$ 1,657,118	$ (185,454)	$ 9,970,623	16.62%
2022	1,548,861	1,548,861	—	9,319,260	16.62%
2021	1,469,854	1,469,854	—	8,843,887	16.62%
2020	1,374,613	1,374,613	—	8,766,667	15.68%
2019	1,315,160	1,315,160	—	8,387,503	15.68%
2018	1,319,796	1,319,796	—	8,086,986	16.32%
2017	1,287,939	1,156,935	131,004	7,891,783	14.66%
2016	1,344,981	1,072,020	272,961	7,624,612	14.06%
2015	1,353,158	1,078,065	275,093	7,434,932	14.50%
2014	1,226,394	852,699	373,695	7,313,025	11.66%
VIRGINIA RETIREMENT SYSTEM (VRS) - POLITICAL SUBDIVISIONS					
2023	$ 780,020	$ 780,020	—	$ 6,337,774	12.31%
2022	643,826	643,826	—	5,699,596	11.30%
2021	610,434	610,473	(39)	5,403,267	11.30%
2020	544,676	547,382	(2,706)	5,368,250	10.20%
2019	515,904	518,513	(2,609)	5,118,622	10.13%
2018	504,955	505,603	(648)	4,932,344	10.25%
2017	487,067	487,702	(635)	4,765,842	10.23%
2016	554,335	549,408	4,927	4,628,806	11.87%
2015	540,859	535,919	4,940	4,513,335	11.87%
2014	551,822	539,131	12,691	4,434,764	12.16%

See notes on page 224 in this section.

Year Ended June 30		Actuarially Determined Contribution		Contributions in Relation to the Actuarially Determined Contribution		Contributions Deficiency (Excess)		Covered Payroll	Contributions as a Percentage of Covered Payroll
STATE POLICE OFFICERS' RETIREMENT SYSTEM (SPORS)									
2023	$	46,981	$	46,981	$	—	$	156,707	29.98%
2022		36,505		36,505		—		138,644	26.33%
2021		33,769		33,769		—		128,252	26.33%
2020		32,533		32,533		—		130,759	24.88%
2019		31,469		31,469		—		126,483	24.88%
2018		35,391		35,391		—		124,003	28.54%
2017		31,792		31,792		—		111,395	28.54%
2016		35,211		31,561		3,650		114,395	27.59%
2015		33,876		28,417		5,459		110,059	25.82%
2014		36,538		27,711		8,827		112,010	24.74%
VIRGINIA LAW OFFICERS' RETIREMENT SYSTEM (VaLORS)									
2023	$	90,809	$	90,809	$	—	$	369,142	24.60%
2022		74,190		74,190		—		338,768	21.90%
2021		76,354		76,354		—		348,650	21.90%
2020		79,956		79,956		—		369,996	21.61%
2019		75,635		75,635		—		349,998	21.61%
2018		72,734		72,734		—		345,531	21.05%
2017		72,511		72,511		—		344,468	21.05%
2016		72,763		65,101		7,662		345,504	18.84%
2015		71,301		59,824		11,477		338,562	17.67%
2014		68,806		52,169		16,637		352,492	14.80%
JUDICIAL RETIREMENT SYSTEM (JRS)									
2023	$	25,781	$	25,781	$	—	$	84,059	30.67%
2022		23,735		23,735		—		79,540	29.84%
2021		22,259		22,259		—		74,594	29.84%
2020		25,713		25,713		—		74,769	34.39%
2019		23,498		23,498		—		68,330	34.39%
2018		28,642		28,642		—		68,245	41.97%
2017		28,047		28,047		—		66,826	41.97%
2016		37,008		33,291		3,717		66,621	49.97%
2015		35,336		31,560		3,776		61,092	51.66%
2014		33,018		27,728		5,290		61,020	45.44%

Notes for Pension Schedules

	VRS					
	State	Teacher	Political Subdivisions	SPORS	VaLORS	JRS
Valuation Date	June 30, 2021	June 30, 2021	June 30, 2021	June 30, 2021	June 30, 2021	June 30, 2021
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:						
Investment Rate of Return*	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%
Projected Salary Increases:*						
State Employees/Teachers	3.50% to 5.35%	3.50% to 5.95%	N/A	3.50% to 4.75%	3.50% to 4.75%	4.00%
Political Subdivision -						
Non-Hazardous Duty Employees	N/A	N/A	3.50% to 5.35%	N/A	N/A	N/A
Political Subdivision -						
Hazardous Duty Employees	N/A	N/A	3.50% to 4.75%	N/A	N/A	N/A
Post-Retirement Benefits Increases**						
Plan 1	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Plan 2	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Hybrid	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

** Includes inflation at 2.50%.*

*** Compounded annually.*

Actuarial assumptions and methods were based on an analysis of plan experience for the four-year period July 1, 2016, through June 30, 2020, and were used for the June 30, 2021, valuation. The mortality rates used are based on the PUB2010 table projected with a modified mortality improvement scale MP-2020.

As discussed in Note 17, visit the Virginia Retirement System's website at www.varetire.org to obtain a copy of the separately issued financial statements.

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

Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

	RHIC				
Change in the Net OPEB Liability	**2023**	**2022**	**2021**	**2020**	**2019**
Total OPEB liability:					
Service cost	$ 18,311	$ 20,432	$ 20,143	$ 19,446	$ 19,645
Interest	69,707	68,014	67,289	68,023	66,883
Benefit changes	—	—	—	—	—
Difference between actual and expected experience	(34,169)	(20,219)	(5,703)	(13,402)	745
Assumption changes	13,522	12,326	—	22,700	—
Benefit payments	(76,023)	(71,536)	(70,440)	(72,857)	(69,117)
Refunds of contributions	—	—	—	—	—
Net change in total OPEB liability	(8,652)	9,017	11,289	23,910	18,156
Total OPEB liability - beginning	1,052,400	1,043,383	1,032,094	1,008,184	990,028
Total OPEB liability - ending (a)	$ 1,043,748	$ 1,052,400	$ 1,043,383	$ 1,032,094	$ 1,008,184
Plan fiduciary net position:					
Contributions - employer	$ 93,847	$ 119,847	$ 84,849	$ 79,926	$ 79,416
Contributions - member	—	—	—	—	—
Net investment income	(358)	34,790	2,185	6,189	5,706
Benefit payments	(76,023)	(71,536)	(70,440)	(72,857)	(69,117)
Third-party administrator charges	—	—	—	—	—
Administrative expense	(357)	(589)	(230)	(135)	(149)
Other	(394)	(30)	(9)	(8)	536
Net change in plan fiduciary net position	16,715	82,482	16,355	13,115	16,392
Plan fiduciary net position - beginning	207,860	125,378	109,023	95,908	79,516
Plan fiduciary net position - ending (b)	224,575	207,860	125,378	109,023	95,908
Net OPEB liability (asset) - ending (a-b)	$ 819,173	$ 844,540	$ 918,005	$ 923,071	$ 912,276
Plan fiduciary net position as a percentage of the total OPEB liability (b/a)	21.5 %	19.8 %	12.0 %	10.6 %	9.5 %
Covered payroll (c)	$ 7,612,495	$ 7,239,781	$ 7,237,090	$ 6,844,807	$ 6,762,917
Net OPEB liability (asset) as a percentage of covered payroll ((a-b)/c)	10.8 %	11.7 %	12.7 %	13.5 %	13.5 %

(1) The Commonwealth implemented GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits*, as amended by GASB Statement No. 85, *Omnibus 2017*, effective for fiscal year 2018, therefore, ten years of data is unavailable.

(2) The Commonwealth's fiscal year 2023 net OPEB liability measurement date is June 30, 2022, as reported in Note 19.

See notes on page 236 in this section.

2018
$ 19,231
66,641
—
—
(12,229)
(71,256)
—
2,387
987,641
$ 990,028
$ 75,058
—
7,706
(71,256)
—
(131)
(546)
10,831
68,685
79,516
$ 910,512
8.0 %
$ 6,489,069
14.0 %

Continued on next page

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

(continued from previous page)

Change in the Net OPEB Liability	VSDP 2023	2022	2021	2020	2019
Total OPEB liability:					
Service cost	$ 30,802	$ 32,679	$ 32,988	$ 29,232	$ 27,527
Interest	19,115	17,222	18,774	15,788	15,503
Benefit changes	—	—	—	—	—
Difference between actual and expected experience	20,274	(22,057)	(46,473)	29,489	(11,237)
Assumption changes	—	(1,387)	—	4,180	—
Benefit payments	(29,625)	(28,790)	(27,804)	(24,376)	(31,073)
Refunds of contributions	—	—	—	—	—
Net change in total OPEB liability	40,566	(2,333)	(22,515)	54,313	720
Total OPEB liability - beginning	267,198	269,531	292,046	237,733	237,013
Total OPEB liability - ending (a)	$ 307,764	$ 267,198	$ 269,531	$ 292,046	$ 237,733
Plan fiduciary net position:					
Contributions - employer	$ 28,249	$ 26,542	$ 26,994	$ 25,263	$ 27,260
Contributions - member	—	—	—	—	—
Net investment income	(507)	131,373	9,445	30,494	32,073
Benefit payments	(29,625)	(28,790)	(27,804)	(24,376)	(31,073)
Third-party administrator charges	(7,247)	(7,137)	(6,611)	(6,431)	(6,637)
Administrative expense	(483)	(600)	(631)	(787)	(961)
Other	610	311	586	1,117	(35)
Net change in plan fiduciary net position	(9,003)	121,699	1,979	25,280	20,627
Plan fiduciary net position - beginning	611,919	490,220	488,241	462,961	442,334
Plan fiduciary net position - ending (b)	602,916	611,919	490,220	488,241	462,961
Net OPEB liability (asset) - ending (a-b)	$ (295,152)	$ (344,721)	$ (220,689)	$ (196,195)	$ (225,228)
Plan fiduciary net position as a percentage of the total OPEB liability (b/a)	195.9 %	229.0 %	181.9 %	167.2 %	194.7 %
Covered payroll (c)	$ 4,637,755	$ 4,355,154	$ 4,365,296	$ 4,077,627	$ 3,972,637
Net OPEB liability (asset) as a percentage of covered payroll ((a-b)/c)	(6.4%)	(7.9%)	(5.1%)	(4.8%)	(5.7%)

See notes on page 236 in this section.

2018
$ 27,884
15,810
—
—
(17,511)
(30,056)
—
(3,873)
240,886
$ 237,013
$ 24,130
—
48,206
(30,056)
(7,001)
(717)
(54)
34,508
407,826
442,334
$ (205,321)
186.6 %
$ 3,799,590
(5.4%)

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

Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

	GLI					
	2023	2022	2021	2020	2019	2018
Commonwealth's proportion of the net OPEB liability	30.1 %	30.0 %	30.4 %	30.1 %	30.5 %	30.3 %
Commonwealth's proportionate share of the net OPEB liability	$362,146	$349,518	$507,458	$490,250	$463,787	$456,387
Commonwealth's covered payroll	$6,577,667	$6,231,703	$6,290,591	$5,936,396	$5,836,331	$5,621,670
Commonwealth's covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Commonwealth's proportionate share of the net OPEB liability as a percentage of its covered payroll / covered employee payroll	5.5 %	5.6 %	8.1 %	8.3 %	7.9 %	8.1 %
Plan fiduciary net position as a percentage of the total OPEB liability	67.2 %	67.5 %	52.6 %	52.0 %	51.2 %	48.9 %

(1) The Commonwealth implemented GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits*, and GASB Statement No. 85, *Omnibus 2017*, effective for fiscal year 2018, therefore, ten years of data is unavailable.

(2) The Commonwealth's fiscal year 2023 net OPEB liability measurement date is June 30, 2022 as reported in Note 19.

(3) Since the Commonwealth is considered the governmental nonemployer contributing entity for the state-funded Retiree Health Insurance Credit for constitutional officers, social services employees and registrars (RHIC: Non-State), the covered payroll information is not applicable.

See notes on page 236 in this section.

LODA					
2023	2022	2021	2020	2019	2018
59.5 %	59.4 %	60.1 %	59.9 %	59.9 %	60.9 %
$225,245	$262,156	$251,588	$214,981	$187,869	$160,064
N/A	N/A	N/A	N/A	N/A	N/A
$501,458	$468,772	$484,167	$460,426	$440,535	$431,978
44.9 %	55.9 %	52.0 %	46.7 %	42.6 %	37.1 %
1.9 %	1.7 %	1.0 %	0.8 %	0.6 %	1.3 %

Continued on next page

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

(continued from previous page)

	RHIC: Non-State (3)					
	Constitutional Officers					
	2023	2022	2021	2020	2019	2018
Commonwealth's proportion of the net OPEB liability	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Commonwealth's proportionate share of the net OPEB liability	$26,285	$26,910	$27,293	$26,877	$26,351	$25,766
Commonwealth's covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
Commonwealth's covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Commonwealth's proportionate share of the net OPEB liability as a percentage of its covered payroll / covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	22.4 %	19.9 %	15.8 %	14.3 %	11.1 %	8.6 %

See notes on page 236 in this section.

Social Service Employees						Registrars					
2023	2022	2021	2020	2019	2018	2023	2022	2021	2020	2019	2018
100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$12,341	$12,631	$12,880	$12,457	$12,903	$12,725	$353	$435	$469	$503	$499	$486
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17.2 %	15.7 %	13.1 %	15.4 %	9.3 %	7.9 %	36.5 %	27.9 %	21.2 %	14.8 %	10.4 %	6.5 %

Schedule of Employer Contributions – Other Postemployment Benefit Plans

(Dollars in Thousands)

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contributions Deficiency (Excess)	Covered Payroll	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll / Covered Employee Payroll
			RETIREE HEALTH INSURANCE CREDIT			
2023	$ 85,709	$ 92,302	$ (6,593)	$ 8,241,227	N/A	1.1 %
2022	85,260	85,260	—	7,612,495	N/A	1.1 %
2021	81,086	81,086	—	7,239,781	N/A	1.1 %
2020	84,674	84,674	—	7,237,090	N/A	1.2 %
2019	80,084	80,084	—	6,844,807	N/A	1.2 %
2018	79,802	79,802	—	6,762,917	N/A	1.2 %
2017	76,571	76,571	—	6,489,069	N/A	1.2 %
2016	73,961	66,375	7,586	6,321,454	N/A	1.0 %
2015	71,522	64,186	7,336	6,112,951	N/A	1.1 %
2014	63,385	60,367	3,018	6,036,629	N/A	1.0 %
			VIRGINIA SICKNESS AND DISABILITY PROGRAM (Also referred to Disability Insurance Trust Fund)			
2023	$ 28,581	$ 31,133	$ (2,552)	$ 5,103,828	N/A	0.6 %
2022	28,290	28,290	—	4,637,755	N/A	0.6 %
2021	26,566	26,566	—	4,355,154	N/A	0.6 %
2020	27,065	27,065	—	4,365,296	N/A	0.6 %
2019	25,281	25,281	—	4,077,627	N/A	0.6 %
2018	26,219	26,219	—	3,972,637	N/A	0.7 %
2017	25,077	25,077	—	3,799,590	N/A	0.7 %
2016	27,187	24,580	2,607	3,724,248	N/A	0.7 %
2015	26,244	23,728	2,516	3,595,080	N/A	0.7 %
2014	20,610	16,701	3,909	3,553,444	N/A	0.5 %
			GROUP LIFE INSURANCE (1)			
2023	$ 34,206	$ 38,481	$ (4,275)	$ 7,126,166	N/A	0.5 %
2022	35,519	35,519	—	6,577,667	N/A	0.5 %
2021	33,651	33,651	—	6,231,703	N/A	0.5 %
2020	32,711	32,711	—	6,290,591	N/A	0.5 %
2019	30,869	30,869	—	5,936,396	N/A	0.5 %
2018	30,349	30,349	—	5,836,331	N/A	0.5 %
2017	29,089	29,089	—	5,621,670	N/A	0.5 %
2016	29,358	26,588	2,770	5,539,210	N/A	0.5 %
2015	28,487	25,799	2,688	5,374,853	N/A	0.5 %
2014	28,248	25,583	2,665	5,329,884	N/A	0.5 %

(1) The Group Life Insurance and the Line of Duty Trust Fund (Line of Duty Act) are cost-sharing plans and amounts in this schedule are only for the Commonwealth and does not include other employers.

(2) Covered employee payroll is provided since the contributions are not based on a measure of pay. Ten years of data is not available for this plan.

(3) Although the Retiree Health Insurance Credit program for constitutional officers, social services employees, and registrars existed prior to fiscal year 2016, the program was funded in a different manner and the results do not provide comparability with the current presentations. Since the Commonwealth is considered the governmental nonemployer contributing entity, the column regarding covered payroll is not applicable.

See notes on page 236 in this section.

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contributions Deficiency (Excess)	Covered Payroll	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll / Covered Employee Payroll
LINE OF DUTY TRUST FUND (1) (2)						
2023	$ 20,374	$ 8,144	$ 12,230	N/A	$ 561,883	1.4 %
2022	14,734	8,197	6,537	N/A	501,458	1.6 %
2021	14,820	8,184	6,636	N/A	468,772	1.7 %
2020	14,706	8,164	6,542	N/A	484,167	1.7 %
2019	14,486	8,042	6,444	N/A	460,426	1.7 %
2018	13,870	6,364	7,506	N/A	440,535	1.4 %
2017	14,275	6,550	7,725	N/A	431,978	1.5 %
RETIREE HEALTH INSURANCE CREDIT: NON-STATE (3) For Constitutional Officers						
2023	$ 3,052	$ 3,052	$ —	N/A	N/A	N/A
2022	2,786	2,786	—	N/A	N/A	N/A
2021	2,642	2,642	—	N/A	N/A	N/A
2020	2,734	2,734	—	N/A	N/A	N/A
2019	2,593	2,593	—	N/A	N/A	N/A
2018	2,362	2,362	—	N/A	N/A	N/A
2017	2,280	2,280	—	N/A	N/A	N/A
2016	1,950	1,830	120	N/A	N/A	N/A
RETIREE HEALTH INSURANCE CREDIT: NON-STATE (3) (For Social Services Employees)						
2023	$ 1,268	$ 1,268	$ —	N/A	N/A	N/A
2022	1,196	1,196	—	N/A	N/A	N/A
2021	1,143	1,143	—	N/A	N/A	N/A
2020	1,283	1,283	—	N/A	N/A	N/A
2019	1,202	1,202	—	N/A	N/A	N/A
2018	1,106	1,106	—	N/A	N/A	N/A
2017	1,055	1,055	—	N/A	N/A	N/A
2016	961	824	137	N/A	N/A	N/A
RETIREE HEALTH INSURANCE CREDIT: NON-STATE (3) (For Registrars)						
2023	$ 61	$ 61	$ —	N/A	N/A	N/A
2022	66	66	—	N/A	N/A	N/A
2021	52	52	—	N/A	N/A	N/A
2020	50	50	—	N/A	N/A	N/A
2019	46	46	—	N/A	N/A	N/A
2018	47	47	—	N/A	N/A	N/A
2017	45	45	—	N/A	N/A	N/A
2016	36	30	6	N/A	N/A	N/A

Notes for Other Postemployment Benefit Schedules

	Group Life Insurance Fund	Retiree Health Insurance Credit Fund	Disability Insurance Trust Fund	Line of Duty Act Trust Fund
Valuation Date	June 30, 2021	June 30, 2021	June 30, 2021	June 30, 2021
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed	Level Percent of Pay, Closed	Level Percent of Pay, Closed	Level Percent of Pay, Open
Payroll Growth Rate:				
State Employees	3.0%	3.0%	3.0%	3.0%
Teachers	3.0%	3.0%	N/A	N/A
Political Subdivision Employees	3.0%	3.0%	N/A	3.0%
State Police / Virginia Law Officers	3.0%	3.0%	3.0%	3.0%
Judges	3.0%	3.0%	N/A	N/A
Asset Valuation Method				
State Employees and Teachers	5-Year, Smoothed Market	5-Year, Smoothed Market	5-Year, Smoothed Market	Market Value
Political Subdivision Employees and State-Funded Local Employees	5-Year, Smoothed Market	Market Value	N/A	Market Value
Actuarial Assumptions:				
Investment Rate of Return (1)	6.8%	6.8%	6.8%	6.8%
Projected Salary Increases (2)				
State Employees	3.5% to 5.4%	3.5% to 5.4%	3.5% to 5.4%	N/A
Teachers	3.5% to 6.0%	3.5% to 6.0%	N/A	N/A
Political Subdivision Employees (Non-Hazardous Duty Employees)	3.5% to 5.4%	3.5% to 5.4%	N/A	N/A
Political Subdivision Employees (Hazardous Duty Employees)	3.5% to 4.8%	3.5% to 4.8%	N/A	N/A
State Police / Virginia Law Officers	3.5% to 4.8%	3.5% to 4.8%	3.5% to 4.8%	N/A
Judges	4.0%	4.0%	N/A	N/A
Medical Trend Assumptions (Under Age 65)	N/A	N/A	N/A	7.0% to 4.8%
Medical Trend Assumptions (Ages 65 and Older)	N/A	N/A	N/A	5.3% to 4.8%
Year of Ultimate Trend Rate (Under Age 65)	N/A	N/A	N/A	2028
Year of Ultimate Trend Rate (Ages 65 and Older)	N/A	N/A	N/A	2023

(1) Includes inflation rate of 2.5 percent. The Line of Duty Act Program uses 4.8 percent for the investment rate of return.

(2) Projected salary increases for the Retiree Health Insurance Credit Fund are used in the application of the actuarial cost method. Projected salary increase factors are not applicable to the Line of Duty Act Program since neither the benefit nor the cost is salary-based.

Actuarial assumptions and methods were based on an analysis of plan experience for the four-year period July 1, 2016, through June 30, 2020, and were used for the June 30, 2021, valuation. The mortality rates used are based on the PUB2010 table projected with a modified mortality improvement scale MP-2020.

As discussed in Note 19, visit the Virginia Retirement System's website at www.varetire.org to obtain a copy of the separately issued financial statements.

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

Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

Change in the Total OPEB Liability	PMRH				
	2023	**2022**	**2021**	**2020**	**2019**
Total OPEB liability:					
Service cost	$ 31,325	$ 44,141	$ 47,963	$ 72,737	$ 94,665
Interest cost	10,020	13,139	25,009	40,941	49,279
Changes of benefit terms	—	—	—	—	—
Difference between expected and actual experience	(24,105)	(20,887)	(24,121)	(216,886)	(191,000)
Changes of assumptions	(69,896)	(119,285)	(130,004)	(182,206)	(211,762)
Benefit payments	(32,820)	(37,040)	(28,903)	(41,346)	(34,446)
Net change in total OPEB liability	(85,476)	(119,932)	(110,056)	(326,760)	(293,264)
Total OPEB liability - beginning	448,892	568,824	678,880	1,005,640	1,298,904
Total OPEB liability - ending (a)	$ 363,416	$ 448,892	$ 568,824	$ 678,880	$ 1,005,640
Covered employee payroll (b)	$ 6,429,512	$ 5,904,674	$ 5,842,440	$ 5,616,229	$ 5,485,993
Total OPEB liability as a percentage of covered employee payroll (a/b)	5.7 %	7.6 %	9.7 %	12.1 %	18.3 %

(1) The Commonwealth implemented GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits*, as amended by GASB Statement No. 85, *Omnibus 2017*, effective for fiscal year 2018, therefore, ten years of data is unavailable.

(2) The Commonwealth's fiscal year 2023 total OPEB liability measurement date is June 30, 2022, as reported in Note 19. There are no assets accumulated in a trust to pay related benefits.

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

Changes of assumptions – The following actuarial assumptions were updated since the June 30, 2021 valuation based on recent experience:

- Retiree Participation - reduced the rate from 40.0 percent to 35.0 percent.

Retiree participation was based on a blend of recent experience and the prior year assumptions. The trend rates were updated based on economic conditions as of June 30, 2022. Additionally, the discount rate was increased from 2.2 percent to 3.5 percent based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date of June 30, 2022.

2018
$ 116,627
47,346
—
(61,865)
(326,082)
(43,244)
(267,218)
1,566,122
$ 1,298,904
$ 5,229,024
24.8 %

Claims Development Information – Risk Management

(Dollars in Thousands)

Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	2014	2015	2016	2017
1. Required contribution and investment revenue:				
Earned	$ 8,500	$ 8,487	$ 8,733	$ 13,213
Ceded (a)	—	—	—	—
Net earned	8,500	8,487	8,733	13,213
2. Unallocated expenses	1,435	1,331	1,357	1,460
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	4,025	4,696	6,893	4,235
Ceded (a)	—	—	—	—
Net incurred	4,025	4,696	6,893	4,235
4. Net paid (cumulative) as of:				
End of policy year	367	922	1,206	836
One year later	3,210	3,270	4,680	3,195
Two years later	4,291	5,844	6,557	4,203
Three years later	5,002	8,280	8,841	4,434
Four years later	5,386	9,122	9,230	4,590
Five years later	6,509	9,270	9,274	4,734
Six years later	6,674	9,278	9,937	4,800
Seven years later	6,715	9,278	9,991	
Eight years later	6,894	9,278		
Nine years later	6,926			
5. Reestimated ceded claims and expenses (a)	—	—	—	—
6. Reestimated incurred claims and expenses:				
End of policy year	4,025	4,696	6,893	4,235
One year later	6,454	6,775	10,307	4,820
Two years later	6,979	8,961	9,908	5,031
Three years later	8,045	8,836	9,764	5,100
Four years later	6,771	9,312	9,979	4,963
Five years later	7,289	9,395	9,976	5,098
Six years later	7,377	9,341	10,280	5,018
Seven years later	7,111	9,296	10,123	
Eight years later	7,286	9,296		
Nine years later	7,279			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	3,254	4,600	3,230	783

The Commonwealth, through the Department of the Treasury, Division of Risk Management, provides errors and omissions liability insurance and law enforcement professional liability insurance for local governmental units, which went into effect in fiscal year 1987. Some prior year numbers have been revised to reflect the incorporation of newly available and revised source data.

See Notes on page 246 in this section.

2018	2019	2020	2021	2022	2023
$ 13,232	$ 13,236	$ 14,327	$ 14,968	$ 14,747	$ 15,599
—	—	—	—	—	—
13,232	13,236	14,327	14,968	14,747	15,599
1,603	1,530	1,670	1,627	1,601	1,654
10,155	9,160	7,462	7,608	11,111	7,792
—	—	—	—	—	—
10,155	9,160	7,462	7,608	11,111	7,792
1,979	1,075	1,267	1,251	1,949	1,628
5,573	4,180	5,255	4,158	6,374	
8,027	6,140	6,703	5,479		
8,854	10,019	7,307			
9,488	10,680				
9,736					
—	—	—	—	—	—
10,155	9,160	7,462	7,608	11,111	7,792
11,598	10,725	9,348	8,687	12,658	
12,880	10,684	10,721	7,445		
13,220	12,377	10,488			
11,118	12,123				
10,459					
304	2,963	3,026	(163)	1,547	—

Claims Development Information – Health Care

(Dollars in Thousands)

Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	**2014**	**2015**	**2016**	**2017**
1. Required contribution and investment revenue:				
Earned	$ 320,678	$ 343,470	$ 392,778	$ 430,247
Ceded (a)	—	—	—	—
Net earned	320,678	343,470	392,778	430,247
2. Unallocated expenses	17,738	22,748	25,422	26,650
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	290,557	327,154	386,227	419,841
Ceded (a)	—	—	—	—
Net incurred	290,557	327,154	386,227	419,841
4. Net paid (cumulative) as of:				
End of policy year	291,711	329,099	379,376	417,869
One year later	N/A	N/A	N/A	N/A
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
5. Reestimated ceded claims and expenses (a)	—	—	—	—
6. Reestimated incurred claims and expenses:				
End of policy year	290,557	327,154	386,227	419,841
One year later	290,557	327,154	386,227	419,841
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	—	—	—	—

The Commonwealth, through its Department of Human Resource Management, provides health care insurance for local governmental units, which went into effect in fiscal year 1987. Some prior year numbers have been revised to reflect the incorporation of newly available and revised source data.

See Notes on page 246 in this section.

2018	2019	2020	2021	2022	2023
$ 464,631	$ 481,856	$ 494,233	$ 484,726	$ 464,496	$ 523,929
—	—	—	—	—	—
464,631	481,856	494,233	484,726	464,496	523,929
27,590	26,334	27,540	27,096	24,833	27,922
433,437	446,606	395,950	445,600	457,136	496,694
—	—	—	—	—	—
433,437	446,606	395,950	445,600	457,136	496,694
421,802	443,931	398,497	451,451	447,914	493,877
N/A	N/A	N/A	N/A	N/A	
N/A	N/A	N/A	N/A		
N/A	N/A	N/A			
N/A	N/A				
N/A					
—	—	—	—	—	—
433,437	446,606	395,950	445,600	457,136	496,694
433,437	446,606	395,950	445,600	N/A	
N/A	N/A	N/A	N/A		
N/A	N/A	N/A			
N/A	N/A				
N/A					
—	—	—	—	—	—

Claims Development Information – Line of Duty

(Dollars in Thousands)

Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	**2014**	**2015**	**2016**	**2017**
1. Required contribution and investment revenue:				
Earned	N/A	N/A	N/A	N/A
Ceded (a)	N/A	N/A	N/A	N/A
Net earned	N/A	N/A	N/A	N/A
2. Unallocated expenses	N/A	N/A	N/A	N/A
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	N/A	N/A	N/A	N/A
Ceded (a)	N/A	N/A	N/A	N/A
Net incurred	N/A	N/A	N/A	N/A
4. Net paid (cumulative) as of:				
End of policy year	N/A	N/A	N/A	N/A
One year later	N/A	N/A	N/A	N/A
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
5. Reestimated ceded claims and expenses (a)	—	—	—	—
6. Reestimated incurred claims and expenses:				
End of policy year	N/A	N/A	N/A	N/A
One year later	N/A	N/A	N/A	N/A
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	—	—	—	—

The Commonwealth, through its Department of Human Resource Management, provides disability, death, and health benefits to eligible employees and their eligible family members. The Commonwealth began administering the insurance program for localities that do not participate in the State plan effective with fiscal year 2018.

See Notes on page 246 in this section.

2018	2019	2020	2021	2022	2023
$ 19,910	$ 17,790	$ 17,245	$ 18,941	$ 18,830	$ 21,683
—	—	—	—	—	—
19,910	17,790	17,245	18,941	18,830	21,683
832	594	679	718	759	912
17,210	16,786	15,715	18,699	16,496	22,249
—	—	—	—	—	—
17,210	16,786	15,715	18,699	16,496	22,249
14,779	17,302	15,737	18,376	16,672	22,467
N/A	N/A	N/A	N/A	N/A	
N/A	N/A	N/A	N/A		
N/A	N/A	N/A			
N/A	N/A				
N/A					
—	—	—	—	—	—
17,210	16,786	15,715	18,699	16,496	22,249
17,210	16,786	15,715	18,699	N/A	
N/A	N/A	N/A	N/A		
N/A	N/A	N/A			
N/A	N/A				
N/A					
—	—	—	—	—	—

Notes for Claims Development Information Tables

The tables on the previous pages illustrate how the Risk Management, Health Care, and Line of Duty Claims Funds earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the funds as of the end of each of the past several years. The rows of the tables are defined as follows:

1. This line shows the total of each fiscal year’s gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

2. This line shows each fiscal year's other operating costs of the funds, including overhead and claims expense not allocable to individual claims.

3. This line shows the funds’ gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.

5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.

6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)

7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

Notes:

(a) During fiscal year 1997, the Commonwealth implemented GASB Statement No. 30, *Risk Financing Omnibus*. The Commonwealth has no reinsurers; therefore, the ceded amounts on lines 1, 3, and 5 are zero.

APPENDIX E

LITERARY FUND

This page intentionally left blank.

APPENDIX E

LITERARY FUND

General

The Literary Fund is a permanent and perpetual school fund created in 1810 and established by the Constitution of Virginia as a depository for moneys derived by the Commonwealth from criminal fines and forfeitures, escheated property and income from the investment of moneys on deposit in the Literary Fund. The moneys therein are held by the State Treasurer and administered by the State Board of Education "for public school purposes, including the teachers retirement fund."

Article VIII, Section 8 of the Constitution of Virginia, as amended, provides:

> The General Assembly shall set apart as a permanent and perpetual school fund the present Literary Fund; the proceeds of all public lands donated by Congress for free public school purposes, of all escheated property, of all waste and unappropriated lands, of all property accruing to the Commonwealth by forfeiture except as hereinafter provided, of all fines collected for offenses committed against the Commonwealth, and of the annual interest on the Literary Fund; and such other sums as the General Assembly may appropriate. But so long as the principal of the Fund totals as much as eighty million dollars, the General Assembly may set aside all or any part of additional moneys received into its principal for public school purposes, including the teachers retirement fund.
>
> The General Assembly may provide by general law an exception from this section for the proceeds from the sale of all property seized and forfeited to the Commonwealth for a violation of the criminal laws of this Commonwealth proscribing the manufacture, sale or distribution of a controlled substance or marijuana. Such proceeds shall be paid into the state treasury and shall be distributed by law for the purpose of promoting law enforcement.
>
> The Literary Fund shall be held and administered by the Board of Education in such manner as may be provided by law. The General Assembly may authorize the Board of Education to borrow other funds against assets of the Literary Fund as collateral, such borrowing not to involve the full faith and credit of the Commonwealth.
>
> The principal of the Fund shall include assets of the Fund in other funds or authorities which are repayable to the Fund.

Literary Fund Loans

Pursuant to Chapter 10, Title 22.1, Code of Virginia, 1950, as amended, the Board of Education is empowered to make Literary Fund loans to local school jurisdictions for the construction, renovation and expansion of school buildings. When construction or renovation is completed or the amount of the loan commitment is reached, the local school jurisdictions issue "Literary Fund Obligations". The annual income on the Literary Fund Obligations is available for all purposes of the Literary Fund.

Income

In fiscal year 2024, the Literary Fund had gross receipts of approximately $306 million and disbursements of approximately $77 million. In fiscal year 2023, the Literary Fund had gross receipts of approximately $312 million and disbursements of approximately $115 million. In fiscal year 2022, the Literary Fund had gross receipts of approximately $292 million and disbursements of approximately $81 million. In fiscal year 2021, the Literary Fund had gross receipts of approximately $158 million and disbursements of approximately $230 million. In fiscal year 2020, the Literary Fund had gross receipts of approximately $249 million and disbursements of approximately $213 million.

Appropriations from the Literary Fund

By the terms of the constitutional provision creating the Literary Fund, the General Assembly may appropriate Literary Fund moneys for "public school purposes, including the teacher retirement fund". Although, prior to 1990, Literary Fund moneys had been used primarily to make Literary Fund loans, the General Assembly has since appropriated a substantial portion of moneys from the Literary Fund to supplement appropriations from the Commonwealth's General Fund for teacher retirement benefits and for other educational related purposes. The 2021 Appropriation Act provided appropriations of $162.0 million and $83.0 million for fiscal years 2021 and 2022, respectively, for teacher retirement and the Commonwealth’s share of local school boards’ Social Security costs. In addition, the 2023 Appropriation Act does not provide appropriations for teacher retirement and the Commonwealth’s share of local school boards’ Social Security costs from the Literary Fund in fiscal years 2023 and 2024, while it does direct a transfer of $50.0 million from the Literary Fund into the School Construction Fund for competitive grants to fund school construction, expansion, or modernization of public school buildings. The 2024 Appropriation Act does not provide appropriations for the Commonwealth’s share of local school boards’ Social Security costs from the Literary Fund in fiscal years 2025 and 2026, while it does provide the appropriation of $150.0 million for fiscal year 2026, for teacher retirement.

In May 2020, the Authority issued $62.5 million School Technology and Security Notes, Series VIII. In May 2021, the Authority issued $60.5 million School Educational Technology Notes, Series IX. In May 2022, the Authority issued $63.7 million School Educational Technology Notes, Series X. In May 2023, the Authority issued $63.6 million School Educational Technology Notes, Series XI. In May 2024, the Authority issued $64.5 million School Educational Technology Notes, Series XII. All five series of notes are payable from appropriations from the Literary Fund.

The 2024 Appropriation Act also directs the Authority to issue approximately $56.1 million and $56.2 million of School Educational Technology Notes as well as $12.0 million and $12.0 million of School Security Equipment Notes in the 2025 and 2026 fiscal years, respectively. The 2024 Appropriation Act includes sufficient appropriations from the Literary Fund to pay debt service coming due during the biennium on the Authority’s School Technology and Security Notes Series VIII, IX, X, XI and XII. See “THE AUTHORITY – Other Authority Financings – *School Technology and Security Notes*” in the front portion of this Official Statement.

The following table reflects the financial activity of the Literary Fund for the year ended June 30, 2024.

Literary Fund
Report of Receipts, Disbursements and Changes in Fund Balance (Cash Basis Unaudited)
Years Ended June 30

	2024	2023	2022	2021	2020
Beginning Fund Balance:					
Cash and Investments	$467,361,654	$270,274,088	$59,672,585	$131,386,241	$95,134,055
Temporary Loans Receivable	-	-	-	-	-
Permanent Loans Receivable	45,936,216	50,070,469	65,561,886	86,426,097	98,828,788
Total Beginning Balance	513,297,870	320,344,557	125,234,471	217,812,338	193,962,843
Receipts:					
Revenues:					
Interest on Temporary Loans	8,272	-	-	-	-
Interest on Permanent Loans	1,012,734	1,101,415	1,474,948	1,932,434	2,437,445
Interest on Investments	24,717,452	7,338,685	311,581	1,163,086	2,796,419
Miscellaneous Revenue	-	20.00	-	20.00	40.00
Principal Payments on Perm Loans	3,791,285	4,134,252	15,491,417	20,864,211	19,902,691
Total Revenues	29,529,743	12,574,372	17,277,946	23,959,751	25,136,595
Transfers from VPSA 1987 Reserve	-	-	-	-	-
Transfer Perm. Loans From VPSA	-	-	-	-	-
Transfer from VPSA	-	-	-	-	-
Increase in Temporary Loans Receivable	-	-	-	-	-
Other Transfers In:					
Unclaimed Property Act	200,000,000	240,000,000	220,000,000	85,000,000	165,000,000
VPSA	-	-	-	-	-
Escheats	(300)	(300)	(300)	(400)	51,564
Unclaimed Lottery Prizes	20,491,643	12,643,140	17,166,542	10,323,582	14,054,551
Fines, Fees and Forfeitures (1)	56,267,849	46,431,567	37,270,768	38,667,170	45,008,288
Total Transfers In	276,759,192	299,074,407	274,437,010	133,990,352	224,114,403
Total Receipts	306,288,935	311,648,779	291,714,956	157,950,103	249,250,998
Disbursements:					
Interest Rate Subsidy Program	-	-	-	-	-
Investment Fees	565,505	358,239	107,217	169,838	148,388
Temporary Loan Disbursements	9,817,897	-	-	-	7,500,000
Decrease in Temporary Loans Receivable	-	-	-	-	-
Subtotal	10,383,402	358,239	107,217	169,838	7,648,388
Other Transfers Out:					
Appropriations to Dept. of Education (2)	-	50,000,000	15,900,000	162,000,000	136,349,570
Transfers to the General Fund	-	-	-	-	-
To VPSA; Equipment Issues (3)	66,361,574	64,202,974	65,106,236	67,493,921	69,000,854
To VPSA; Cost of Issuance	-	-	-	-	-
Total Transfers Out	66,361,574	114,202,974	81,006,236	229,493,921	205,350,424
Total Disbursements	76,744,976	114,561,213	81,113,453	229,663,759	212,998,812
Ending Fund Balance:					
Cash and Investments	696,905,613	467,361,654	270,274,088	59,672,585	131,386,241
Temporary Loans Receivable	7,962,427	-	-	-	-
Permanent Loans Receivable	44,000,402	45,936,216	50,070,469	65,561,886	86,426,097
Ending Fund Balance	748,868,442	513,297,870	320,344,557	125,234,471	217,812,338
Less Encumbered Funds (4)	(63,887,573)	-	-	-	(31,967,276)
Less Cash to Cover $80,000,000 (5)	(28,037,171)	(34,063,784)	(29,929,531)	(14,438,114)	-
Available Fund Balance	$ 656,943,698	$ 479,234,086	$ 290,415,026	$ 110,796,357	$ 185,845,062

(1) Includes interest on Unclaimed Property balances and interest on fines, fees and forfeitures.
(2) Represents appropriations for teacher retirement benefits and other educational related purposes.
(3) Represents funds transferred to the Authority to pay debt service and cost of issuance on the Authority's School Educational Technology Notes.
(4) Represents funds restricted for payment to localities for approved Literary Fund Loans and Interest Rate Subsidy Program amounts.
(5) This was added to the schedule in January 2021 to assist in monitoring the amount of cash that needs to be set aside per Constitutional requirements to maintain a balance of $80,000,000 in the Fund. The required asset base is comprised of outstanding loans and cash. When outstanding loans fall below the threshhold, cash must be retained to make up the difference.

This page intentionally left blank.

APPENDIX F

CONTINUING DISCLOSURE UNDERTAKINGS

APPENDIX F
TABLE OF CONTENTS

CONTINUING DISCLOSURE UNDERTAKING OF THE VIRGINIA PUBLIC SCHOOL AUTHORITY PURSUANT TO THE SERIES RESOLUTION ADOPTED SEPTEMBER 12, 2024

The following continuing disclosure undertaking was adopted by the Virginia Public School Authority in its Series Resolution adopted September 12, 2024. Defined terms used in such undertaking as contained in such Series Resolution have been changed to reflect the defined terms used in this Official Statement.

Continuing Disclosure Undertaking

(a) **Purpose**. This continuing disclosure undertaking is being made by the Authority with respect to the School Financing Bonds (1997 Resolution), Series 2024B (the "Bonds") for the benefit of the holders and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). The Authority acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this undertaking.

(b) **Definitions**. In addition to the definitions elsewhere set forth in this Official Statement, the following capitalized terms shall have the following meanings:

"**Annual Report**" means any Annual Report provided by the Authority pursuant to, and as described in, subsections (c) and (d) below.

"**Dissemination Agent**" means the Authority, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by such Authority and which has filed with such Authority a written acceptance of such designation.

"Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule.

"**Fiscal Year**" means the twelve-month period, at the end of which the Authority's financial position and the results of its operations for the preceding twelve months are determined. Currently the Authority's Fiscal Year begins July 1 and continues through June 30 of the next calendar year.

"**[H]older**" means, for purposes of this undertaking, any person who is a record owner or beneficial owner of a Bond.

"**Listed Events**" means any of the events listed in subsection (b)(5)(i)(C) of the Rule which are as follows:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of security holders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Authority;

For the purposes of the event identified in this subsection (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority 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 Authority, 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 Authority;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the 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;

(xiv) appointment of a successor or additional paying agent or the change of name of a paying agent, if material;

(xv) incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

"**MOP**" means (i) a Local Issuer that has outstanding Local School Bonds held to the credit of the General Pledge Fund and the principal, interest and redemption premium components on which are credited to the 1997 Resolution Pledge Account in an aggregate principal amount that exceeds 10% of the aggregate principal amount of the Authority's outstanding Bonds and (ii) the Commonwealth.

"**MSRB**" means the Municipal Securities Rulemaking Board, or any successor thereto or to the functions of the MSRB contemplated by this Undertaking.

"**Participating Underwriter**" means any of the original underwriters of the Authority's Series 2024B Bonds required to comply with the Rule in connection with the offering of such Bonds.

"**Rule**" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"**Undertaking**" means the continuing disclosure undertaking assumed by the Authority in this undertaking.

(c) **Provision of Annual Reports; Audited Financial Statements.**

1. Not later than 10 months after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2024, the Authority shall, or shall cause the Dissemination Agent (if different from the Authority) to, provide to the MSRB, in the electronic format prescribed by the MSRB, an Annual Report which is consistent with the requirements of (d) of this undertaking. 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 (A) may be submitted as a single document or as separate documents comprising a package, (B) may cross-reference other information as provided in (d) of this undertaking, and (C) shall include such financial statements as may be required by the Rule.

2. The annual financial statements of the Authority shall be prepared on the basis of generally accepted accounting principles and will be audited by either the Auditor of Public Accounts or a firm of independent certified public accountants. Copies of the audited annual financial statements, which may be filed separately from the Annual Report, will be filed with the MSRB when they become publicly available.

3. If the Authority fails to provide an Annual Report to the MSRB by the date required in subsection (1) above, or to file its audited annual financial statements when available as described in subsection (2) above, the Authority shall send a notice to the MSRB in substantially the form attached hereto as Schedule 1 in a timely manner.

(d) **Content of Annual Reports.** Each Annual Report required to be filed hereunder shall contain or incorporate by reference, at a minimum, the following information, all with a view toward assisting Participating Underwriters in complying with the Rule.

1. Updated information showing the expected "Income Available to Pay Debt Service" as of the date of issuance of the most recent Series of Bonds issued during the period beginning July 1 and ending on the date of the Annual Report. In the event no Bonds were issued during the aforementioned time period, the updated information shall be as of the end of the preceding Fiscal Year.

2. Updated information showing the names of the Local Issuers and the principal amount of their Local School Bonds held in the General Pledge Fund and the principal, interest and redemption premium of which are credited to the 1997 Resolution Pledge Account and an updated list showing the names of the Local Issuers who are MOPs as of the end of the preceding Fiscal Year, who have ceased to be MOPs during the preceding Fiscal Year and who were MOPs as of the date of issuance of the most recent Series of Bonds issued during the period beginning July 1 and ending on the date of the Annual Report. In the event no Bonds were issued during the aforementioned time period, the updated information shall be as of the end of the preceding Fiscal Year.

3. A summary of receipts and disbursements for the Literary Fund for the preceding Fiscal Year.

4. A summary of information respecting appropriations made by the Virginia General Assembly from the Literary Fund for the current biennium.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Authority, which have been filed with the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so incorporated by reference.

(e) **Reporting of Listed Events.** The Authority will provide in a timely manner, not in excess of ten business days after the occurrence of the event, to the MSRB notice of any of the Listed Events with respect to the Bonds. 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, (ii) the only open issue is which Bonds will be redeemed in the case of a partial redemption, (iii) notice of redemption is given to the Bondholders as required under the terms of the Bond Resolution, and (iv) public notice of the redemption is given pursuant to 1934 Act Release No. 23856 of the SEC, even if the originally scheduled amounts may be reduced by prior optional redemptions or Bond purchases.

(f) **Dissemination Agent.** The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its undertaking 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.

(g) **Amendment.** Notwithstanding any other provision of the Bond Resolution, the Authority may amend its undertaking as set forth in this undertaking 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.

(h) **Additional Information.** Nothing in this undertaking shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this undertaking. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this undertaking, the Authority shall have no obligation under this undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

(i) **Default.** Any person referred to in section (j) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to file its Annual Report or to give notice of a Listed Event. In addition, holders of not less than a majority in aggregate principal amount of the Bonds outstanding may take such actions as may be permitted by law to challenge the adequacy of any information provided pursuant to this Continuing Disclosure undertaking, or to enforce any other obligation of the Authority hereunder. A default under this undertaking shall not be deemed an event of default under the Bond Resolution or the Bonds, and the sole remedy under this undertaking in the event of any failure of the Authority to comply with its undertaking 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.

(j) **Beneficiaries.** This undertaking shall inure solely to the benefit of the Authority, the Participating Underwriters, and holders from time to time of the Authority's Bonds, and shall create no rights in any other person or entity.

(k) **Format of Filings.** Unless otherwise required by the MSRB, all notice, documents and information provided to the MSRB pursuant to this Undertaking shall be provided to the MSRB's Electronic Municipal Market Access (EMMA) system, the current Internet address of which is www.emma.msrb.org. All notices, documents and information provided to the MSRB shall be provided in an electronic format prescribed by the MSRB (currently, portable document format (pdf) which must be word-searchable except for non-textual elements) and shall be accompanied by identifying information as prescribed by the MSRB.

(l) **Obligated Persons.** 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 Bonds, as evidenced by its inclusion in the definition of MOP. In addition, the Authority has established in the definition of a MOP the objective criteria that it will apply consistently, on a continuing basis, in determining whether a particular Local Issuer is an "obligated person", within the meaning of the Rule, that is or may be material to the Bonds. The Authority covenants that it will require each Local Issuer that is or may become a MOP to execute and deliver to the Authority an undertaking by which the Local Issuer will agree that if it becomes a MOP, it will, so long as it remains a MOP, file annually the financial information, operating data, and financial statements, and provide notices of Listed Events with respect to its bonds held in the General Pledge Fund and credited to the 1997 Resolution Pledge Account if material, as required by the Rule.

(m) **Termination.** The obligations of the Authority pursuant to its undertaking with respect to the Bonds shall terminate upon the earlier to occur of the legal defeasance or final retirement of the Bonds.

SCHEDULE 1

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

$__________
VIRGINIA PUBLIC SCHOOL AUTHORITY
SCHOOL FINANCING BONDS
(1997 RESOLUTION)
SERIES 2024B

CUSIP Numbers: (Base CUSIP: 92818H)

(__________)

Dated: ________, 2024

NOTICE IS HEREBY GIVEN that the Virginia Public School Authority (the "Authority") has not provided an Annual Report [Audited Annual Financial Statements] as required by Section 12 of the Series Resolution which was adopted on September 12, 2024, by the Board of Commissioners of the Authority and which authorized the bonds described above. The Authority anticipates that the Annual Report [Audited Annual Financial Statements] will be filed by ____________________.

Dated: ____________________

VIRGINIA PUBLIC SCHOOL AUTHORITY

By ____

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Commonwealth of Virginia (the "Commonwealth") in connection with the issuance by the Virginia Public School Authority (the "Authority") of $__________ aggregate principal amount of its School Financing Bonds (1997 Resolution) Series 2024B (the "Series 2024B Bonds") pursuant to the provisions of a resolution adopted on September 12, 2024 (the "Series Resolution") by the Board of Commissioners of the Authority. Proceeds of the Series 2024B Bonds are being used by the Authority to purchase general obligation bonds issued by local governments for capital school projects. The Authority has advised the Commonwealth that it has determined that the Commonwealth constitutes an "obligated person" within the meaning of the Rule in respect of the Series 2024B 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 of the Bonds and in order to assist the Participating Underwriters in complying with the Rule. The Commonwealth acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Agreement.

SECTION 2. Definitions. In addition to the definitions set forth in the 1997 Resolution, 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 current 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 Series 2024B Bond.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Agreement.

"Participating Underwriter" shall mean any of the original underwriters of the Series 2024B Bonds required to comply with the Rule in connection with the offering of such Series 2024B 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 ended June 30, 2024, the Commonwealth shall, or shall cause the Dissemination Agent (if different from the Commonwealth) to submit to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than 10 days prior to said date, the Commonwealth shall provide the Annual Report to the Dissemination Agent (if applicable). In each case, the Annual Report (i) may be submitted as a single document or as separate documents comprising a package, (ii) may cross-reference other information as provided in Section 4 of this Disclosure Agreement and (iii) shall include such financial statements as may be required by the Rule.

(b) The annual financial statements of the Commonwealth shall be prepared on the basis of generally accepted accounting principles and will be audited. Copies of the audited annual financial statements, which may be filed separately from the Annual Report, will be submitted to EMMA when they become publicly available.

(c) If the Commonwealth fails to submit an Annual Report to EMMA by the date required in subsection (a) hereof, or to submit its audited annual financial statements to EMMA when they become publicly available, the Commonwealth shall send, in a timely manner, an appropriate notice to the MSRB in substantially the form attached hereto as Schedule 1 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 Schedule 2 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 to the Authority and to EMMA in a timely manner, not in excess of ten business days after the occurrence of the event, 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 to the Authority and to EMMA in a timely manner, not in excess of ten business days after the occurrence of the event, 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 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 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 Series 2024B Bonds, and the Authority shall notify the Commonwealth promptly of the occurrence of either such event.

SECTION 11. Dissemination Agent. The Commonwealth may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Commonwealth shall be the Dissemination Agent.

SECTION 12. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the Commonwealth may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws to the effect that such amendment is permitted or required by the Rule.

SECTION 13. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Commonwealth from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notices described in Sections 5 through 9 above, in addition to that which is required by this Disclosure Agreement. If the Commonwealth chooses to include any information in any Annual Report or notice described in Sections 5 through 9 above, in addition to that which is specifically required by this Disclosure Agreement, the Commonwealth shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice.

SECTION 14. Default. Any person referred to in Section 15 (other than the Commonwealth) may take such action as may be permitted by law against the appropriate public official to secure compliance with the obligation of the Commonwealth to file its Annual Report or to give notices as described in Sections 5 through 9 above. In addition, Holders of not less than a majority in aggregate principal amount of the Series 2024B 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 Series 2024B Bonds, and shall create no rights in any other person or entity.

SECTION 16. 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.

SECTION 17. 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.

Date: __________ _____, 2024

COMMONWEALTH OF VIRGINIA

By: ____

AGREED TO AND ACKNOWLEDGED:

VIRGINIA PUBLIC SCHOOL AUTHORITY

By: ____
Authorized Representative

SCHEDULE 1

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

COMMONWEALTH OF VIRGINIA

in connection with
$__________
VIRGINIA PUBLIC SCHOOL AUTHORITY
SCHOOL FINANCING BONDS
(1997 RESOLUTION)
SERIES 2024B

CUSIP Numbers: (Base CUSIP: 92818H)

(__________)

Dated: __________ _____, 2024

NOTICE IS HEREBY GIVEN that the Commonwealth of Virginia (the "Commonwealth") has not provided an Annual Report [Audited Annual Financial Statements] as required by Section 3 of the Continuing Disclosure Agreement, which was entered into in connection with the above-named bonds issued pursuant to that certain Series Resolution adopted on September 12, 2024, by the Board of Commissioners of the Virginia Public School Authority. The Commonwealth anticipates that the Annual Report [Audited Annual Financial Statements] will be filed by ____________________.

Date: _______________

COMMONWEALTH OF VIRGINIA

By: ___________________________________
State Treasurer

SCHEDULE 2

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.

Local Issuer Standard Form[1]

CONTINUING DISCLOSURE AGREEMENT

[This Continuing Disclosure Agreement will impose obligations on the Local Issuer if and only if the Local Issuer is or has become and remains a "Material Obligated Person," as defined below]

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the [County/City/Town of ____________], Virginia (the "Local Issuer") in connection with the issuance by the Virginia Public School Authority (the "Authority") of $[principal amount] aggregate principal amount of its School Financing [and Refunding] Bonds (1997 Resolution) Series [year][letter] (the "Series [year][letter] Bonds") pursuant to the provisions of a bond resolution [(the "1997 Resolution") adopted on October 23, 1997][2], as amended and restated. The Series [year][letter] Bonds and all other parity bonds heretofore and hereafter issued under the 1997 Resolution are collectively called the "Bonds." A portion of the proceeds of the Series [year][letter] Bonds is being used by the Authority to purchase the general obligation school bond (the "Local School Bond") of the Local Issuer pursuant to a bond sale agreement between the Authority and the Local Issuer (the "Bond Sale Agreement"). Pursuant to paragraph 4 of the Bond Sale Agreement, the Local Issuer hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Local Issuer for the benefit of the holders of the Series [year][letter] Bonds and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). The Local Issuer acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Agreement.

SECTION 2. Definitions. In addition to the definitions set forth in the 1997 Resolution, 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 Local Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"bond sale agreement" shall mean the Bond Sale Agreement and any other comparable written commitment of the Local Issuer to sell its Local School Bond to the Authority.

"Dissemination Agent" shall mean the Local Issuer, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by such Local Issuer and which has filed with such Local Issuer a written acceptance of such designation.

"Filing Date" shall have the meaning given to such term in Section 3(a) hereof.

"Fiscal Year" shall mean the twelve-month period at the end of which financial position and results of operations are determined. Currently, the Local Issuer's Fiscal Year begins July 1 and continues through June 30 of the next calendar year.

"holder" shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Series [year][letter] Bond.

"Listed Events" shall mean any of the events listed in subsection (b)(5)(i)(C) of the Rule.

---

[1] This agreement, in substantially this form, has been executed by substantially every Local Issuer with Local School Bonds outstanding and pledged to Bonds issued under the 1997 Resolution.

[2] Alternatively, the agreement may refer to the Authority's 1991 Resolution if the Local School Bonds were acquired with the proceeds of 1991 Resolution bonds and transferred and pledged under the 1997 Resolution in connection with a refunding transaction under the 1997 Resolution.

"local school bonds" shall mean the Local School Bond and any other bonds of the Local Issuer pledged as security for Bonds issued under the Authority's 1997 Resolution.

"Material Obligated Person" (or "MOP") shall mean the Local Issuer if it has local school bonds outstanding in an aggregate principal amount that exceeds 10% of the aggregate principal amount of all outstanding Bonds of the Authority.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Agreement.

"Participating Underwriter" shall mean any of the original underwriters of the Authority's Series [year][letter] Bonds required to comply with the Rule in connection with the offering of such Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) **The Local Issuer shall, or shall cause the Dissemination Agent to, provide the MSRB, in the format prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement**. Such Annual Report shall be filed on a date (the "Filing Date") that is not later than 12 months after the end of any Fiscal Year (commencing with its Fiscal Year ending June 30, [year]) as of the end of which such Local Issuer was a MOP, unless as of the Filing Date the Local Issuer is no longer a MOP.[3] Not later than ten (10) days prior to the Filing Date, the Local Issuer shall provide the Annual Report to the Dissemination Agent (if applicable) and shall provide copies to the Authority. 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 the Local Issuer's audited financial statements prepared in accordance with applicable state law or, if audited financial statements are not available, such unaudited financial statements as may be required by the Rule. In any event, audited financial statements of such Local Issuer must be submitted, if and when available, together with or separately from the Annual Report.

(b) **If the Local Issuer is unable to provide an Annual Report to the MSRB by the date required in subsection (a), the Local Issuer shall send a notice to the MSRB in substantially the form attached hereto as Exhibit A in a timely manner**.

SECTION 4. Content of Annual Reports. Except as otherwise agreed, any Annual Report required to be filed hereunder shall contain or incorporate by reference, at a minimum, annual financial information relating to the Local Issuer, including operating data,

(i) updating such information relating to the Local Issuer as shall have been included or cross-referenced in the final Official Statement of the Authority describing the Authority's Series [year][letter] Bonds or

(ii) if there is no such information described in clause (i), updating such information relating to the Local Issuer as shall have been included or cross-referenced in any comparable disclosure document of the Local Issuer relating to its tax-supported obligations or

(iii) if there is no such information described in clauses (i) or (ii) above, initially setting forth and then updating the information referred to in Exhibit B as it relates to the Local Issuer, all with a view toward assisting Participating Underwriters in complying with the Rule.

[3] The Authority will covenant in the Bond Sale Agreement to advise the Local Issuer within 60 days of the end of each Fiscal Year if such Local Issuer was a Material Obligated Person as of the end of such Fiscal Year. Upon written request, the Authority will also advise the Local Issuer as to its status as a MOP as of any other date.

Any or all of such information may be incorporated by reference from other documents, including official statements of securities issues with respect to which the Local Issuer is an "obligated person" (within the meaning of the Rule), 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 Local Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Listed Events. Whenever the Local Issuer is a Material Obligated Person required to file Annual Reports pursuant to Section 3(a) hereof and obtains knowledge of the occurrence of a Listed Event, such Local Issuer shall file in a timely manner, not in excess of ten business days after the occurrence of the event, a notice of such occurrence with the MSRB with a copy to the Authority.

SECTION 6. Termination of Reporting Obligation. The Local Issuer's obligations under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of the Local School Bond.

SECTION 7. Dissemination Agent. The Local Issuer 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. The Local Issuer shall advise the Authority of any such appointment or discharge. If at any time there is not any other designated Dissemination Agent, the Local Issuer shall be the Dissemination Agent. [The initial Dissemination Agent shall be ____________.]

SECTION 8. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the Local Issuer may amend this Disclosure Agreement, if such amendment has been approved in writing by the Authority and is supported by an opinion of independent counsel, acceptable to the Authority, 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 Local Issuer 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 of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Local Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, such Local Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. Any person referred to in Section 11 (other than the Local Issuer) may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Local Issuer to file its Annual Report or to give notice of a Listed Event. The Authority may, and the holders of not less than a majority in aggregate principal amount of Series [year][letter] Bonds outstanding may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the Local Issuer hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the applicable resolution or bonds of the Local Issuer, and the sole remedy under this Disclosure Agreement in the event of any failure of the Local Issuer 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 Local Issuer, the Participating Underwriters, and holders from time to time of the Authority's Series [year][letter] Bonds, and shall create no rights in any other person or entity.

SECTION 12. Form of Filings. Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB pursuant to this Disclosure Agreement shall be provided to the MSRB's Electronic Municipal Market Access (EMMA) system, the current Internet address of which is www.emma.msrb.org. All notices, documents and information provided to the MSRB shall be provided in an electronic format prescribed by the MSRB (currently, portable document format (pdf) which must be word-searchable except for non-textual elements) and shall be accompanied by identifying information as prescribed by the MSRB. The Local Issuer shall include with each filing made under this Disclosure Agreement the CUSIP identifier related to each of the Series [year][letter] Bonds and all other Bonds that are outstanding at the time of such filing. The Local Issuer may obtain the relevant CUSIP identifiers from the Authority in connection with any filing required under this Disclosure Agreement.

SECTION 13. 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.

Date: ____________

[COUNTY/CITY/TOWN OF _________], VIRGINIA

By: ______________________________________
Name: ______________________________________
Title: ______________________________________

[Signature Page to Continuing Disclosure Agreement]

EXHIBIT A

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

$[Principal Amount]
VIRGINIA PUBLIC SCHOOL AUTHORITY
SCHOOL FINANCING [AND REFUNDING] BONDS (1997 RESOLUTION)
SERIES [Year][Letter]

CUSIP Numbers:
(Base CUSIP: 92818H)
(__________)

Dated: __________ _____, 2024

Name of Local Issuer: [COUNTY/CITY/TOWN OF ______________], VIRGINIA

NOTICE IS HEREBY GIVEN that the [County/City/Town of ________,] Virginia (the "Local Issuer") has not provided an Annual Report as required by Section 3(a) of the Continuing Disclosure Agreement, which was entered into in connection with the above-named bonds issued pursuant to that certain Series Resolution adopted on September 12, 2024, by the Board of Commissioners of the Virginia Public School Authority, the proceeds of which were used to purchase $____________ [General Obligation School Bond], Series 2024__ of the Local Issuer. [The Local Issuer anticipates that the Annual Report will be filed by _____________.] The Local Issuer is a material "obligated person" within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, with respect to the above-named bonds of the Authority.

Dated:_______________

[COUNTY/CITY/TOWN OF _________], VIRGINIA

By: ______________________________________
Name: ______________________________________
Title: ______________________________________

EXHIBIT B

CONTENT OF ANNUAL REPORT

Description of the Local Issuer. A description of the Local Issuer including a summary of its form of government, budgetary processes and its management and officers.

Debt. A description of the terms of the Local Issuer's outstanding tax-supported and other debt including a historical summary of outstanding tax-supported debt; a summary of authorized but unissued tax-supported debt; a summary of legal debt margin; a summary of overlapping debt; and a summary of annual debt service on outstanding tax-supported debt as of the end of the preceding fiscal year. The Annual Report should also include (to the extent not shown in the latest audited financial statements) a description of contingent obligations as well as pension plans administered by the Local Issuer and any unfunded pension liabilities.

Financial Data. Financial information respecting the Local Issuer including a description of revenues and expenditures for its major funds and a summary of its tax policy, structure and collections as of the end of the preceding fiscal year.

Capital Improvement Plan. A summary of the Local Issuer's capital improvement plan.

Demographic, Economic and Supplemental Information. A summary of the Local Issuer's demographic and economic characteristics such as population, income, employment, and public school enrollment and infrastructure data as of the end of the preceding fiscal year. The Annual Report should also include a description of material litigation pending against the Local Issuer.

This page intentionally left blank.

APPENDIX G

PROPOSED FORM OF OPINION OF BOND COUNSEL

This page intentionally left blank.

Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel. It is preliminary and subject to change prior to the delivery of the Series 2024B Bonds.

[Letterhead of McGuireWoods LLP]

__________ _____, 2024

Virginia Public School Authority
Richmond, Virginia 23219

VIRGINIA PUBLIC SCHOOL AUTHORITY
SCHOOL FINANCING BONDS
(1997 RESOLUTION)
SERIES 2024B

Ladies and Gentlemen:

We have served as bond counsel to the Virginia Public School Authority ("VPSA") in connection with the issuance of VPSA's $__________ School Financing Bonds (1997 Resolution), Series 2024B (the "Series 2024B Bonds"). The Series 2024B Bonds have been issued under (i) Chapter 11, Title 22.1, Code of Virginia of 1950, as amended (the "Enabling Act"), (ii) a bond resolution adopted by VPSA's Board of Commissioners on October 23, 1997, as last amended and restated on September 20, 2012, and as previously supplemented (the "Bond Resolution"), and (iii) a series resolution adopted by VPSA's Board of Commissioners on September 12, 2024 (the "Series Resolution" and together with the Bond Resolution, the "Resolution"). We refer you to the Series 2024B Bonds and the Series Resolution for a description of the purposes for which the Series 2024B Bonds are issued, the terms of the Series 2024B Bonds and the security for the Series 2024B Bonds. Unless otherwise defined, each capitalized term used in this opinion letter has the meaning given it in the Resolution.

In connection with our opinions, we have examined the Constitution of Virginia and the applicable laws of both the United States and the Commonwealth of Virginia (the "Commonwealth"), including without limitation the Internal Revenue Code of 1986, as amended (the "Code") and the Enabling Act, and such certified proceedings and other documents of VPSA as we deem necessary to render this opinion letter.

VPSA is issuing the Series 2024B Bonds for the purpose of purchasing certain general obligation school bonds to be issued by certain Virginia localities, as further described in the Resolution (the "2024B Local Issuers").

As to questions of fact material to our opinions we have relied upon and are assuming the accuracy of certifications and representations of VPSA, VPSA officers and other public officials and certain other third parties contained in certificates and other documents delivered at closing, including without limitation, certifications as to the use of proceeds of the Series 2024B Bonds, without undertaking to verify any of them by independent investigation.

We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic, and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to this financing have been duly authorized, executed, and delivered by all parties to them other than VPSA, and we have further assumed the due organization, existence, and powers of all parties other than VPSA.

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

1. VPSA is a public body corporate and an agency and instrumentality of the Commonwealth duly created by and existing pursuant to the Enabling Act.

2. The Resolution has been duly adopted by VPSA.

3. VPSA has the requisite authority and power under the Enabling Act and the Resolution to issue and sell the Series 2024B Bonds and to apply the proceeds from the issuance and sale of the Series 2024B Bonds as set forth in the Series Resolution. All conditions precedent to the issuance of the Series 2024B Bonds as set forth in the Enabling Act and the Resolution have been fulfilled.

4. The Series 2024B Bonds have been duly authorized, executed, and delivered in accordance with the Enabling Act and the Resolution and constitute valid and binding limited obligations of VPSA.

5. The Series 2024B Bonds, the outstanding bonds heretofore issued under the Resolution and any additional series of bonds that may be hereafter issued from time to time under the Resolution, under the conditions, limitations and restrictions set forth in the Resolution, for the purpose of providing funds for the purchase of local school bonds and for the purpose of refunding bonds issued under the provisions of the Resolution or other indebtedness of VPSA, are payable from certain funds of VPSA pledged to their payment, including (i) payments derived from local school bond principal, interest and redemption premium, if any, components ("Components") credited to the Virginia Public School Authority General Pledge Fund 1997 Resolution Account (the "1997 Resolution Pledge Account"), a special account established within the Virginia Public School Authority General Pledge Fund, a special fund established under the Resolution within which certain local school bonds are held (the "General Pledge Fund"), (ii) the proceeds of the sale of any such Components credited to the 1997 Resolution Pledge Account, (iii) payments of monies derived from operation of the "State Aid Intercept Provision" contained in Section 15.2-2659, Code of Virginia 1950, as amended, in the event of default in payment of debt service on local school bonds having Components credited to the 1997 Resolution Pledge Account, and (iv) appropriations by the General Assembly of the Commonwealth to VPSA to make up deficiencies in debt service. The Resolution requires that if a payment default occurs on a local school bond and if VPSA has not received the defaulted payment from the implementation of the State Aid Intercept Provision, VPSA shall file a warrant with the State Treasurer requesting that an amount equal to the deficiency be made available to VPSA from moneys appropriated by the General Assembly. The Resolution requires the Chair to notify the Governor on or before December 1 of each year of his estimate of total debt service during each fiscal year of the biennium on bonds of VPSA issued and projected to be issued under the Resolution. The Enabling Act requires the Governor to include such appropriations for the payment of debt service in his budget submission to the General Assembly each year. The General Assembly has the power, but is not legally obligated, to make appropriations in respect of the payment of such debt service. The Series 2024B Bonds do not constitute a debt of the Commonwealth or pledge of the faith and credit of the Commonwealth, and 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 or the interest on the Series 2024B Bonds.

6. Interest on the Series 2024B Bonds (i) is excludable from gross income for federal income tax purposes under Section 103 of the Code, and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. Interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. We express no opinion regarding other federal tax consequences with respect to the Series 2024B Bonds.

In delivering this opinion letter, we are assuming continuing compliance with the Covenants (as defined below) by VPSA, each of the 2024B Local Issuers, and each of the local school boards associated with the 2024B Local Issuers (the "2024B Local School Boards"), so that interest on the Series 2024B Bonds will remain excludable from gross income for federal income tax purposes under Section 103 of the Code. It should be noted that this firm has served as bond counsel to the County of Frederick, which is a 2024B Local Issuer. VPSA, the 2024B Local Issuers and the 2024B Local School Boards, as applicable, have covenanted in their respective tax agreements to comply with the provisions of the Code applicable to the Series 2024B Bonds including, among other things, requirements as to the use, expenditure and investment of the proceeds thereof, the use of the property financed or refinanced thereby, the source of the payment thereof and the security therefor, the arbitrage yield restrictions and rebate payment obligations imposed by the Code and certain other actions that could cause interest thereon to be includible in gross income of their owners (the "Covenants"). A failure to comply with the Covenants could cause interest on the Series 2024B Bonds to become includible in gross income for federal income tax purposes retroactive to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2024B Bonds from becoming includible in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Series 2024B Bonds.

Certain requirements and procedures contained, incorporated or referred to in the tax agreements of the 2024B Local Issuers or VPSA, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. We express no opinion concerning any effect on the excludability of interest on the Series 2024B Bonds from gross income for federal income tax purposes under Section 103 of the Code of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

7. In accordance with Section 22.1-172 of the Enabling Act, the Series 2024B Bonds, their transfer and the income from them, including any profit made on their sale, are exempt from taxation by the Commonwealth and any municipality, county or other political subdivision thereof. We express no opinion regarding (i) other tax consequences arising with respect to the Series 2024B Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the Series 2024B Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth and its political subdivisions.

The obligations of VPSA under the Series 2024B Bonds and the Resolution and the enforceability thereof are subject to applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws now or hereafter in effect relating to or affecting creditor's rights. The obligations are also subject to the exercise of judicial discretion in accordance with general principles of equity, which may limit the enforcement of certain remedies but which do not affect the validity of such obligation.

Our services as bond counsel have been limited to rendering the foregoing opinions based on our review of such legal proceedings as we deem necessary to opine on the validity of the Series 2024B Bonds, the enforceability of the Resolution and the tax status of the interest on the Series 2024B Bonds. The foregoing opinions are in no respect an opinion as to VPSA's business or financial resources or its ability to provide for the payment of the Series 2024B Bonds or the accuracy or completeness of any information, including VPSA's Preliminary Official Statement dated __________ _____, 2024, and Official Statement dated __________ _____, 2024, that anyone may have relied upon in making the decision to purchase the Series 2024B Bonds.

This opinion letter is given as of the date hereof, and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

This page intentionally left blank.

APPENDIX H

BOOK-ENTRY ONLY SYSTEM

This page intentionally left blank.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC") will act as securities depository for the Series 2024B Bonds. The Series 2024B 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 certificate will be issued for each maturity of the Series 2024B Bonds and will be deposited with DTC.

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

Purchases of Series 2024B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2024B Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations 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 Series 2024B 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 Series 2024B Bonds, except in the event that use of the book-entry system for the Series 2024B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2024B 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 Series 2024B 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 Series 2024B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2024B 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2024B Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2024B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Series 2024B 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 on the 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 nor its nominee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

NEITHER THE AUTHORITY, ANY LOCAL ISSUERS, NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2024B BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2024B BONDS.

So long as Cede & Co. is the registered owner of the Series 2024B Bonds, as nominee of DTC, references in this Official Statement to the Owner or Owners of the Series 2024B Bonds or Owners means Cede & Co. and shall not mean the Beneficial Owners.

The Authority may enter into amendments to its agreement with DTC or any successor depository without the consent of the Beneficial Owners.

NOTICE OF SALE

This page intentionally left blank.

NOTICE OF SALE

$82,560,000*

Virginia Public School Authority

School Financing Bonds (1997 Resolution)
Series 2024B

Electronic Bids, via PARITY Competitive Bidding System ("PARITY") only, for the purchase of all, and not less than all, of its $82,560,000* Virginia Public School Authority (the "Authority") School Financing Bonds (1997 Resolution) Series 2024B (the "Bonds" or "Series 2024B Bonds") will be received until 10:45 a.m., RICHMOND, VIRGINIA TIME, on Wednesday, October 9, 2024 (unless such time or date is changed as described herein), by the Authority.

The Series 2024B Bonds are being sold pursuant to the Preliminary Official Statement.

Preliminary Official Statement

The Authority has authorized the preparation and distribution of a Preliminary Official Statement dated October 2, 2024 (the "Preliminary Official Statement") containing information relating to the Bonds. This Notice of Sale and the Preliminary Official Statement are available on the Internet at https://finpressllc.com.

The Series 2024B Bonds

Authorization and Security

The Bonds are being issued under the Bond Resolution duly adopted by the Authority on October 23, 1997, as amended and restated and supplemented (the "1997 Resolution"), to provide funds for the purchase of general obligation school bonds (the "2024B Local School Bonds") of the Counties of Frederick, Isle of Wight, Louisa and Prince Edward in the Commonwealth of Virginia (the "2024B Local Issuers"). Additional series of bonds may be issued from time to time, under the conditions, limitations and restrictions set forth in the 1997 Resolution, on a parity with the outstanding series of bonds issued under the 1997 Resolution, for the purpose of providing funds for the purchase of general obligation school bonds of cities, counties and towns in the Commonwealth of Virginia (the "Commonwealth") and for the purpose of refunding bonds issued under the provisions of the 1997 Resolution.

Bonds issued under the 1997 Resolution will be secured by principal and interest payments on the local school bonds held by the Authority and pledged to the payment of bonds issued under the 1997 Resolution. The local school bonds are general obligations of the respective local issuers, to the payment of which their full faith and credit and taxing power are irrevocably pledged. The Authority has covenanted in the 1997 Resolution to seek in the Governor's budget submission each year a sum sufficient appropriation of an amount at least equal to scheduled debt service on the bonds issued under the 1997 Resolution during the fiscal years covered by such budget. The

---

* *Preliminary, subject to adjustment as provided herein.*

General Assembly has the power to make future appropriations with respect to the debt service on the bonds, but is under no legal obligation to do so. The bonds will not constitute a debt or a pledge of the faith and credit of the Commonwealth.

Details of Bonds; Book-Entry-Only

The Bonds will be dated the date of delivery. Interest on the Bonds will be payable semiannually on February 1 and August 1, beginning August 1, 2025. The Bonds will be issued as fully registered bonds only in book-entry form payable to a nominee of The Depository Trust Company ("DTC") as securities depository for the Bonds. Reference is made to the Preliminary Official Statement relating to the Bonds for the applicable provisions relating to the transfer of beneficial ownership, manner of redemption, the responsibilities of DTC participants and the right of the Authority to discontinue use of the book-entry-only system.

[Remainder of Page Intentionally Left Blank]

Maturity Schedule

The principal of the Bonds will be due (subject to the right of prior redemption as hereinafter set forth) on the 1st day of August in the following years and in the following amounts, respectively:

Preliminary Maturity Schedule*

Year of Maturity	Principal Amount	Year of Maturity	Principal Amount
2025	$2,210,000	2040	$3,290,000
2026	2,310,000	2041	3,345,000
2027	2,315,000	2042	3,395,000
2028	2,325,000	2043	3,450,000
2029	2,340,000	2044	3,505,000
2030	2,350,000	2045	2,880,000
2031	2,850,000	2046	2,915,000
2032	2,890,000	2047	2,955,000
2033	2,930,000	2048	3,000,000
2034	2,975,000	2049	3,040,000
2035	3,020,000	2050	1,935,000
2036	3,070,000	2051	1,935,000
2037	3,120,000	2052	1,935,000
2038	3,175,000	2053	1,935,000
2039	3,230,000	2054	1,935,000

*Preliminary, subject to adjustment as provided herein.

Revised Maturity Schedule

The aggregate principal amount of the Bonds (the "Preliminary Aggregate Principal Amount") and the annual principal amounts (the "Preliminary Annual Principal Amounts" and, collectively with reference to the Preliminary Aggregate Principal Amount, the "Preliminary Amounts") as set forth above in this Notice of Sale may be revised before the viewing of electronic bids for the purchase of the Bonds. Any such revisions (the "Revised Aggregate Principal Amount," the "Revised Annual Principal Amounts" and the "Revised Amounts") WILL BE GIVEN BY NOTIFICATION PUBLISHED ON TM3 (www.tm3.com) NOT LATER THAN 9:00 A.M. RICHMOND, VIRGINIA TIME, ON ANY ANNOUNCED DATE FOR RECEIPT OF BIDS. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. BIDDERS SHALL SUBMIT BIDS BASED ON THE REVISED AMOUNTS. Prospective bidders may request notification by facsimile transmission of any revisions in Preliminary Amounts by so advising and furnishing their telecopier numbers to Davenport & Company LLC at (804) 697-2915 by 12 Noon, RICHMOND, VIRGINIA TIME, at least one day prior to the date for receipt of bids.

Changes to Revised Maturity Schedule

The Authority further reserves the right to change the Revised Aggregate Principal Amount and the Revised Annual Principal Amounts after the determination of the winning bidder, by increasing or decreasing the Revised Aggregate Principal Amount after the determination of the winning bidder, by not more than 25% of such amount for the Bonds. Such changes, if any, will determine the "Final Annual Principal Amounts" and the "Final Aggregate Principal Amount." THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES (AS HEREINAFTER DEFINED) AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL AMOUNTS WITHIN THESE LIMITS. The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the Final Aggregate Principal Amount of the Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and original issue discount/premium, if any, but will not change the selling compensation per $1,000 of par amount of Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the Initial Reoffering Prices. The interest rates specified by the successful bidder for the various maturities at the Initial Reoffering Prices will not change. The Authority anticipates that the Final Annual Principal Amounts and the Final Aggregate Principal Amount of the Bonds will be communicated to the successful bidder by 5:00 p.m., Richmond, Virginia time, on the day of the sale.

Term Bond Option

The successful bidder may submit bids that contain one or more term bonds. The successful bidder may designate two or more of the consecutive serial maturities as one, but not more than one, term bond maturity equal in aggregate principal amount, and with amortization requirements corresponding, to such designated serial maturities.

Optional Redemption*

The Bonds which are stated to mature on or after August 1, 2035, may be redeemed prior to their respective maturities, at the option of the Authority, from any moneys that may be made available for such purpose, either in whole or in part, on any date beginning August l, 2034, at a redemption price of par, together with the interest accrued thereon to the date fixed for redemption.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds to be redeemed shall be selected by DTC and its participants by lot so long as a book-entry-only system with DTC is continued. Notice of redemption shall be given by certified or registered mail to DTC or its nominee as the registered owner of the Bonds. Such notice shall be mailed not more than 60 or less than 30 days prior to the date fixed for redemption. The Authority will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee.

---

* *Preliminary, subject to change.*

Electronic Bidding and Bidding Procedures

Registration to Bid

All prospective bidders must be contracted customers of i-Deal LLC's BiDCOMP/Parity Competitive Bidding System ("BiDCOMP/Parity"). If you do not have a contract with BiDCOMP/Parity, call (212) 849-5021 to become a customer. By submitting a bid for the Bonds, a prospective bidder represents and warrants to the Authority that such bidder's bid for the purchase of the Bonds (if a bid is submitted in connection with the sale) is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Bonds. By contracting with Parity a prospective bidder is not obligated to submit a bid in connection with the sale.

IF ANY PROVISIONS OF THIS NOTICE OF SALE SHALL CONFLICT WITH INFORMATION PROVIDED BY BIDCOMP/PARITY AS APPROVED PROVIDER OF ELECTRONIC BIDDING SERVICES, THIS NOTICE OF SALE, AS IT MAY BE AMENDED BY THE AUTHORITY AS DESCRIBED WITHIN, SHALL CONTROL. Further information about BiDCOMP/Parity, including any fee charged, may be obtained from PARITY at (212) 849-5021.

Disclaimer

Each prospective bidder shall be solely responsible to register to bid via BiDCOMP/Parity. Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access BiDCOMP/Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Authority nor BiDCOMP/Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the Authority nor BiDCOMP/Parity shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, BiDCOMP/Parity. The Authority is using BiDCOMP/Parity as a communication mechanism, and not as the Authority's agent, to conduct the electronic bidding for the Bonds. The Authority is not bound by any advice and determination of BiDCOMP/Parity to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the "Bid Specifications" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via BiDCOMP/Parity are the sole responsibility of the bidders, and the Authority is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Bonds, it should telephone BiDCOMP/Parity and notify the Director of Debt Management of the Commonwealth by telephone at (804) 225-2142. After receipt of bids is closed, the Authority through BiDCOMP/Parity will indicate the apparent successful bidder. Such message is a courtesy only for viewers, and does not constitute the award of the Bonds. Each bid will remain subject to review by the Authority to determine its true interest cost rate and compliance with the terms of this Notice of Sale.

Bidding Procedures

Bids must be submitted electronically for the purchase of the Bonds (all or none) by means of the Virginia Public School Authority AON Bid Form (the "Bid Form") via BiDCOMP/Parity. Bids must be communicated electronically to BiDCOMP/Parity by 10:45 a.m., Richmond, Virginia time, on Wednesday, October 9, 2024 unless such time and/or date is changed as described herein (see "Changes to Bid Date, Closing Date"). Prior to that time, a prospective bidder may input and save the proposed terms of its bid in BiDCOMP/Parity. Once the final bid has been saved in BiDCOMP/Parity, the bidder may select the final bid button in BiDCOMP/Parity to submit the bid to BiDCOMP/Parity. Once the bids are communicated electronically via BiDCOMP/Parity to the State Treasurer, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on BiDCOMP/Parity shall constitute the official time.

No bids will be accepted in written form, by facsimile transmission or in any other medium or on any system other than by means of the Bid Form via BiDCOMP/Parity. No bid will be received after the time for receiving such bids specified above.

Bid Specifications

No bid for less than all of the Bonds offered will be entertained. Bidders are requested to name the interest rate or rates in multiples of 1/8 or 1/20 of 1%. Each bidder must specify in its bid the amount and the maturities of the Bonds of each rate, and the Bonds maturing on the same date must bear interest at the same rate. Any number of interest rates may be named, provided that no interest rate may exceed 5.00% or be less than 1.00%. There is a minimum price per maturity of 97.50%. There is a minimum aggregate bid price of 100% of the aggregate principal amount of the Bonds plus accrued interest.

Each bidder is required to transmit electronically by means of the Bid Form via BiDCOMP/Parity an unconditional bid specifying the rate or rates of interest and the price at which the bidder will purchase the Bonds.

Good Faith Deposit

After receipt of the bids is closed and prior to the award, the apparent successful bidder indicated on BiDCOMP/Parity must submit a good faith deposit (the "Deposit") for $825,600 to the Authority by wire transfer. Wire instructions will be provided to the apparent successful bidder in a timely fashion after receipt of the bids is closed and the wire transfer must be submitted to the Authority by the successful bidder not later than 4:00 p.m., Richmond, Virginia time on the date of receipt of bids. The award to the apparent successful bidder is contingent upon receipt of the Deposit and the Bonds will not be awarded to such bidder until the Authority has confirmation of receipt of the Deposit.

Award of the Series 2024B Bonds

Award or rejection of bids will be made by the Authority prior to 5:00 p.m. Richmond, Virginia time on the date of receipt of bids. Upon such notice, such successful bidder shall advise the Authority of the Initial Reoffering Prices and yields to the public of the various maturities of the Bonds as described below. Such information, among other things, will be used by the Authority to calculate the final principal amount of each maturity and the Final Aggregate Principal Amount of the Bonds.

The proceeds of the Deposit will be held as security for the performance of the successful bidder's bid and applied to the purchase price of the Bonds, but in the event the successful bidder shall fail to comply with the terms of its bid, the Deposit will be retained as and for full liquidated damages. No interest will be allowed thereon.

ALL BIDS SHALL REMAIN FIRM UNTIL 5:00 P.M., RICHMOND, VIRGINIA TIME, ON THE DATE OF RECEIPT OF BIDS. An award of the Bonds, if made, will be made by the Authority by 5:00 P.M. Richmond, Virginia time. Unless all bids are rejected, the Bonds will be awarded to the bidder whose bid results in the lowest true interest cost to the Authority, based on the Revised Amounts described above. The true interest cost (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semi-annually, which, when applied against each semi-annual debt service payment (interest, or principal and interest, as due, including any mandatory sinking fund payment) for the Bonds, will equate the sum of such discounted semi-annual payments to the total purchase price (exclusive of accrued interest). The true interest cost shall be calculated from the dated date of the Bonds. In case of a tie, the Authority may select the successful bidder. The Authority reserves the right to waive any irregularities in any bid and to reject any or all bids.

Changes to Bid Date, Closing Date

Amendments to the Notice of Sale

The Authority reserves the right to change the time and/or the date, from time to time, established for the receipt of bids and will undertake to notify registered prospective bidders via notification published on TM3 (www.tm3.com). Prospective bidders may request notification by facsimile transmission of any such changes in the date or time for the receipt of bids by so advising, and furnishing their telecopier numbers to Davenport & Company LLC at (804) 697-2915 by 12 Noon, Richmond, Virginia time, on the day prior to the announced date for receipt of bids.

Any change to the time or date for receipt of bids will be announced via TM3 not later than 9:00 a.m., Richmond, Virginia time, on any announced date for receipt of bids, and an alternative sale date and time will be announced via TM3 by 5:00 p.m., Richmond, Virginia time, the business day prior to such alternative time for receipt of bids.

On any such alternative date and time for receipt of bids, the Authority will accept electronic bids for the purchase of the Bonds, such bids to conform in all respects to the provisions of this Notice of Sale, except for the changes in the date and time for receipt of bids and any other changes announced via TM3 at the time the date and time for receipt of bids are announced.

The Authority may change the scheduled delivery date for the Bonds by notice given in the same manner as that set forth for a change in the date for the receipt of bids.

Other Amendments

The Authority reserves the right to otherwise amend this Notice of Sale. The Authority expects that it would publish notification of any such amendment via TM3 not later than 9:00 a.m. Richmond, Virginia time on any announced date for receipt of bids and would provide notification by facsimile transmission to prospective bidders who have so requested such notification and provided their telecopier numbers to Davenport & Company LLC.

Closing; Miscellaneous

Undertakings of the Successful Bidder

The successful bidder shall make a bona fide public offering of each maturity of the Bonds to the general public and shall, within 30 minutes after being notified that such bidder's bid appears to be the apparent winning bid, subject to verification, advise the Authority of the yields to the public and initial public offering prices of the Bonds (the "Initial Reoffering Prices").

The Bonds will be delivered on or about October 30, 2024* (the "Closing Date") through the facilities of DTC against payment of the purchase price therefor (less the amount of the Deposit) in Federal Reserve funds. The approving opinion of McGuireWoods LLP, Richmond, Virginia, Bond Counsel to the Authority, will be furnished without cost to the successful bidder. There will also be furnished the usual closing papers.

After the award of the Bonds, the Authority will prepare copies of the final Official Statement and will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request; provided, however, that the Authority will not include in the final Official Statement a "NRO" ("not reoffered") designation with respect to any maturity of the Bonds. The successful bidder will be responsible to the Authority in all respects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering. Final Official Statements will be provided to the successful bidder within seven business days after the award of the Bonds in such quantities as may be necessary for the successful bidder's regulatory compliance.

The Authority expects the successful bidder to deliver copies of the final Official Statement to persons to whom such bidder initially sells the Bonds and the Municipal Securities Rulemaking Board (the "MSRB"). The successful bidder will be required to acknowledge receipt of such final Official Statement, to certify that it has made delivery of the final Official Statement to such parties, to acknowledge that the Authority expects the successful bidder to deliver copies of such final Official Statement to persons to whom such bidder initially sells the Bonds and to certify that the Bonds will only be offered pursuant to the final Official Statement and only in states where the offer is legal.

To assist the successful bidder in complying with the requirements of Rule 15c2-12(b)(5) (the "Rule") of the Securities Exchange Act of 1934, as amended, the MSRB will be provided annual information respecting the Authority, any local issuer designated as an obligated person and the Commonwealth, including audited financial statements. In addition, the Authority and any

---

* *Preliminary, subject to change.*

local issuer designated as an obligated person will provide to the MSRB notice of the occurrence of any events described in the Rule and the Commonwealth will provide notice of any change in the ratings of its general obligation bonds.

It is the policy of the Commonwealth pursuant to Executive Order 35 (2019) to ensure that small businesses and businesses owned by women, minorities and service disabled veterans receive every opportunity to compete for the Commonwealth's business. Following award of the Bonds the Authority requires that the winning bidder provide a listing of syndicate members noting any minority, women, service disabled veterans or disadvantaged business enterprises participating in the syndicate.

Issue Price Certificate

The successful bidder shall assist the Authority in establishing the issue price of the Bonds and shall execute and deliver to the Authority on or prior to the Closing Date an "issue price" or similar certificate setting forth the reasonably expected initial offering prices to the public or the actual sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the applicable form attached hereto as Schedule 1, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the Authority and Bond Counsel. All actions to be taken by the Authority under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Authority by the Authority's financial advisor (Davenport & Company LLC) and any notice or report to be provided to the Authority may be provided to the Authority's financial advisor.

If the Authority's financial advisor has certified to the Authority that the competitive sale requirements specified in the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) have been satisfied, the Authority will furnish to the successful bidder on the sale date written notice thereof.

In the event that the competitive sale requirements are not satisfied, the Authority shall so advise the successful bidder in writing on the sale date, and the successful bidder shall be subject to the "hold-the-offering-price rule" for each maturity, unless the successful bidder confirms on the sale date that it has sold at least 10% of a given maturity as described below.

The Authority may determine to treat (i) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The successful bidder shall advise the Authority if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The Authority shall notify the successful bidder, at or before the time of award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the Bonds shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. **Bids will not be subject to cancellation in the event that the Authority determines to apply the hold-the-offering-price rule to any maturity of the Bonds. Bidders should prepare their bids**

on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

By submitting a bid, the successful bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the initial offering price, or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(i) the close of the fifth business day after the sale date; or

(ii) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The successful bidder shall promptly advise the Authority when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth business day after the sale date.

The Authority acknowledges that, in making the representations set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Authority further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that the 10% test has been satisfied as to the Bonds of that maturity and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Bonds are awarded by the Authority to the successful bidder.

CUSIP Numbers

CUSIP numbers will be applied for by the Authority with respect to the Bonds, but the Authority will assume no obligation for the assignment or printing of such numbers on the Bonds or for the correctness of such numbers, and neither the failure to print such numbers on any of the Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery or make payment for the Bonds.

Additional Information

Copies of the Preliminary Official Statement in its entirety, including all appendices, may be obtained from Financial Press, LLC at https://finpressllc.com. Physical copies are available upon request by calling Financial Press, LLC at (804) 928-6366.

VIRGINIA PUBLIC SCHOOL AUTHORITY

By: JOHN R. RILEY, JR., Chair

SCHEDULE 1

Form of Issue Price Certificate

$__________
VIRGINIA PUBLIC SCHOOL AUTHORITY
SCHOOL FINANCING BONDS (1997 RESOLUTION)
SERIES 2024B

The undersigned, on behalf of __________ (the "[Successful Bidder]"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

[Competitive Sale Requirements Met]

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the [Successful Bidder] are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the [Successful Bidder] in formulating its bid to purchase the Bonds. A copy of the pricing wire or other equivalent communication for the Bonds is attached as Schedule B.

(b) The [Successful Bidder] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the [Successful Bidder] constituted a firm offer to purchase the Bonds.

2. Defined Terms.

(a) "*Issuer*" means the Virginia Public School Authority.

(b) "*Maturity"* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) "*Public"* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(d) "*Sale Date"* means the date that the Bonds are awarded by the Issuer to the successful bidder. The Sale Date of the Bonds is [DATE].

(e) "*Underwriter*" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the [Successful Bidder]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the [Tax Certificate] and with respect to compliance with the federal income tax rules affecting the Bonds, and by McGuireWoods LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: ___________________________________
Name: ________________________________

Dated: [ISSUE DATE]

[Competitive Sale Requirements Not Met – General Rule to Apply (to those maturities for which 10% were sold on the sale date) /Hold-The-Offering Price to Apply (to those maturities for which 10% were NOT sold on the sale date]

1. Sale of the Bonds – General Rule Maturities. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. Hold-the-Offering Price Maturities.

(a) The [Successful Bidder] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Notice of Sale and bid award, the [Successful Bidder] has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, the [Successful Bidder] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. Defined Terms.

(a) "*General Rule Maturities*" means those Maturities of the Bonds listed in Schedule A hereto as the "General Rule Maturities."

(b) "*Hold-the-Offering-Price Maturities*" means those Maturities of the Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."

(c) "*Holding Period*" means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date), or (ii) the date on which the [Successful Bidder] has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) "*Issuer*" means the Virginia Public School Authority.

(e) "*Maturity*" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) "*Public*" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(g) "*Sale Date*" means the date that the Bonds are awarded by the Issuer to the successful bidder. The Sale Date of the Bonds is [DATE].

(h) "*Underwriter*" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [Successful Bidder]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the [Tax Certificate] and with respect to compliance with the federal income tax rules affecting the Bonds, and by McGuireWoods LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: ________________________________

Name: ______________________________

Dated: [ISSUE DATE]

SCHEDULE A

EXPECTED OFFERING PRICES OR SALE PRICES OF THE GENERAL RULE MATURITIES AND INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION