Index to the Notes to the Financial Statements

June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Reporting Entity

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

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

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

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

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

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

Virginia Alcoholic Beverage Control Authority (nonmajor enterprise fund) – The Authority was created as an independent political subdivision of the Commonwealth, exclusive of the legislative, executive, or judicial branches of

state government. A government instrumentality, the Authority controls the possession, sale, transportation, distribution, and delivery of alcoholic beverages in the Commonwealth. The Governor appoints the 5-member board, and the primary government is able to impose its will on the Authority. Additionally, the Commonwealth receives all net profits. The administrative offices of the Authority are located at 7450 Freight Way, Mechanicsville, VA 23116. The Auditor of Public Accounts audits the Authority and a separate report is issued.

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

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

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

Discretely presented component units are:

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

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

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

The Authority issued bonds through the Virginia Green Communities Program (VGCP), which uses the Commonwealth's allocation of Qualified Energy Conservation Bonds to provide subsidized financing for energy efficiency, renewable energy, alternative fueling, and other qualified conservation purposes. The Authority is a conduit issuer for public borrowers with a third-party funding source providing financing for eligible projects. The terms of the VGCP bonds stipulate that the Authority does not guarantee repayment of principal and interest to the bondholders. The Authority has elected to show these bonds as liabilities and the associated loans from local borrowers as assets in their separately issued financial statements. Accordingly, the associated assets and liabilities are included in the accompanying financial statements.

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

Only the activity of the Authority that relates to the financing of capital projects and equipment purchases by state-supported colleges and universities is included in the accompanying financial statements. The state-supported colleges and universities reported revenue from the Authority of $552.6 million as Program Revenue Capital Grants and Contributions for the 21st Century Program and $77.8 million as Program Revenue Operating Grants and Contributions for equipment. The Authority reported Operating Appropriations from Primary Government of approximately $465.2 million. In addition, the Authority reported approximately $31.5 million in payments from the state-supported colleges and universities for 21st Century and Equipment Program debt service costs and approximately $5.2 million in interest on Build America Bonds.

The Authority assists private institutions of higher education in the financing and refinancing of a broad range of facilities. The Authority is authorized to issue obligations and lend the proceeds to private institutions; however, such financings or refinancings are not obligations of the primary government nor the Authority, but are payable solely from the revenues pledged by the respective private institution. This indebtedness, totaling $525.9 million, is not included in the accompanying financial statements.

Higher Education Institutions (nonmajor) – The Commonwealth's higher education institutions are granted broad corporate powers by state statutes. The Governor appoints the members of each institution's board of trustees. In addition to the annual appropriations to support the institutions' operations, the Commonwealth provides funding for, and construction of, major academic plant facilities for the institutions. Institutions reported Operating Appropriations from Primary Government of approximately $2.1 billion. Therefore, there is a financial benefit/burden to the primary government. The higher education institutions are: the University of Virginia, including the University of Virginia Medical Center and the University of Virginia's College at Wise; Virginia Polytechnic Institute and State University; Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority; the College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science; Virginia Military Institute; Virginia State University; Norfolk State University; University of Mary Washington; James Madison University; Radford University; Old Dominion University; George Mason University; Virginia Community College System; Christopher Newport University; and Longwood University. The Southwest Virginia Higher Education Center, Roanoke Higher Education Authority, Institute for Advanced Learning and Research, Southern Virginia Higher Education Center, and New College Institute are also included as higher education institutions. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. As previously noted, certain foundations are considered component units of the higher education institutions, and are included in the accompanying financial statements as well as the higher education institutions' separately issued financial statements. The Auditor of Public Accounts (APA) does not audit the Roanoke Higher Education Authority, the Institute for Advanced Learning and Research, and the component units of the higher education institutions, including foundations, but relies on the reports issued by other auditors to render her opinion.

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

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

Virginia Innovation Partnership Authority (nonmajor) - The Authority was established as a political subdivision of the Commonwealth

effective July 1, 2020. The Authority provides a collaborative, consistent, and consolidated approach that assists the Commonwealth in identifying its entrepreneurial strengths, including the identification of talents and resources that make Virginia a unique place to grow and attract technology-based business. The Governor and Joint Rules Committee appoint the 11-member board, and the primary government can impose its will on the Authority. The Authority's combined financial statements include the accounts of the Center for Innovative Technology (CIT) and subsidiaries after elimination of all significant intercompany balances and transactions. CIT is a non-stock, not-for-profit corporation, which acts as the operating arm of the Authority. The address for the administrative offices of the Authority is CIT Building, Suite 600, 2214 Rock Hill Road, Herndon, Virginia 20170-4228. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

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

Virginia Outdoors Foundation (nonmajor) – The Foundation was created as a body politic and is administratively assigned to the Department of Conservation and Recreation (part of primary government) and charged with promoting preservation through the acceptance of donated conservation easements and raising funds for the purchase of preservation land. The Governor appoints the 7-member board of trustees, and the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 900 South Main Street, Blacksburg, Virginia 24060. Hicok, Brown & Company CPAs audits the Foundation, and a separate report is issued.

Virginia Port Authority (nonmajor) – The Authority was established as a political subdivision of the Commonwealth of Virginia and operates to serve the citizens and promote commerce through the harbors and ports of Virginia. The Governor appoints a majority of the 13-member board, and the primary government is able to impose its will on the Authority. There is also a financial benefit/burden to the primary government. The administrative offices of the Authority are located at 1431 Terminal Boulevard, Norfolk, Virginia 23505. PBMares, LLP, audits the Authority, and a separate report is issued.

Virginia Passenger Rail Authority (nonmajor) - The Authority was established as a body corporate and political subdivision of the Commonwealth effective July 1, 2020. The Authority is responsible for promoting, sustaining, and expanding the availability of passenger and commuter rail service including the administration of the capital expansion, infrastructure, and land acquisitions related to the Commonwealth's Transforming Rail in Virginia initiative. The Governor appoints the majority of the board, and the primary government is able to impose its will on the Authority. The address for the administrative offices of the Authority is 600 East Main Street, Suite 2125 Richmond, VA 23219. Cherry Bekaert, LLP audits the Authority, and a separate report is issued.

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

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

Tobacco Region Revitalization Commission (nonmajor) – The Commission was created as a body corporate and as a political subdivision of the Commonwealth. The Commission was established to determine the appropriate recipients of the monies in the Tobacco Indemnification and Community Revitalization Fund. This fund provides monies to revitalize tobacco dependent communities. The Governor appoints the majority of the board, and there is a financial benefit/burden to the primary government. The administrative offices are

located at 701 East Franklin Street, Suite 501, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Commission.

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

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

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

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

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

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

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

Virginia Commercial Space Flight Authority (nonmajor) – The Authority is a legally separate political subdivision of the Commonwealth created by the General Assembly to facilitate and coordinate scientific and technological research and development and to promote the industrial and economic development of the Commonwealth. The Governor appoints the 9-member board, and there is a potential financial benefit/burden to the primary government. The Commonwealth plans to transfer 1.0 percent of the Transportation Trust Fund revenue to the

Authority annually. The administrative offices of the Authority are located at 4111 Monarch Way, Suite 303, Norfolk, Virginia 23508. Brown Edwards & Company, LLP, audits the Authority, and a separate report is issued.

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

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

A. L. Philpott Manufacturing Extension Partnership (nonmajor) – The Partnership (operating as GenEdge Alliance) has the mission to foster economic growth by enhancing the competitiveness of Virginia's manufacturers. GenEdge provides manufacturing firms with fee-based technology consulting services, access to business modernization resources, and support for interfirm collaboration. Further, GenEdge provides direct assistance to increase sales, decrease costs, and improve quality, productivity, and competitiveness. GenEdge has a 23-member board of trustees of which 21 are currently serving. The board consists of the presidents of two public four-year institutions of higher education; three community college presidents; one president of a private four-year institution of higher education; the director of Virginia's Center for Innovative Technology; Virginia's Secretary of Commerce and Trade; and 15 citizen members, representing manufacturing industries, appointed by the Governor. There is also a financial benefit/ burden to the primary government. The administrative office is located at 32 Bridge Street South, Suite 200B, Martinsville, Virginia 24112-6216. The Joachim Group CPAs & Consultants, LLC audits GenEdge and a separate report is issued.

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

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

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

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

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

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

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

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

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

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

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

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

C. Government-wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which direct expenses of a specific function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. In addition, to the extent that indirect costs are allocated to the various functions, the program expenses will include both direct and indirect costs. Program revenues include charges to customers who

purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit, as well as investment income generated by operations. Program revenues also include grants, contributions, and investment income that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items properly excluded from program revenues are reported as general revenues.

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

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

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

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

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

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

The primary government reports the following major governmental funds:

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

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

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

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

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

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

Foundations' (component units) financial statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. The financial statements are prepared under FASB rather than GASB standards. In some instances, activities of the foundations (component units) are reported separately within the footnotes because of the different reporting standards. Also, some foundations (component units) have an August 31st, December 31st, or March 31st year-end rather than a fiscal year-end. Foundations (component units) with different year-ends are included in these financial statements for the year ending August 31, 2020, December 31, 2020, or March 31, 2021. Significant intrafund activity/balances between each higher education institution and their foundations have been eliminated.

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

- University of Virginia (nonmajor component unit):
  - institution revenue of $18.0 million
  - foundation assets of $647,478
  - foundation liabilities of $877,181
  - foundation expenses of $31.2 million
- Old Dominion University (nonmajor component unit):
  - institution liabilities of $45.8 million
  - foundation assets of $38.3 million
- Longwood University (nonmajor component unit):
  - foundation assets of $22.7 million
  - institution liabilities of $22.4 million

The primary government reports the following major enterprise funds:

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

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

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

Additionally, the primary government reports the following fund types:

Governmental Fund Types:

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

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

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

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

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

Private Purpose Trust Funds – Account for transactions that benefit individuals, organizations, and other governments; have a trust that meets GASB Statement No. 84,

criteria; and are not required to be reported in another fiduciary fund type. These trusts include those for the Commonwealth-sponsored educational savings plan and other purposes.

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

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

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

E. Budgetary Process

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

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

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

F. Cash, Cash Equivalents, Investments and Derivatives

Cash

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

As of June 30, 2021, the General Fund had a negative cash balance of $13.5 billion. In order to properly reflect the general account position, this negative cash balance has been eliminated in the accompanying statements and offset against the primary government's cash equivalents and investments (see Note 7).

Cash Equivalents

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

Investments

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

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

Virginia529, for its investment portfolio reported as Defined Benefit 529 Program (major enterprise fund) and Defined Contribution 529 Program (private purpose trust fund), and the System, for the System's pooled investments, manage the interest rate risk using the effective duration methodology. To be consistent with management practices for each portfolio, the Commonwealth has elected to disclose the interest rate risk exposures, using the segmented time distribution for the primary government (excluding Defined Benefit 529, Defined Contribution 529, and the System's pooled investments) and the effective duration method for Defined Benefit 529, Defined Contribution 529, and the System's pooled investments. The Commonwealth discloses the component unit's interest rate risk using the segmented time distribution method (see Note 7).

Governmental and proprietary funds, both primary government and component units, report investments in money market and in the Commonwealth sponsored investment pools at amortized cost which approximates fair value. All other investments, including investments in the Commonwealth sponsored Extended Maturity portfolio, are reported at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended by GASB Statement No. 72, *Fair Value Measurement and Application.* GASB Statement No. 72 provides guidance for determining fair value measurements using the level of fair value hierarchy and valuation techniques (see Note 7).

Investments administered by the System are reported at fair value, except for certain cash equivalents and other short-term, highly liquid investments are reported at amortized cost. The cost of investments sold is the average cost of the aggregate holding of the specific investment sold. Investments in affiliated organizations are accounted for on the equity method of accounting and the System's share of their earnings (losses) for the period is included in investment income using the equity method.

Derivatives

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

G. Assets Held Pending Distribution

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

H. Receivables

Receivables in the governmental funds consist primarily of the accrual of taxes, as well as receivables of the primary government's Medicaid program and up-front amounts to be received for a Service Concession Arrangement. Additionally, receivables include amounts to be received for debt service payments related to certain bonds. Receivables in the proprietary funds consist primarily of educational contribution receivables and unemployment compensation. Receivables of fiduciary funds are primarily the accrual of security transactions in the Pension and Other Employee Benefit Trust Funds. Receivables of the component units consist primarily of mortgage receivables, loans receivable, local school bonds receivable, patient receivables, and student receivables. Receivables are recorded net of allowances for doubtful accounts (see Note 8).

I. Contributions Receivable, Net

Contributions Receivable reported by the foundations (component units) represents pledges or unconditional promises to give that have been discounted (see Note 9).

J. Internal Balances

Interfund receivables and payables have been eliminated from the Statement of Net Position, except for the residual amounts due between governmental and business-type activities (see Note 10).

K. Inventory

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

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

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

Commonwealth Transportation Fund (major special revenue) using the FIFO and average cost methodologies and are maintained at either cost or average cost.

In addition to inventories maintained as stated above, the following agencies reported donated inventory balances on hand as of June 30, 2021:

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

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

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

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

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

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

L. Prepaid Items

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

M. Loans Receivable/Payable

Loans Receivable/Payable represents working capital advances between the primary government and component units (see Note 10).

N. Other Assets

Other Assets include those balances of a miscellaneous nature that are not specifically classified elsewhere. Additionally, it includes the Virginia Sickness and Disability Program Net Other Postemployment Benefit Plan Asset applicable to the proprietary funds (see Note 11).

O. Capital Assets

Capital assets of governmental funds are recorded as expenditures at the time of purchase and capitalized in the governmental activities column of the Government-wide Statement of Net Position. Capital assets of the other funds and component units are capitalized in the fund in which they are utilized. All depreciable capital assets are depreciated on the straight-line basis over their useful lives (see Note 13).

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

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

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

The primary government capitalizes construction-in-progress when project expenditures, including construction of intangible assets, exceed $100,000. Interest incurred during construction is not capitalized in governmental funds. Interest incurred during the construction of proprietary fund assets is included in the capitalized value of the asset. The total interest cost incurred during the fiscal year was $2.9 million. None of the interest cost incurred this fiscal year was capitalized.

Expenditures are classified as construction-in-progress if:

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

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

The estimated lives of capital assets are as follows:

	Years
Buildings	10–75
Equipment	2–50
Infrastructure	5–50
Software	5–35

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

P. Deferred Outflows of Resources

Deferred outflows of resources are a consumption of assets by the government that is applicable to a future reporting period. Deferred outflows have a natural debit balance and, therefore increase net position similar to assets (see Notes 14, 15, 16, and 18).

Q. Accounts Payable

Accounts payable represent amounts, including salaries and wages, owed for goods and services received prior to year-end. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, accounts payable also includes payments for nonexchange transactions that met eligibility requirements prior to fiscal year-end (see Note 25).

R. Unearned Revenue

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

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

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

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

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

S. Unearned Taxes

Unearned taxes represent income taxes related to the period January through June 2021. This amount is the estimate to be refunded (overpayments by taxpayers) reduced by the estimate to be received (underpayments from taxpayers) that will be finalized when income tax returns are filed in subsequent years. Individual income tax estimated overpayments total $994.6 million and estimated underpayments total $1.4 billion. When underpayments exceed overpayments, revenue on the fund statements is only recognized to the extent of estimated overpayments. Since underpayments exceed overpayments for the individual income taxes, the unearned tax amount is zero for the fiscal year.

Corporate income tax estimated overpayments total $59.8 million and estimated underpayments total $105.2 million. When underpayments exceed overpayments, revenue on the fund statements is only recognized to the extent of estimated overpayments. Since underpayments exceed overpayments for the corporate income taxes, the unearned tax amount is zero for the fiscal year.

T. Obligations Under Securities Lending Program

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

U. Due to Claimants, Participants, Escrows and Providers

Due to claimants, participants, escrows and providers represent monies that the Commonwealth is holding on behalf of third parties as of June 30, 2021. In governmental funds, the majority of the amount represents unemployment benefit claims and estimated unclaimed and escheat property that the Commonwealth is holding until claimed by the rightful owner.

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

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

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

V. Other Liabilities

Other liabilities represent amounts owed for various governmental and proprietary activities. Some of these amounts will be paid shortly after fiscal year-end (see Note 26).

W. Claims Payable

Claims payable, reported in the proprietary funds of the primary government, represent both health and liability insurance claims payable as of June 30, 2021. This includes both actual claims submitted, as well as actuarially determined claims incurred but not reported. Claims relating to the primary government's liability insurance programs are reported in the Risk Management – internal service fund and the Risk Management – nonmajor enterprise fund. Also, health insurance claims are reported in the Health Care – internal service fund, the Local Choice Health Care – nonmajor enterprise fund and Line of Duty – internal service fund and nonmajor enterprise fund (see Notes 24.A. and 24.B.). Claims payable reported by the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – nonmajor component unit) represents estimated malpractice and workers' compensation claims payable amounts.

X. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. The governmental fund statements reflect the portion of long-term liabilities that will be paid from expendable resources that represent payments to employees for separations that occurred prior to June 30, 2021. The proprietary fund statements and discrete component unit statements reflect total long-term liabilities and distinguish between those portions payable within one year and those payable in future years (see Note 27).

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

Expenditures for principal and interest payments for governmental fund general obligation bonds and revenue bonds are recognized in the Debt Service Fund (nonmajor) when due. In the fund statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures (see Note 27).

Y. Deferred Inflows of Resources

Deferred inflows of resources are an acquisition of assets by the government that is applicable to a future reporting period. Deferred inflows have a natural credit balance and, therefore decrease net position similar to liabilities (see Notes 14, 15, 16, 18, and 38).

Z. Nonspendable Fund Balances

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

AA. Restricted Fund Balances

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

BB. Committed Fund Balances

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

CC. Assigned Fund Balances

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

DD. Unassigned Fund Balances

Unassigned fund balance is the amount of fund balance that has not been assigned to other funds and has not been restricted, committed or assigned to specific purposes within the General Fund (major). The General Fund is the only fund that could potentially report a positive unassigned fund balance amount. Additionally, accrued liabilities exceed accrued assets on the modified accrual basis for the Literary Fund (major special revenue) by $49.6 million. As there are no assigned balances in the fund to offset the negative fund balance restricted for specific purposes, the amount is reported as Unassigned Fund Balance.

EE. Cash Management Improvement Act

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

FF. Investment Income

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

GG. Intrafund Eliminations

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

HH. Interfund Activity

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

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

2. RESTATEMENT OF BEGINNING BALANCES

The beginning balance restatements resulted from the following:

Government-wide Activities

Governmental Activities

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

Fund Statements

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

Component Units

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

Beginning Net Position/Fund Balance Restatement

(Dollars in Thousands)

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

3. NET POSITION/FUND BALANCE CLASSIFICATIONS

Fund Balance

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

Nonspendable fund balance includes inventories, prepaid items, and the principal of a permanent fund. These funds are not available for expenditure in the current or following period.

Restricted fund balance includes amounts that have constraints placed on the use of resources by the Constitution of Virginia or a party external to the Commonwealth.

Committed fund balance includes amounts that must be spent for specific purposes that have been legislatively mandated by the Governor and General Assembly.

Assigned fund balance represents amounts that the Commonwealth has identified for planned purposes but for which the intended use is not legislatively mandated. The assignments are identified by Commonwealth management pursuant to the delegation of authority granted by the General Assembly and Governor specified in the Appropriation Act. The following schedule includes committed and assigned amounts that share the same purpose and title. The distinction between these classifications results from whether there is a statutory restriction on certain amounts contained within the fund.

Unassigned fund balance for the General Fund represents the residual classification. As of June 30, no unassigned fund balance is reported for the General Fund (major). Additionally, a negative amount indicates that restricted and committed amounts exceed the available modified accrual basis fund balance. Unassigned fund balance for the Literary Fund (major) indicates that the amount restricted for specific purposes exceeds the modified accrual basis fund balance available for these specific purposes.

The governmental fund balance classifications and amounts as of June 30, 2021, are shown in the following table.

Governmental Fund Balance Classifications

(Dollars in Thousands)

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

4. DEFICIT FUND BALANCES/NET POSITION

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

The Virginia Lottery (major enterprise fund), Alcoholic Beverage Control, the Department of General Services' Consolidated Laboratory Services Fund, the Department of Environmental Quality's Title V Air Pollution Permit Fund, the Virginia Museum of Fine Arts Gift Shop (nonmajor enterprise funds), the Property Management Fund, the Personnel Management Information System Fund, and the Payroll Service Bureau (internal service funds) ended the year with deficit net positions of $32.7 million, $8.2 million, $3.5 million, $9.0 million, $1.8 million, $15.5 million, $712,866, and $2.1 million, respectively. This was solely attributable to the net pension liability resulting from GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and the other postemployment benefits (OPEB) obligation resulting from GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

The Risk Management Fund (nonmajor enterprise fund) ended the year with a deficit net position balance of $14.2 million. The deficit was a result of previous increases in claims liability for constitutional officers' programs exceeding premiums collected. Further, there are noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Enterprise Application Fund (internal service fund) ended the year with a deficit net position balance of $15.2 million. The deficit was a result of working capital advances for the Human Capital Management replacement project and noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Risk Management Fund (internal service fund) ended the year with a deficit net position balance of $586.7 million. The deficit was the result of the Worker's Compensation Program having estimated claims payable exceeding the available equity in the fund. Claims are paid on a pay-as-you-go basis. To the extent that claims exceed current resources, they will ultimately become a liability of the fund from which the claim originated. Further, there are noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Virginia College Building Authority (major component unit) ended the year with a deficit net position balance of $4.9 billion. This deficit occurs because the Authority issued bonds for the 21st Century College and Equipment programs subject to future appropriations from the General Fund of the Commonwealth without any other security. These future appropriations are not included as assets of the Authority. The General Assembly has never failed to appropriate funds to the Authority for payment of debt service on the Authority's bonds.

Both the Southern Virginia Higher Education Center and Virginia Economic Development Partnership (nonmajor component units) ended the year with a deficit net position balance of $2.4 million. These deficits are solely attributable to net pension liability and other postemployment benefit obligations.

5. REVENUE STABILIZATION FUND

In accordance with Article X, Section 8 of the *Constitution of Virginia*, the amount estimated as required for deposit to the Revenue Stabilization Fund must be appropriated for that purpose by the General Assembly.

Under the provisions of Article X, Section 8 of the *Constitution of Virginia*, a deposit of $1.1 billion is required during fiscal year 2023 based on fiscal year 2021 revenue collections. This required deposit is reported as a restricted component of fund balance.

Section 2.2-1829(b) of the *Code of Virginia* requires an additional deposit into the Fund when specific criteria have been met. No such deposit is required since the specified criteria were not met for fiscal year 2021 when using the original fiscal year 2022 revenue estimate established in Chapter 552. However, in anticipation of a revised fiscal year 2022 revenue estimate that may require an additional deposit, $563.9 million represents the potential deposit based on fiscal year 2021 revenue collections. Due to the uncertainty surrounding this additional deposit, it was given a lower priority than other assignments. Accordingly, only $366.8 million is reported as an assigned component of fund balance since the negative unassigned fund balance resulting from modified accrual activity was offset against assignments pursuant to GASB reporting requirements.

The Revenue Stabilization Fund has principal and interest on deposit of $639.6 million restricted as a part of General Fund balance. Pursuant to the constitutional amendment of Article X, Section 8, effective January 1, 2011, the amount on deposit cannot exceed 15.0 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. As of June 30, 2021, the constitutional maximum is $3.2 billion.

6. REVENUE RESERVE FUND

As of June 30, 2021, the fund has principal and interest on deposit of $855.8 million committed as a part of the General Fund balance. These amounts are set aside to mitigate certain anticipated revenue shortfalls when appropriations based on previous revenue forecasts exceed expected revenues in subsequent forecasts.

Section 2.2-1831.2 and 2.2-1831.3 of the *Code of Virginia* established the Revenue Reserve Fund and specified required deposits to the Fund. Whenever there is a fiscal year in which there is not a mandatory deposit to the

Revenue Stabilization Fund, a deposit is required if the general fund revenue exceeds the official estimate. No deposit is required in the Revenue Reserve Fund since there is a mandatory deposit for the Revenue Stabilization Fund based on fiscal year 2021 revenues. However, Chapter 552 appropriates $650.0 million for a voluntary deposit during fiscal year 2022. This amount is included in the Amount Required by Chapter 552 which is reported as an assigned component of fund balance.

Additionally, any required annual deposit cannot exceed 1.0 percent of the total general fund revenues for the prior fiscal year. The combined balance of the Revenue Reserve Fund and the Revenue Stabilization Fund cannot exceed 15.0 percent of the total Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. As of June 30, 2021, the calculated maximum balance for the Revenue Reserve Fund is $2.5 billion.

7. CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of June 30, 2021, the carrying amount of cash for the primary government (including the Virginia Retirement System Pooled Investments) was $12.9 billion and the bank balance was $738.4 million. The carrying amount of cash for component units was $2.8 billion and the bank balance was $1.4 billion. Cash equivalents are investments with an original maturity of 90 days or less. Cash and cash equivalents for foundations (component units) totaled $1.0 billion as of year-end. A portion of this amount and some balances during the year exceeded Federal Deposit Insurance Corporation (FDIC) insurance coverage. Foundation investments are disclosed in the Interest Rate Risk section of this note. Note 7 includes investment derivatives for the primary government and excludes derivatives for the component units. For additional information concerning derivative instruments, see Note 15.

For purposes of this note, primary government includes governmental, business-type activities, and fiduciary funds. The deposits of the primary government and the component units, excluding foundations (component units), are secured in accordance with the provisions of the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the *Code of Virginia*. The act requires any public depository that receives or holds public deposits to pledge collateral to the Treasury Board to cover public deposits in excess of Federal deposit insurance. The required collateral percentage is determined by the Treasury Board and ranges from 50.0 percent to 100.0 percent for financial institutions choosing the pooled method of collateralization, and from 105.0 percent to 130.0 percent for financial institutions choosing the dedicated method of collateralization. As stated in Note 1.FF, unrealized gains or losses for the State Treasurer's Portfolio are recorded in the General Fund. Public Depositors are required to secure their deposits pursuant to several applicable provisions of the law.

The Local Government Investment Pool Act, Section 2.2-4600 of the *Code of Virginia*, created the Local Government Investment Pool (Pool) program for the benefit of public entities of the Commonwealth. The Treasury Board of Virginia is granted administration of the Local Government Investment Pool (LGIP) and Local Government Investment Pool – Extended Maturity (LGIP EM) on behalf of the participating public entities of the Commonwealth. Participation in this pool is voluntary. Both LGIP and LGIP EM offer two professionally managed investment portfolios in accordance with the Investment of Public Funds Act. The LGIP portfolio is a diversified portfolio structured to provide public entities an investment alternative that seeks to minimize the risk of principal loss while offering daily liquidity, a stable Net Asset Value (NAV), and a competitive rate of return. The LGIP is not registered with the Securities Exchange Commission (SEC) as an investment company. The LGIP EM portfolio is a diversified portfolio with fluctuating NAV structured to provide an investment alternative to public entities who wish to invest monies not needed for daily liquidity. The fair value of the Commonwealth's position in the Pool is the same as the value of the Pool shares for all except for the LGIP EM whose shares fluctuate with changes in the market value of the portfolio.

Certain deposits are held by trustees in accordance with the Trust Subsidiary Act, Section 6.2-1057 of the *Code of Virginia*. The act requires that cash held by trustees while awaiting investment or distribution is not to be used by an affiliate bank of the trustee in the conduct of its business unless the affiliate bank delivers securities to the trust department as collateral that is at least equal to the fair value of the trust funds held on deposit in excess of amounts insured by the FDIC.

The Commonwealth is authorized, in accordance with the guidelines set forth in Section 2.2-4500 et seq. of the *Code of Virginia*, to invest public funds in the following:

- U.S. Treasury and agency securities
- Corporate debt securities
- Asset–backed securities
- Mortgage–backed securities
- Municipal securities
- AAA rated obligations of foreign governments
- Bankers' acceptances and bank notes
- Negotiable certificates of deposit
- Repurchase agreements
- Money market funds

Permitted investments include agency mortgage-backed securities, corporate or private label mortgage-backed securities, and asset-backed securities which by definition usually expose the investor to prepayment risk. Prepayment risk, or the prepayment option granted the borrower, can create uncertainty concerning cash flows, can affect the price of the security causing negative convexity, and can expose the investor to reinvestment risk. Similarly, many agency and corporate securities are callable after some predetermined date at a predetermined price. The call options in regular agency debentures and some corporate securities can be open ended and may significantly impact cash flows, security pricing, and reinvestment risks of these securities.

As of June 30, 2021, the State Treasurer held no security that was in default as to principal or interest and had no securities that were out of compliance with guidelines.

Public funds held by the Commonwealth, public officers, municipal corporations, political subdivisions, and any other public body of the Commonwealth shall be held in trust for the citizens of the Commonwealth. Any investment of such funds shall be made solely in the interest of the citizens of the Commonwealth and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Certain investments held in trust by the State Treasurer in accordance with bond indentures and resolutions may have more restrictive investment policies. Investment policies of component units are established by the entity's governing boards.

The information presented for the external investment pool was obtained from audited financial statements. Copies of the LGIP report may be obtained from the Department of the Treasury website at www.trs.virginia.gov.

The Board of Trustees (the Board) of the Virginia Retirement System (the System) (part of primary government) has full power to invest and reinvest the trust funds in accordance with Section 51.1-124.30 of the *Code of Virginia*, as amended. This section requires the Board to discharge its duties solely in the interests of members, retirees, and beneficiaries. It also requires the Board to invest the assets with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Board must also diversify such investments so as to minimize the risk of large losses, unless under the circumstances, it is clearly prudent not to do so. The Board does not have investment policies that place specific restrictions on investments related to custodial risk, interest rate risk, credit risk, or foreign currency risk. The System's investment portfolio is intended to be managed through diversification and prudent judgment, rather than through specific policy restrictions.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a depository bank failure, the Commonwealth may not be able to recover deposits or collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Commonwealth may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Policies related to custodial credit risk pertaining to the Commonwealth's securities lending program are found in the securities lending section of this note.

As of June 30, 2021, the primary government (excluding the System's pooled investments) had $18.6 million in bank balances that were uninsured and uncollateralized. There is no deposit policy that addresses custodial credit risk.

As of June 30, 2021, investment securities for the System (excluding cash equivalents and repurchase agreements held as securities lending collateral) were registered and held in the name of the System for the benefit of the System's trust and custodial funds and were not exposed to custodial credit risk. It is the standard practice and policy of the System, through the relevant provisions in its contracts and agreements with third parties, to minimize all known and reasonably foreseeable custodial credit risks.

As of June 30, 2021, component units had $111.8 million in bank balances that were uninsured and uncollateralized, and $18.4 million in bank balances that were uninsured and collateralized with securities held by the pledging financial institution. In addition, the Virginia Housing Development Authority (major) and Virginia Port Authority (non-major) held $301.0 million and $289.2 million, respectively, of investments, primarily commercial paper, that were uninsured and held by the counterparty as of June 30, 2021.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. As discussed in Note 1.F., the Commonwealth discloses the risk for its debt investments using the segmented time distribution method for the primary government (excluding the Virginia College Savings Plan's Defined Benefit 529 and Defined Contribution 529 programs and the Virginia Retirement System Pooled Investments) and component units and the effective duration method for Virginia College Savings Plan (Defined Benefit 529 and Defined Contribution 529 programs) and the System (Virginia Retirement System Pooled Investments).

The State Treasurer's guidelines limit the following maximum durations for any single security of the following investment types:

Security Type	Maximum Duration
Corporate Security	15 years
Asset-Backed Securities	5 years
Sovereign Government Obligations (excluding U.S.)	5 years
Negotiable Certificates of Deposit and Negotiable Bank Notes	5 years

The State Treasurer's guidelines further describe target durations for the overall general account portfolio of 1.7 years.

The Virginia College Savings Plan (Virginia529) manages the risk for fixed income investment securities held in its Defined Benefit 529 and Defined Contribution 529 programs using the effective duration methodology. Virginia529's Statements of Investment Policy and Guidelines do not limit investment maturities as a means

of managing its exposure to fair value losses arising from increasing interest rates. Although not an explicit requirement, duration of fixed income portfolios, if applicable, is expected to be within 20.0 percent of each portfolio's designated benchmark.

The System also manages the risk within its portfolio using the effective duration methodology. It is widely used in the management of fixed income portfolios in that it quantifies, to a much greater degree, the risk of interest rate changes. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending on the degree of change in rates and the slope of the yield curve. All of the System's fixed-income portfolios are managed in accordance with the System's investment guidelines, most of which are specific as to the degree of interest rate risk that can be taken.

As of June 30, 2021, the System's investments included $2.7 billion, primarily in corporate bonds and notes, U.S. Treasury and agency securities, supranational and non-U.S. Government bonds and notes, municipal securities, and collateralized mortgage obligations, which are highly sensitive to interest rate fluctuations in that they are subject to early payment in a period of declining interest rates and/or because they have an option adjusted duration of greater than ten years. The resulting reduction in expected total cash flows affects the fair value of these securities.

As of June 30, 2021, the Commonwealth's investments subject to interest rate risk had the following maturities and weighted average effective durations.

Primary Government Investments

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

(Dollars in Thousands)

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

Primary Government - Virginia College Savings Plan Investments

(Dollars in Thousands)

Investment Type	Defined Benefit 529 (Major Enterprise Fund) June 30, 2021	Weighted Avg. Effective Duration (in years)	Defined Contribution 529 (Private Purpose Trust Fund) June 30, 2021	Weighted Avg. Effective Duration (in years)
Debt Securities				
U. S. Treasury and Agency Securities	$ —	—	$ —	—
Corporate Bonds and Notes	564,440	2.4	164,045	4.0
Supranational and Non-U.S. Government Bonds and Notes	6,757	6.8	—	—
Asset Backed Securities	115,828	2.3	—	—
Agency Mortgage Backed Securities	54,516	3.5	—	—
Mutual and Money Market Funds	96,838	<0.1	76,176	<0.1
Guaranteed Investment Contracts	—	—	1,442,102	3.5
Fixed Income and Commingled Funds*	680,664	6.1	1,153,028	7.0
International and Emerging Markets Funds	31,303	6.5	326,285	6.4
Other*	136,144	2.6	—	—
Total	$ 1,686,490	3.9	$ 3,161,636	5.2

*Effective duration is calculated using a methodology that takes into account the duration impact of equity warrants and rate-sensitive instruments.

Primary Government - Virginia Retirement System Pooled Investments
(Dollars in Thousands)

Investment Type	June 30, 2021	Weighted Avg. Effective Duration (in years)
Debt Securities		
U. S. Treasury and Agency Securities	$ 4,297,364	6.2
Corporate Bonds and Notes	10,052,551	4.2
Collateralized Mortgage Obligations	499,877	1.8
Commercial Mortgages	322,068	2.6
Supranational and Non-U.S. Government Bonds and Notes	1,023,571	8.5
Mutual and Money Market Funds	145,172	5.1
Commercial Paper	4,561,731	0.3
Negotiable Certificates of Deposit	1,015,290	0.3
Repurchase Agreements	1,522,899	< 0.1
Municipal Securities	92,392	9.3
Asset Backed Securities	521,859	2.6
Agencies	2,893,335	4.5
Fixed Income and Commingled Funds	1,517,043	6.2
Fixed Income Derivatives	26,972	17.5
Time Deposits	995,075	< 0.1
Other Debt Securities	41,908	0.9
Debt Securities - No Effective Duration		
Corporate Bonds and Notes	28,617	N/A
Collateralized Mortgage Obligations	70,458	N/A
Supranational and Non-U.S. Government Bonds and Notes	711	N/A
Mutual and Money Market Funds	14,706	N/A
Commercial Paper	42,750	N/A
Asset Backed Securities	41,661	N/A
Other Debt Securities	4,869	N/A
Fixed Income Derivatives	1,725	N/A
Total	$ 29,734,604	3.3

Component Unit Investments
(Dollars in Thousands)

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

Foundation Investments
(Dollars in Thousands)

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

Note: Foundations represent FASB reporting entities defined in Note 1.B. A portion of these amounts is reported at cost rather than fair value because fair value was not available or readily determinable.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Treasurer places emphasis on securities of high credit quality and marketability. At the time of purchase, the following limitations are in place:

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

The System's policy for credit risk is based on the concept of a risk budget rather than specific limitations related to the rating of an individual security. The System's risk budget is allocated among the different investment strategies.

Credit risk for derivative instruments held by the Commonwealth results from counterparty risk assumed by the Commonwealth. This is essentially the risk that the borrower will be unable to meet its obligation. Information regarding the Commonwealth's credit risk related to derivatives is found in Note 15.

Policies related to credit risk pertaining to the Commonwealth's securities lending program are found in the Securities Lending section of this note.

The following tables present the credit ratings for the investments of the primary government (excluding the Virginia Retirement System Pooled Investments), the System (Virginia Retirement System Pooled Investments), and component units as of June 30, 2021. The ratings presented are using Moody's, S&P, and Fitch rating scales. They are displayed from short-term to long-term.

Primary Government (Excluding Virginia Retirement System Pooled Investments)

(Dollars in Thousands)

Investment Type (1)	P-1 / A-1 / F1	Percent of Portfolio	P-2 / A-2 / F2	Percent of Portfolio	P-3 / A-3 / F3	Percent of Portfolio	Aaa / AAA
Agency Mortgage Backed Securities	$ —	0.0 %	$ —	0.0 %	$ —	0.0%	$ 2,386
Agency Unsecured Bonds and Notes	1,576,048	4.5 %	—	0.0 %	—	0.0%	10,264
Asset Backed Securities	1,391	0.0 %	—	0.0 %	289	0.0%	314,406
Commercial Paper	7,278,901	20.9 %	—	0.0 %	—	0.0%	—
Corporate Bonds and Notes	110,443	0.3 %	262	0.0 %	621	0.0%	23,248
Fixed Income and Commingled Funds	—	0.0 %	—	0.0 %	—	0.0%	—
Guaranteed Investment Contracts	—	0.0 %	—	0.0 %	—	0.0%	—
International and Emerging Markets Funds	—	0.0 %	—	0.0 %	—	0.0%	—
Municipal Securities	—	0.0 %	—	0.0 %	—	0.0%	2,164
Mutual and Money Market Funds (Includes SNAP)	—	0.0 %	—	0.0 %	—	0.0%	2,700,316
Negotiable Certificates of Deposit	8,919,227	25.5 %	70,021	0.2 %	—	0.0%	—
Other Debt Securities	—	0.0 %	—	0.0 %	—	0.0%	—
Repurchase Agreements	1,725,000	4.9 %	1,187,500	3.4 %	—	0.0%	—
Supranational and Non-U.S. Government Bonds and Notes	1,082,299	3.2 %	—	0.0 %	—	0.0%	335,688
Total	$ 20,693,309	59.3 %	$ 1,257,783	3.6 %	$ 910	0.0%	$ 3,388,472

Primary Government – Virginia Retirement System Pooled Investments

(Dollars in Thousands)

Investment Type (1)	P-1 / A-1 / F1	Percent of Portfolio	P-2 / A-2 / F2	Percent of Portfolio	P-3 / A-3 / F3	Percent of Portfolio	Aaa / AAA
Corporate Bonds and Notes	$ 25,525	0.1%	$ —	0.0%	$ —	0.0%	$ 46,768
Collateralized Mortgage Obligations	—	0.0%	—	0.0%	—	0.0%	188,648
Commercial Mortgages	—	0.0%	—	0.0%	—	0.0%	247,658
Supranational and Non-U.S. Government Bonds and Notes	—	0.0%	—	0.0%	—	0.0%	33,419
Mutual and Money Market Funds	—	0.0%	—	0.0%	—	0.0%	50,000
Commercial Paper	2,605,995	10.9%	1,604,370	6.7%	—	0.0%	—
Negotiable Certificates of Deposit	897,540	3.7%	—	0.0%	—	0.0%	—
Repurchase Agreements	—	0.0%	—	0.0%	—	0.0%	—
Municipal Securities	—	0.0%	—	0.0%	—	0.0%	203
Asset Backed Securities	—	0.0%	—	0.0%	—	0.0%	168,802
Agencies	—	0.0%	—	0.0%	—	0.0%	—
Fixed Income and Commingled Funds	—	0.0%	—	0.0%	—	0.0%	—
Fixed Income Derivatives	—	0.0%	—	0.0%	—	0.0%	—
Other Debt Securities	—	0.0%	—	0.0%	—	0.0%	—
Time Deposits	995,075	4.2%	—	0.0%	—	0.0%	—
Total	$ 4,524,135	18.9%	$ 1,604,370	6.7%	$ —	0.0%	$ 735,498

Component Units

(Dollars in Thousands)

Investment Type (1)	P-1 / A-1 / F1	Percent of Portfolio	P-2 / A-2 / F2	Percent of Portfolio	P-3 / A-3 / F3	Percent of Portfolio	Aaa / AAA
Agency Mortgage Backed Securities	$ —	0.0%	$ —	0.0%	$ —	0.0%	$ 1,152,717
Agency Unsecured Bonds and Notes	—	0.0%	—	0.0%	—	0.0%	194,514
Asset Backed Securities	168	0.0%	874	0.0%	1,150	0.0%	225,459
Commercial Paper	316,979	6.1%	—	0.0%	—	0.0%	—
Corporate Bonds and Notes	—	0.0%	—	0.0%	—	0.0%	20,342
Fixed Income and Commingled Funds	—	0.0%	—	0.0%	—	0.0%	—
Guaranteed Investment Contracts	—	0.0%	—	0.0%	—	0.0%	—
Municipal Securities	—	0.0%	—	0.0%	—	0.0%	25,943
Mutual and Money Market Funds (Includes SNAP)	2,301	0.0%	—	0.0%	—	0.0%	1,230,419
Negotiable Certificates of Deposit	69,965	1.3%	—	0.0%	—	0.0%	—
Other Debt Securities	—	0.0%	—	0.0%	—	0.0%	—
Repurchase Agreements	—	0.0%	—	0.0%	—	0.0%	—
Supranational and Non-U.S. Government Bonds and Notes	—	0.0%	—	0.0%	—	0.0%	—
Total	$ 389,413	7.4%	$ 874	0.0%	$ 1,150	0.0%	$ 2,849,394

(1) Excludes investments of $5.4 billion for primary government (excluding Virginia Retirement System Pooled Investments), $5.8 billion for the System (Virginia Retirement System Pooled Investments), and $1.4 billion for component units because obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government, Guaranteed Investment Contracts, United States Treasury Notes, or Repurchase Agreements which are collateralized by equity securities but not considered obligations of the U.S. Government and money market funds invested in Federated Hermes Government Obligations are not considered to have credit risk.

Amount by Credit Rating - Moody's / S&P / Fitch

Percent of Portfolio	Aa / AA	Percent of Portfolio	A	Percent of Portfolio	Baa / BBB	Percent of Portfolio	Less Than Investment Grade	Percent of Portfolio	Unrated	Percent of Portfolio	Grand Total
0.0 %	$ 725,824	2.1 %	$ 5,484	0.0 %	$ —	0.0 %	$ —	0.0 %	$ 119	0.0 %	$ 733,813
0.0 %	2,726,923	7.8 %	23	0.0 %	3	0.0 %	27	0.0 %	90	0.0 %	4,313,378
0.9 %	8,144	0.0 %	14,911	0.0 %	22,572	0.1 %	11,472	0.0 %	35,350	0.1 %	408,535
0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	7,278,901
0.1 %	203,235	0.6 %	611,581	1.7 %	438,771	1.3 %	691,072	2.0 %	5,430	0.0 %	2,084,663
0.0 %	3,621	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	1,834,476	5.3 %	1,838,097
0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	1,442,102	4.1 %	1,442,102
0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	357,588	1.0 %	357,588
0.0 %	15,738	0.1 %	6,590	0.0 %	—	0.0 %	—	0.0 %	1,619	0.0 %	26,111
7.7 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	75,099	0.2 %	2,775,415
0.0 %	4,060	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	8,993,308
0.0 %	—	0.0 %	12,592	0.0 %	26,184	0.1 %	1,834	0.0 %	95,611	0.3 %	136,221
0.0 %	—	0.0 %	—	0.0 %	224,784	0.6 %	—	0.0 %	—	0.0 %	3,137,284
1.0 %	—	0.0 %	—	0.0 %	—	0.0 %	5,479	0.0 %	1,277	0.0 %	1,424,743
9.7 %	$ 3,687,545	10.6 %	$ 651,181	1.7 %	$ 712,314	2.1 %	$ 709,884	2.0 %	$ 3,848,761	11.0 %	$ 34,950,159

Amount by Credit Rating - Moody's / S&P / Fitch

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

Amount by Credit Rating - Moody's / S&P / Fitch

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

Concentration of Credit Risk

Primary Government

Concentration of credit risk is related to the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The State Treasury and the System have individual investment policies limiting the amounts that may be invested in any single issuer.

It is the State Treasurer's policy that each portfolio will be diversified with no more than 4.0 percent of the value of the fund invested in the securities of any single issuer. This limitation shall not apply to the U.S. Government, or agency thereof, or U.S. Government sponsored corporation securities and fully insured and/or collateralized certificates of deposit. Certain portfolios are limited to amounts less than 4.0 percent of the value of the fund invested in the securities of any single issuer. As of June 30, 2021, more than 5.0 percent of the Commonwealth's governmental fund investments were in the Federal Home Loan Bank, Federal Farm Credit Bank, Federal National Mortgage Association and Export Development Canada. These investments totaled $1.0 billion, $943.0 million, $863.3 million, and $624.1 million, respectively. Since these securities are exempted from the State Treasury investment policies, all investments are compliant with investment policies.

The System's investment guidelines for each specific portfolio also limit investments in any corporate entity to no more than 5.0 percent of the market value of the account for both the internally and externally managed portfolios. The System has no investments in any commercial or industrial organization whose fair value equals 5.0 percent or more of the System's fiduciary net position.

Foreign Currency Risk

Primary Government

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. All primary government investments exposed to foreign currency risk were part of the System, the Virginia College Savings Plan's (Virginia529) Defined Benefit 529 Program (major enterprise fund), and the Unclaimed Property (nonmajor special revenue fund) portfolios as of June 30, 2021. There is no investment policy related to foreign currency risk for the Unclaimed Property portfolio. Virginia529 has direct exposure to foreign currency risk through several investment mandates. Investment managers use currency forward contracts to hedge risks associated with currency fluctuations.

The System's foreign currency risk exposures, or exchange rate risk, primarily exist in the international and global equity investment holdings. The Commonwealth's exposure to foreign currency risk as of June 30, 2021 is highlighted in the following tables.

Component Units

All nonmajor component unit investments exposed to foreign currency risk were part of James Madison University, the Virginia Economic Development Partnership, and the Virginia School for the Deaf and Blind Foundation as of June 30, 2021. None of these entities have investment policies related to foreign currency risk.

Foreign Currency Exposures by Asset Class - Primary Government
(Excluding Virginia Retirement System Pooled Investments)
(Dollars in Thousands)

Currency	Deposits	Common and Preferred Stocks	Fixed Income and Commingled Funds	Equity Index and Pooled Funds	Corporate Bonds	Total
Euro Currency Unit	$ 707	$ 327	$ 12,689	$ 47,268	$ 44,067	$ 105,058
Japanese Yen	259	—	—	27,873	8,063	36,195
Swiss Franc	119	8	—	19,690	—	19,817
Australian Dollar	49	—	687	12,696	1,453	14,885
British Pound Sterling	284	43	7,642	7,374	2,699	18,042
Swedish Krona	58	—	—	13,260	—	13,318
Danish Krone	57	—	—	8,164	—	8,221
Hong Kong Dollar	1,181	5	—	73	1,844	3,103
Israeli Shekel	—	—	—	2,484	—	2,484
US Dollar	—	—	—	1,033	—	1,033
Egyptian Pound	1,863	—	—	—	—	1,863
Singapore Dollar	1	—	—	1,384	—	1,385
Norwegian Krone	1	2	—	704	—	707
Canadian Dollar	—	873	—	—	—	873
New Zealand Dollar	—	—	—	360	—	360
South African Rand	37	—	—	—	—	37
Mexican Peso	36	1	—	—	—	37
Brazil Real	43	—	255	—	—	298
Indonesian Rupiah	—	—	539	—	—	539
Chilean Peso	—	—	528	—	—	528
Total	$ 4,695	$ 1,259	$ 22,340	$ 142,363	$ 58,126	$ 228,783

Foreign Currency Exposures by Asset Class
Primary Government - Virginia Retirement System Pooled Investments
(Dollars in Thousands)

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

Foreign Currency Exposures by Asset Class - Component Units

(Dollars in Thousands)

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

Fair Value Measurements

Primary Government

GASB Statement No. 72, *Fair Value Measurement and Application*, requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The fair value hierarchy is based on the valuation inputs used to measure the fair value of assets.

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs and may include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or model-driven valuations;
- Level 3 inputs are derived using valuation techniques that have significant unobservable inputs.

Investments that do not have a readily determinable fair value are excluded from the fair value hierarchy and instead are valued by using the net asset value (NAV) per share (or its equivalent). In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant in the valuation.

The following tables summarize recurring fair value measurements for the cash equivalents and investments reported by the primary government (excluding Virginia Retirement System Pooled Investments) and the System (Virginia Retirement System Pooled Investments) as of June 30, 2021.

Fair Value Measurements - Primary Government
(Excluding Virginia Retirement System Pooled Investments)
(Dollars in Thousands)

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

(1) Debt securities are classified as follows:
- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using a matrix pricing model and observable prices using dealer quotes for similar securities traded in active markets.

(2) Equity securities are classified as follows:
- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using dealer quotes for similar securities traded in active markets.
- Level 3 - valued using independent appraisals.

(3) Investments reported at fair value established using the NAV were all part of the Virginia College Savings Plan's (Virginia529) Defined Benefit 529 and Defined Contribution 529 programs. The following tables (dollars in thousands) summarizes Defined Benefit 529 and Defined Contribution 529's investments measured at the NAV and related disclosures as of June 30, 2021. Additional information is available in the Virginia529 individually published financial statements, which may be obtained at www.virginia529.com.

Description of Defined Benefit 529 Investments Measured at the NAV:

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

- **Hedge Funds** – This investment type includes one hedge fund. The Blackstone Partners Offshore Fund is a diversified, multi-strategy hedge fund of funds. Underlying investment strategies include a range of asset classes and the funds are not restricted from participating in any market, strategy or investment. The fair value of investments in this type has been determined using the NAV per share of the investments.
- **Equity Real Estate** – This investment type includes two limited partnerships. The UBS Trumbull Property Fund and The Related Real Estate Fund III's investment strategy is to invest primarily through direct equity-owned real estate assets. The funds also have flexibility to invest in joint venture and debt investments. Investments are generally acquired on an all-cash basis, however, debt may be used where these managers determine leverage is prudent and is expected to enhance total return without undue risk. The fair values of investments in this type have been determined using the NAV per share of Virginia529's ownership of the partnerships.
- **Private Debt and Private Equity Funds of Funds** – This investment type includes private equity funds of funds managed by eight managers and three private debt funds. These investments cannot be redeemed from the fund. Capital is generally expected to be called during the initial 4 to 5 years and is expected to be returned through liquidations of underlying fund investments during the 3rd through 15th years. Secondary funds of funds may have an accelerated capital call and return of capital profile. Virginia529 invests in multiple funds with three of its private equity investment managers and is also diversified by vintage year with respect to these investments. The fair values of investments in this type have been determined using the March 31, 2021 NAV of Virginia529's ownership of the partnership.
- **Common Trust Funds & Other** – This investment type includes two common trust funds and one limited partnership. The fair value of investments in this type have been determined using the NAV per share of the investments.

Description of Defined Contribution 529 Investments Measured at the NAV:

Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Common Trust Funds & Other				
Wellington Management Co. LLP	$ 182,952	$ —	Daily	N/A
Equity Real Estate				
UBS Realty Investors	50,761	—	Quarterly	60 Days
Blackstone Property Partners	50,718	—	Quarterly	90 Days
Total Investments Measured at the NAV	$ 284,431			

- **Common Trust Funds & Other:** This investment type includes one common trust fund. The fair value of investments in this type have been determined using NAV per share of the investments. The above table provides information for this investment type by investment manager, fund name and underlying investments.
- **Equity Real Estate** – This investment type includes two limited partnerships. The UBS Trumbull Property Fund's investment strategy is to invest primarily through direct equity-owned real estate assets. The fund also has flexibility to invest in joint venture and debt investments. Investments are generally acquired on an all-cash basis, however, debt may be used where UBS determines leverage is prudent and is expected to enhance total return without undue risk. Blackstone Property Partners is an open ended commingled fund seeking core plus real estate investments in the U.S. and Canada. The fair values of investments in this type have been determined using the NAV per share of Virginia529's ownership of the partnership.

Fair Value Measurements
Primary Government - Virginia Retirement System Pooled Investments
(Dollars in Thousands)

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

(1) Debt securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using a proprietary matrix pricing technique. This pricing technique defines a primary source and secondary sources to be used if the primary pricing source does not provide a value. Typically, these securities are valued using bid evaluations. The valuation techniques may include market participants' assumptions, quoted prices for similar assets, benchmark yield curves, market corroborated inputs, and other data inputs.
- Level 3 - valued using proprietary information.

(2) Equity securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or model-driven valuations in which all significant inputs are observable.
- Level 3 - valued using proprietary information. When observable inputs are not available, this results in using one or more valuation techniques, such as the market approach, the income approach, and/or the cost approach, for which sufficient and reliable data is available. Within this level, the use of the market approach generally consists of using comparable market transactions or other data, while the use of the income approach generally consists of the net present value of estimated future cash flows. The cost approach is often based on the amount that would currently be required to replace an asset with one of comparable utility.

(3) The following table (dollars in thousands) summarizes the System's investments measured at the NAV per share (or its equivalent) and as a practical expedient are not classified in the fair value hierarchy. Cash equivalents and certain other short-term, highly liquid investments that are measured at amortized cost are also not classified in the fair value hierarchy.

Description of Investments Measured at the NAV:

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

- **Equity Long/Short Hedge Funds** – This type included investments in eleven hedge funds as of June 30, 2021, which invest in global long and short equity positions. Management of each hedge fund has the ability to invest from value to growth strategies, from small to large capitalization stocks and may vary net exposure considerably. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments representing approximately 30.0 percent of the value of the investments in this type of fund cannot be redeemed because the investments include restrictions that do not allow redemption in the first 12 to 60 months after acquisition. The remaining restriction period for these investments was within 12 months as of June 30, 2021.

- **Equity Long-Only Hedge Funds** – This type included an investment in four hedge funds as of June 30, 2021, which invest in global long-only equity positions. These hedge funds are generally fully invested and only very occasionally may take short positions for hedging purposes. The fair value of the investment in this type has been determined using the NAV per share of the investments. Investments representing approximately 60.0 percent of the value of the investments in this type of fund cannot be redeemed because the investments include restrictions that do not allow redemption in the first 12 to 60 months after acquisition. The remaining restriction period for these investments was less than 12 months as of June 30, 2021.

- **Credit Hedge Funds** – This type included investments in one hedge fund as of June 30, 2021, which invests in event-driven, distressed and special situation credit opportunities. The fair values of the investments in this type have been determined using the NAV per share of the investments. At June 30, 2021, there were no restrictions preventing the redemption of any of the investments in this category during the next 12 months.

- **Multi-Strategy Hedge Funds** – This type included investments in six hedge funds as of June 30, 2021, which invest in multiple asset classes, combining exposure to balance risks. Such exposure can include traditional and alternative investments. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments representing approximately 30.0 percent of the value of the investments in this type of fund cannot be redeemed because the investments include restrictions that do not allow redemption in the first 12 to 48 months after acquisition. The remaining restriction period for these investments was 1 to 12 months as of June 30, 2021.

- **Credit Strategies Funds** – This type consists of many fund categories, including bank loan and direct lending funds, distressed debt funds, mezzanine debt funds, multi-strategy funds, and opportunistic funds. The fair value of the investments in these funds have been determined using the NAV per share of the investments. The nature of the investments in this type is that distributions are received through the liquidation of the underlying assets in the fund. It is expected that hold periods for the underlying fund assets will range from 3 to 8 years.

- **Private Equity Funds** – This type consists of many fund categories including Venture Capital, Buyout, Subordinated Debt, Growth Capital, Turnaround, Energy and Special Situations. The fair value of the investments in these funds have been determined using the NAV per share of the investments. The nature of the investments involves receiving distributions through liquidation of the underlying fund assets. It is expected that hold periods for the underlying fund assets will range from 3 to 8 years.

- **Equity International Commingled Funds** – This type includes investments in 18 institutional investment funds as of June 30, 2021, which invest in international equities. These funds employ a variety of investment strategies in global developed and emerging markets. The fair values of the investments in these funds have been determined using the NAV per share of the investments. Redemptions can be made from these funds, given the appropriate notice, any regular trading day on the NYSE.

- **Fixed Income Commingled Funds** – This type consists of nine institutional investment funds that invest in U.S. and multi-national fixed income markets. The fair values of the investments in these funds have been determined using the NAV per share of the investments.

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

- **Real Assets** – This type includes investments in many fund categories including Private Investment Real Estate, Private Real Estate Investment Trusts, Infrastructure and Natural Resources. The fair value of the investments in these funds have been determined using the NAV per share of the investments. The nature of the investments in this type is that distributions are received through income as well as the liquidation of the underlying assets in the fund. If these investments were held, it is expected that the underlying assets of the funds would be liquidated over 1 to 14 years.

Component Units

The following table summarizes fair value measurements for the cash equivalents and investments reported by the component units as of June 30, 2021. The table excludes cash equivalents and investments measured at fair value by the foundations that follow FASB standards.

Fair Value Measurements - Component Units
(Dollars in Thousands)

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

(1) Debt securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued based on quoted prices for similar securities in active markets or quoted prices for identical or similar securities in markets that are not active.

(2) Equity securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using significant other observable inputs.
- Level 3 - valued using unobservable inputs and may include assumptions of management.

(3) The following nonmajor component units reported investments at fair value established using the NAV: Old Dominion University, Virginia Commonwealth University (VCU), Virginia Commonwealth University Health System Authority (blended component unit of VCU), College of William and Mary, Virginia Military Institute, Virginia State University, Virginia Biotechnology Research Partnership Authority, Virginia Outdoors Foundation, and Virginia Polytechnic Institute and State University. Additional information is available in the separately issued financial statements.

Securities Lending

The State Treasury's securities lending program is managed by Deutsche Bank AG, New York (Deutsche Bank), under a contract dated March 28, 2014. The enabling legislation for the securities lending program is Section 2.2-4506 of the *Code of Virginia*. No violations of legal or contractual provisions were noted during the year. The general account participated in a securities lending program for the entire fiscal year.

All securities lending loans are on an open-ended or one-day basis and may be terminated by the State Treasury with a 24-hour notice or are term loans with the right of substitution. While all securities may be recalled on a daily basis, securities are often on loan for much longer periods. Generally, cash reinvestments security maturities do not match the maturities of loans. Per the contract with Deutsche Bank, all cash collateral reinvestment securities attributable to loans made on the Commonwealth's behalf shall be maintained by Deutsche Bank, and the State Treasury cannot pledge or sell such collateral absent a default.

The State Treasury's contract with Deutsche Bank provides for loss indemnification against insolvency default with respect to lending transactions and in the case of reverse transactions (Repurchase Agreements) as defined in the applicable Agency Securities Lending and Repurchase Agreement. In March 2018, Deutsche Bank announced it put in place a custom insurance solution written by a (AA-rated by S&P) specialty casualty insurer that backstops Deutsche Bank's indemnification obligation. Additionally, Deutsche Bank AG is liable for any losses experienced from reinvestment of cash collateral in investments not authorized by the provisions of the investment guidelines for the Commonwealth of Virginia agreed upon by both parties and made a part of the Agency Securities Lending and Repurchase Agreement. There were no realized losses resulting from default during this reporting period.

When securities are loaned, the collateral received is at least 100.0 percent of fair value of the securities loaned and must be maintained at 100.0 percent or greater. There are no stated restrictions on the amount of securities that may be loaned, but the basic composition of the general account portfolio effectively restricts the maximum percentage of the portfolio that may be loaned. During the last fiscal year, approximately 10.9 percent of the general account securities were on loan.

During the past year, a combination of U.S. Treasury, agency, agency mortgage and corporate securities have been loaned, with the majority of the loaned securities being U.S. Treasury and agency securities. As of June 30, 2021, all collateral received was in the form of cash.

Securities loaned for the State Treasurer's cash collateral reinvestment pool, which consisted of 96.9 percent general account funds and 3.1 percent Virginia Lottery funds as of June 30, 2021, had a carrying value of $2.06 billion and a fair value of $2.10 billion. The fair value of the collateral received was $2.14 billion providing for coverage of 101.9 percent. At year-end, the State Treasury's securities lending program had no credit risk exposure to borrowers because the amounts it owed the borrowers exceeded the amounts the borrowers owed Treasury's securities lending program. All securities are marked to market daily. The carrying value of the cash collateral reinvestment pool received was $2.14 billion and the cost of the investments purchased with the cash collateral was $2.14 billion. As of June 30, 2021, the State Treasurer's cash collateral reinvestment pool had an unrealized gain of $366,000, and is recorded in the General Fund as stated in Note 1.FF. This amount is included in the total State Treasurer's Portfolio discussed earlier in this note.

Cash collateral reinvestment guidelines were amended effective April 16, 2014. Approved investment instruments include Indemnified Repurchase Agreements marked to market daily and preapproved Government Money Market Funds. Term repurchase agreements are limited to 93 days. As of June 30, 2021, 100.0 percent of cash collateral reinvestments were in indemnified repurchase agreements.

As of June 30, 2021, the cash collateral reinvestment portfolio had a weighted average maturity to reset date of one day. Using the expected maturity date, the weighted average maturity was 40 days and using the final maturity date, which assumes no pay downs on any asset-backed or mortgage-backed securities, the weighted average maturity was 40 days.

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

Under authorization of the Board, the System lends its fixed income and equity securities to various broker-dealers on a temporary basis. This program is administered through an agreement with the System's custodial agent bank. All security loan agreements are collateralized by cash, securities, or an irrevocable letter of credit issued by a major bank, and have a fair value equal to at least 102.0 percent of the fair value for domestic securities and 105.0 percent for international securities. Securities received as collateral cannot be pledged or sold by the System unless the borrower defaults. Contracts require the lending agents to indemnify the System if the borrowers fail to return the securities lent and related distributions and if the collateral is inadequate to replace the securities lent. All securities loans can be terminated on demand by either the System or the borrowers. The majority of loans are open loans, meaning the rebate is set daily. This results in a maturity of one or two days on average, although securities are often on loan for longer periods. The maturity of loans generally does not match the maturity of collateral investments, which averages 31 days. At year-end, the System had no credit risk exposure to borrowers because the amounts it owes the borrowers exceeded the amounts the borrowers owe the System. All securities are marked to market daily and carried at fair value. The fair value of securities on loan as of June 30, 2021, was $7.5 billion. The June 30, 2021, balance was composed of U.S. Government and agency securities of $1.6 billion, corporate and other bonds of $2.2 billion, common and preferred stocks of $3.7 billion and supranational and non-U.S. Government bonds of $45.0 million. The value of collateral (cash and non-cash) as of June 30, 2021, was $7.9 billion.

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

8. RECEIVABLES

The following schedule (dollars in thousands) details the accounts, loans, local school bonds, interest, taxes, educational contributions, security transactions, service concession arrangement upfront payments, and other receivables presented in the major funds, aggregated nonmajor funds by type, internal service funds, fiduciary funds, major component units, and aggregated nonmajor component units, as of June 30, 2021.

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

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

Note (2): The loans receivable in the Commonwealth Transportation Fund (major) includes $194.8 million from the Virginia Transportation Infrastructure Bank as discussed in Note 21.D. In the nonmajor governmental funds, it represents the amounts to be received for current debt service requirements. The amount to be received for long-term debt service requirements of $60.9 million is included in the government-wide statements but excluded from the above amounts.

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

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

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

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

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

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

9. CONTRIBUTIONS RECEIVABLE, NET

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

(Dollars in Thousands)

	Due in Less Than One Year	Due Between One and Five Years	Due in More Than Five Years	Subtotal	Present Value Discount (2)	Allowance for Doubtful Accounts	Contributions Receivable, Net
Discrete Component Units:							
Nonmajor Component Units	$ 216,949	$ 322,070	$ 128,599	$ 667,618	$ (35,561)	$ (29,018)	$ 603,039
Total Component Units	$ 216,949	$ 322,070	$ 128,599	$ 667,618	$ (35,561)	$ (29,018)	$ 603,039

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

Note (2): The discount rate used to determine present value ranges from 0.1 percent to 6.0 percent.

10. INTERFUND AND INTER-ENTITY ASSETS / LIABILITIES

Due from/to Other Funds

Due from Other Funds are amounts to be received from one fund by another fund for goods sold or services rendered. Due to Other Funds are amounts owed by one fund to another fund for goods purchased or services obtained.

The following line items are included in the category "Due from Other Funds":

- Due from Other Funds
- Due from Internal Parties (Governmental Funds and Business-type Activities)
- Due from External Parties (Fiduciary Funds)

The following line items are included in the category "Due to Other Funds":

- Due to Other Funds
- Due to Internal Parties (Governmental Funds and Business-type Activities)
- Due to External Parties (Fiduciary Funds)

The following schedule shows the Due from/to Other Funds as of June 30, 2021.

Schedule of Due from/to Other Funds

June 30, 2021

(Dollars in Thousands)

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

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

(Dollars in Thousands)

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

Interfund Receivables/Payables

Interfund Receivables/Payables are loans made by one fund to another.

The following schedule shows the Interfund Receivables/Payables for the primary government as of June 30, 2021. There were no Interfund Receivables/Payables for the component units as of June 30, 2021.

Interfund Receivables/Payables
June 30, 2021

(Dollars in Thousands)

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

Due from/to Primary Government and Component Units

Included in this category is activity between the Commonwealth and its component units, as well as activity between component units.

A due from primary government amount that is due from the Commonwealth Transportation Fund (major special revenue) to the Virginia Passenger Rail Authority (nonmajor component unit) of $9.8 million is for Commonwealth Rail Funds.

A due from primary government amount that is due from the Federal Trust Fund (major special revenue) to the Virginia College Building Authority (major component unit) of $1.2 million is for interest on Build America Bonds (BABs).

A $27.1 million due from primary government amount that is due from the General Fund (major governmental) to the higher education institutions (nonmajor component units) is for payments awaiting disbursements and appropriations available for capital projects and other programs. The General Fund reports $593,717 in the fund financial statements and an additional $26.5 million in the government-wide financial statements.

A $468,671 due from primary government amount represents an amount due from a nonmajor governmental fund related to the Department of the Treasury's reimbursement programs to George Mason University (nonmajor component unit).

A due from primary government amount that is due from the Virginia Public Building Authority (capital projects fund - nonmajor governmental fund) to the Virginia Port Authority (nonmajor component unit) of $16.0 million represents bond revenue to be used for capital projects.

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

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

A $1.6 million due from component units represents monies owed for administrative and project expenses from the Science Museum of Virginia Foundation (nonmajor component unit) to a nonmajor governmental fund. The entire nonmajor governmental amount is reported in the government-wide financial statements.

The $116.6 million due from component units amount represents amounts due from the Virginia College Building Authority (major component unit) for the Department of the Treasury's reimbursement programs to higher education institutions (nonmajor component units).

Due from/to Component Units and Fiduciary Funds

A $39.2 million due from component units in the Pension and Other Employee Benefit Trust Funds (fiduciary funds) represents amounts due from nonmajor component units.

Loans Receivable/Payable Between Primary Government and Component Units

The $185.5 million in loans receivable from primary government represents loans from the Virginia Public School Authority (VPSA) (major component unit) to the Literary Special Revenue Fund (major governmental fund). The VPSA makes grants to local school divisions to finance the purchase of educational technology and security equipment. The VPSA makes these grants using the proceeds of notes issued for that purpose, which will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Special Revenue Fund (major governmental fund).

11. OTHER ASSETS

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

(Dollars in Thousands)

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

Note (1): Other noncurrent assets in the proprietary funds represent the Virginia Sickness and Disability Program Net OPEB Asset applicable to the respective fund. The proprietary fund amounts are reclassified to Other Restricted Assets in the Government-wide Statement of Net Position.

Note (2): Of the $35,671 (dollars in thousands) shown above, $34,098 (dollars in thousands) and $1,573 (dollars in thousands) represent Technology and Data Services and Virginia Correctional Enterprises, respectively, amounts due from various governmental funds that will not be received within 60 days. These amounts are reclassified to an internal balance on the Government-wide Statement of Net Position.

Note (3): Custodial Funds - Other amount of $2,000 shown above is not included in the Government-wide Statement of Net Position.

Note (4): Other Assets of the Virginia Housing Development Authority are comprised primarily of mortgage servicing rights and other real estate owned.

Note (5): Other Assets of the nonmajor component units are primarily comprised of miscellaneous items spread among the higher education institutions and related foundations as follows:

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

12. RESTRICTED ASSETS

Restricted assets represent monies or other resources that must be used for specific legal or contractual requirements. The governmental funds reported $2.2 billion in restricted cash, cash equivalents, and investments primarily related to bond agreements. Of this amount, $1.7 billion relates to transportation projects, $411.1 million pertains to capital projects, and $43.2 million pertains to debt service requirements. The governmental and business-type activities funds reported other restricted assets of $131.0 million and $5.3 million, respectively, for the Virginia Sickness and Disability Program Net OPEB Asset. See Note 11, Other Assets, for more information related to the Enterprise and Internal Service Funds.

The Virginia Housing Development Authority, the Virginia Public School Authority, and the Virginia College Building Authority (all major component units) reported restricted assets totaling $2.7 billion, $321.9 million, and $409.1 million, respectively. These major component units' assets are restricted for debt service under a bond indenture or other agreement, or for construction and equipment.

The Virginia Resources Authority (major component unit) reported restricted assets of $932.9 million. Of this amount, $925.1 million is restricted for loans to local governments, bond indentures, or federal and state regulations for various revolving funds, and $7.8 million is restricted for the Operating Reserve Fund for the Virginia Pooled Financing Program.

The Virginia Port Authority (nonmajor component unit) reported restricted assets of $131.5 million primarily for debt service under bond agreements, construction and other project funds.

The Tobacco Region Revitalization Commission (nonmajor component unit) reported restricted assets of $184.2 million to be used for financial aid to tobacco growers and to foster community economic growth. This includes Other Restricted Assets of $39,459 for the Virginia Sickness and Disability Program Net OPEB asset.

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

The Virginia Small Business Financing Authority (nonmajor component unit) reported restricted assets of $35.9 million for gifts and grants. This includes Other Restricted Assets of $26,566 for the Virginia Sickness and Disability Program Net OPEB asset.

The higher education institutions (nonmajor component units) reported restricted assets totaling approximately $8.7 billion primarily for endowment and other contractual obligations. Included in this amount is approximately $7.5 billion of foundations' restricted assets. This includes Other Restricted Assets of $83.4 million for the Virginia Sickness and Disability Program Net OPEB asset. The Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of Virginia Commonwealth University–nonmajor component unit) includes $23.5 million for a beneficial trust and $5.8 million for an equity interest in a foundation as Other Restricted Assets. These Authority assets are classified as Level 3 on the fair value hierarchy. For additional information, see the Authority's separately issued financial statements.

The two museum foundations, the Virginia Museum of Fine Arts Foundation (nonmajor component unit) and the Science Museum of Virginia Foundation (nonmajor component unit) had restricted assets of $295.1 million and $27.1 million, respectively, primarily for donor-imposed restricted endowments.

The remaining $9.0 million is spread among the following nonmajor component units: the Virginia Outdoors Foundation, the Danville Science Center, the Fort Monroe Authority, the Virginia Arts Foundation, the Virginia Biotechnology Research Partnership Authority, the Virginia Economic Development Partnership, the Virginia Tourism Authority, the Virginia Foundation for Healthy Youth, and the Library of Virginia Foundation. Included in this amount is approximately $962,796 for the Virginia Sickness and Disability Program Net OPEB asset.

13. CAPITAL ASSETS

The following schedule presents the changes in the Capital Assets as of June 30, 2021 (dollars in thousands).

Schedule of Changes in Capital Assets
Governmental Activities

(Dollars in Thousands)

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

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

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

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

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

(Dollars in Thousands)

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

Schedule of Changes in Capital Assets
Business-type Activities

(Dollars in Thousands)

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

Schedule of Changes in Capital Assets
Component Units

(Dollars in Thousands)

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

Note (1): Foundations represent FASB reporting entities defined in Note 1.B. Since foundations follow FASB rather than GASB reporting requirements, no amounts are reported in the software and other intangible assets categories for foundations.

14. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, requires certain items to be classified as either deferred outflows or deferred inflows of resources. Additionally, deferred outflows or deferred inflows of resources are also required by other GASB statements. While all deferred outflows or deferred inflows of resources applicable to the Commonwealth are listed below, see Notes 15, 16, 18, and 38 for additional information regarding these items.

Deferred Outflows

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

Deferred Inflows

Deferred inflows of resources are an acquisition of assets by the government that is applicable to a future reporting period.

The following tables summarize deferred outflows and deferred inflows of resources as of June 30, 2021.

Government-wide Statements

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

Fund Statements

(Dollars in Thousands)	Primary Government - Governmental Funds					
	General	Commonwealth Transportation	Federal Trust	Literary	Nonmajor Governmental Funds	Total Governmental Funds
Deferred Outflows of Resources						
Nonexchange Transactions Not Meeting Time Requirements	$ 203	$ —	$ —	$ —	$ —	$ 203
Total Deferred Outflows of Resources	$ 203	$ —	$ —	$ —	$ —	$ 203
Deferred Inflows of Resources						
Service Concession Arrangements	$ —	$ 1,690,990	$ —	$ —	$ —	$ 1,690,990
Revenues Considered Unavailable	1,086,815	74,263	288,680	26,625	23,442	1,499,825
Total Deferred Inflows of Resources	$ 1,086,815	$ 1,765,253	$ 288,680	$ 26,625	$ 23,442	$ 3,190,815

Fund Statements

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

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

15. DERIVATIVES

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* requires additional reporting and disclosures for derivative instruments.

Primary Government

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates or financial indexes. They include futures, forwards, options and swap contracts. Some traditional securities, such as structured notes, can have derivative-like characteristics. In this case, the return may be linked to one or more indexes and asset-backed securities, such as collateralized mortgage obligations (CMOs), which are sensitive to changes in interest rates and prepayments. Futures, forwards, options and swaps generally are not recorded on the financial statements, whereas structured notes and asset-backed investments generally are recorded.

Virginia College Savings Plan (Virginia529)

GASB Statement No. 53 defines stable value investment vehicles as synthetic guaranteed investment contracts. Stable value funds are invested in a high quality, diversified, intermediate term, fixed income portfolio that is protected against interest rate volatility by wrap or investment contracts from banks and insurance companies that guarantee the payment of benefits at book value (cost plus accrued interest), which enables the entire investment to be carried at its book value. The Virginia529 utilizes stable value investments in the Defined Contribution 529 Program (Private Purpose Trust Fund). Virginia529's stable value investments meet the definition of fully benefit-responsive synthetic guaranteed investment contracts and are reported at contract value. As of June 30, 2021, Virginia529 had the following stable value investments outstanding (dollars in thousands) in the respective programs as shown in the table below.

Stable Value Investments

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

Pursuant to its investment management agreement, Schroders Investment Management may invest in derivative instruments for hedging and duration management. The portfolio's notional exposure to derivative instruments, as measured on a net market value basis, is limited to 10.0 percent of the market value of the account. U.S. Treasury futures used to hedge duration are excluded from the 10.0 percent limit. At June 30, 2021, the only derivative instruments held in the account were U.S. Treasury futures. The following table contains information relating to fair value, changes in fair value and notional value of these derivative instruments. Credit risk is mitigated with these instruments as they are exchange traded. The following table (dollars in thousands) contains information relating to fair value, changes in fair value, and notional value for U.S. Treasury Futures Contracts.

Investment Derivatives - U.S. Treasury Futures Contracts

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

Pursuant to its investment management agreement, Advent Capital Management, LLC (Advent) may invest in derivatives for hedging purposes or for efficient portfolio management. Synthetic positions are not allowed and the use of derivatives should not be considered as an alpha generator. Advent primarily uses forward foreign exchange contracts to hedge the value of investments denominated in non-U.S. dollar currencies. Similarly, the Loomis, Sayles & Company and Acadian Asset Management accounts are permitted to use these instruments. Credit risk of exchange traded currency contracts lies with the clearinghouse of the exchange at which the contracts are traded, while credit risk of currency contracts traded over the counter lies with the counterparty. Counterparty risk exposure is generally equal to the unrealized gain on in-the-money contracts. The following table (dollars in thousands) contains a breakdown of these forward contracts by currency.

Defined Benefit 529 Program Currency Forwards

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

Pursuant to its investment agreement, PGIM Fixed Income may invest in derivative instruments for hedging, duration and cash management. The portfolio's exposure to derivative instruments, as measured on a net market value basis, is limited to 10.0 percent of the market value of the high-yield account. The Defined Benefit 529 Program's PGIM Fixed Income accounts held credit default swaps at June 30, 2021. The following table (dollars in thousands) contains information relating to fair value, changes in fair value, and notional value for credit default swaps. Credit risk is mitigated with these instruments as they are centrally cleared derivatives.

Investment Derivatives - Credit Default Swaps

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

At June 30, 2021, PGIM Fixed Income also held U.S. Treasury futures, which are permissible to hedge duration and excluded from the 10.0 percent limit. The following table (dollars in thousands) contains information relating to fair value, changes in fair value, and notional value of these derivative instruments. Credit risk is mitigated with these instruments as they are exchange traded.

Investment Derivatives - U.S. Treasury Futures Contracts

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

Pursuant to its investment management agreement, Loomis, Sayles & Company may invest in derivative instruments for hedging and duration management. The portfolio's notional exposure to derivative instruments, as measured on a net market value basis, is limited to 10.0 percent of the market value of the account. The Defined Benefit 529 Program's Loomis, Sayles & Company Multi-Asset Credit Accounts held interest rate swap options at June 30, 2021. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value of these derivative instruments. Credit risk is mitigated with these instruments as they are exchange traded.

Investment Derivatives - Interest Rate Swap Options

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

At June 30, 2021, Loomis, Sayles & Company also held U.S. Treasury futures, which are permissible to hedge duration. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value of these derivative instruments. U.S. Treasury futures used to hedge duration are excluded from the 10.0 percent limit. Credit risk is mitigated with these instruments as they are exchange traded.

Investment Derivatives - U.S. Treasury Futures Contracts

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

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

Virginia Retirement System

All derivatives held by the Virginia Retirement System (the System) are considered investments. The fair value of all derivative financial instruments is reported on a net basis on the Statement of Fiduciary Net Position. The derivative instruments are either subject to an enforceable master netting arrangement or similar agreement. The master netting arrangements allow the System to net applicable liabilities or payment obligations to counterparties to the derivative contracts against amounts owed to the System by the counterparties.

The System holds investments in swaps and futures and enters into forward foreign currency exchange contracts. Swaps, futures and currency forwards contracts provide the System with the opportunity to build passive benchmark positions, manage portfolio duration in relation to various benchmarks, adjust portfolio yield curve exposure and gain market exposure to various indexes in a more efficient way and at lower transaction costs. Derivatives that are exchange-traded are not subject to credit risk, but all over-the-counter derivatives, such as swaps and currency forwards, do expose the System to counterparty credit risk. Counterparty credit risk for the System's investments in derivatives instruments is summarized in the table on page 129. Market risks arise from adverse changes in market prices, interest rates and foreign exchange rates. The System's level of exposure to interest rate risk through derivative instruments and the System's investments in derivative instruments as of June 30, 2021, are summarized in the tables below (dollars in thousands).

Derivative Investments Summary

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

Derivative Instruments Subject to Interest Rate Risk

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

Futures Contracts

Futures contracts are contracts to deliver or receive securities at a specified future date and at a specified price or yield. Futures contracts are traded on organized exchanges (exchange-traded) and require an initial margin (collateral) in the form of cash or marketable securities. The net change in the futures contract value is settled daily, in cash, with the exchanges. The net gains or losses resulting from the daily settlements are included in the Statement of Changes in Fiduciary Net Position. Holders of futures contracts look to the exchange for performance under the contract and not to the entity holding the offsetting futures position. Accordingly, the amount at risk posed by nonperformance of counterparties to futures contracts is minimal. Information on the System's investments in fixed income, commodities, and equity index futures as of June 30, 2021, is shown in the Summary table on the previous page.

Currency Forwards

Currency forwards represent foreign exchange contracts and are used by the System to effect settlements and to protect the base currency ($U.S.) value of portfolio assets denominated in foreign currencies against fluctuations in the exchange rates of those currencies. A forward foreign currency exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated price. The credit risk of currency contracts that are exchange-traded lies with the clearinghouse of the exchange where the contracts are traded. The credit risk of currency contracts traded over the counter lies with the counterparty, and exposure usually is equal to the unrealized profit on in-the-money contracts. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates. The net realized gains or losses arising from the differences between the original values of the foreign currency contracts and the closing values of such contracts are included in the net appreciation/ depreciation in fair value of investments in the Statement of Changes in Fiduciary Net Position. Information on the currency forward contracts as of June 30, 2021, is shown in the following table and in the Summary table on the previous page.

Currency Forwards

as of June 30

(Dollars in Thousands)

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

Swap Agreements

Swaps are negotiated contracts between two counterparties for the exchange of payments at certain intervals over a predetermined timeframe. The payments are based on a notional principal amount and calculated using either fixed or floating interest rates or total returns from certain instruments or indexes. Swaps are used to manage risk and enhance returns. To reduce the risk of counterparty nonperformance, the System generally requires collateral on any material gains from these transactions. During fiscal year 2021, the System had activity in credit default, inflation, interest rate and total return swaps. Gains and losses on swaps are determined based on fair values and are recorded in the Statement of Changes in Fiduciary Net Position. Information on the System's swap balances as of June 30, 2021, is shown in the Summary table on page 126, and the terms, fair values and notional values of the System's investments in swap agreements that are highly sensitive to interest rate changes are disclosed in the following tables (dollars in thousands).

Derivatives Instruments Highly Sensitive to Interest Rate Changes

Investment Type	Reference Rate	Fair Value June 30, 2021	Notional Amount
Interest Rate Swaps	Receive Fixed 2.70%, Pay Variable China Repo Fixing 7-day Rate	$ (54)	$ 16,892
Interest Rate Swaps	Receive Fixed 2.70%, Pay Variable China Repo Fixing 7-day Rate	(54)	16,892
Subtotal Interest Rate Swaps		$ (108)	$ 33,784

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

Derivative Instruments Subject to Counterparty Credit Risk

Counterparty	Percentage of Net Exposure	Moody's Ratings	S&P Ratings	Fitch Ratings
Goldman Sachs International	51.3%	A1	A+	A+
Goldman Sachs Bank USA/New York NY	46.5%	A1	A+	A+
UBS AG/Stamford CT	1.7%	—	A+	—
Morgan Stanley & Co International PLC	0.3%	Aa3	A+	—
BNP Paribas SA	0.2%	Aa3	A+	A+
Total	100.0%			

Derivative instruments are classified as Level 1 and Level 2 in the fair value hierarchy. Derivative instruments classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The derivative instruments in Level 1 consist of futures contracts on commodities, U.S. Treasury bonds and notes, non-U.S. government bonds, and U.S. and non-U.S. equity indexes. Derivative instruments classified as Level 2 are valued using a number of modeling approaches that take into account observable market levels, benchmark rates, and foreign exchange rates.

Additional information is available in the System's separately issued financial statements, which may be obtained from www.varetire.org.

Component Units

Investment Derivative Instruments

The Virginia Housing Development Authority (major component unit) enters into forward sales contracts for the delivery of GNMA and FNMA securities in order to lock in the sales price for the securitization of certain homeownership mortgage loans. The contracts offset changes in interest rates between the time of the loan reservations and the securitization of such loans into GNMA and FNMA securities. These contracts are considered investment derivative instruments, such that their change in fair value is reported as investment derivative gains or losses in the accompanying financial statements. Fair values of the forwards are based on observable market prices for similar instruments traded on the secondary mortgage loan markets. The Authority's portfolio of investment derivatives is classified as Level 2 in the fair value hierarchy. The outstanding forward contracts, summarized by counterparty rating as of June 30, 2021, were as follows:

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

Investment Derivative Instruments – Ineffective Hedges

During fiscal year 2015, the University of Virginia (UVA) (nonmajor) refunded the Series 2003A bonds and the commercial paper associated with the fixed-payer interest rate swaps which terminated hedge accounting. The fixed-payer interest rate swaps were no longer effective hedges. As of June 30, 2021, the negative fair value of the swaps of $39.1 million is included in other liabilities and the change in fair value of positive $12.4 million was reported as investment earnings in the accompanying financial statements. During fiscal year 2015, UVA established two fixed-receiver interest rate swaps with a total notional amount of $128.0 million to provide a hedge against fixed interest rates on Series 2015B bonds. These swaps were reevaluated as of June 30, 2016, and determined to no longer be effective hedges. In conjunction with the General Revenue Pledge and Refunding Bond Series 2020 issued in July 2020 and refunding of the University's Series 2015B, the fixed-receiver interest rate swaps were terminated. As of June 30, 2021, the change in fair value of negative $1.4 million is included in investment earnings in the accompanying financial statements. The derivative instruments are classified as Level 2 of the fair value hierarchy. Additional information regarding the institution's derivative instruments is available at www.virginia.edu.

Hedging Derivative Instruments

As of June 30, 2021, Virginia Commonwealth University Medical Center (VCUMC), which is a division of the Virginia Commonwealth University Health System Authority (a blended component unit of VCU), had two interest rate swap agreements with a notional amount of $113.4 million. The swaps are used as cash flow hedges by VCUMC in order to provide a hedge against changes in interest rates on variable rate Series 2013B bonds. During FY 2021, the Series 2013A Bonds ($57.3 million) were refinanced by the Series 2021A Bonds ($57.3 million). The interest rate swap agreement associated with these bonds was terminated. The notional amount at termination was $57.3 million and the cost of termination of $8.8 million was financed through the Series 2021B Bonds. The Series 2013A and 2013B bonds refunded prior Series 2005 and 2008 bonds that resulted in the termination of the prior hedging relationship between the interest rate swaps and the Series 2005 and 2008 bonds. At the time of the refunding in June 2013, the accumulated change in fair value of the interest rate swaps was negative $42.1 million and was included in the calculation of the deferred loss on refunding. Hedge accounting was reestablished on the new debt. As of June 30, 2021, the negative fair value of VCUMC's remaining two swaps of $37.3 million is included in other liabilities and the cumulative change in fair value of these swaps of $7.0 million is included in deferred outflows of resources in the accompanying financial statements. The derivative instruments are classified as Level 2 of the fair value hierarchy. Upon termination of the interest rate swap agreement in June 2021, the unamortized deferred loss on refunding was expensed. Additional information is available in the separately issued financial statements of the higher education institution.

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

16. RETIREMENT AND PENSION SYSTEMS

A separately issued financial report that includes financial statements and required supplementary information for each of the individual plans discussed below is publicly available. Copies may be obtained from the Virginia Retirement System website at www.varetire.org.

A. Administration

The Virginia Retirement System (the System) is an independent agency of the Commonwealth that administers pension plans, other employee benefit plans, and other funds for Commonwealth employees, teachers, political subdivision employees, and other qualifying employees. The Board of Trustees is responsible for the general administration and operation of the plans. The Board consists of five members appointed by the Governor and four members appointed by the Joint Rules Committee, all subject to confirmation by the General Assembly. The Board of Trustees appoints a director to serve as the chief administrative officer of the System and a chief investment officer to direct, manage, and administer the investment of the System's funds. The Board of Trustees has appointed BNY Mellon as the custodian of designated assets of the System.

The System administers four pension trust funds: the Virginia Retirement System (VRS); State Police Officers' Retirement System (SPORS); Virginia Law Officers' Retirement System (VaLORS); and the Judicial Retirement System (JRS). In addition to the pension plans, the System administers five Other Employee Benefit Plans: Group Life Insurance Fund; Retiree Health Insurance Credit Fund; the Virginia Sickness and Disability Program (VSDP); the Line of Duty Act Trust Fund; and the Virginia Local Disability Program (VLDP).

B. Summary of Significant Accounting Policies (Virginia Retirement System)

Basis of Accounting

The financial statements of the pension and other employee benefit trust funds are prepared using the flow of economic resources measurement focus and the accrual basis of accounting consistent with the plans. Employee and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as earned by the plans. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments

Investments are reported at fair value as determined by the System's master custodian, BNY Mellon, from its Global Pricing System. This pricing system assigns a price source, based on asset type and the vendor pricing products to which the master custodian subscribes, for every security held immediately following its acquisition. Prices supplied by these sources are monitored on a daily basis by the master custodian.

When a pricing source is unable to provide a price, quotes are sought from major investment brokers and market-making dealers; or internal calculations are applied if feasible. As a last resort, the master custodian will contact investment managers for a price. The master custodian prices commingled funds, partnerships, and real estate assets from statements received from the funds, partnerships, or investment managers.

The pricing sources utilized by the master custodian provide daily prices for equity securities, corporate, government and mortgage-backed fixed income securities, private placement securities, futures and options on futures, open-ended funds, and foreign exchange rates. Depending on the vendor, collateralized mortgage obligations (CMOs), adjustable rate mortgages (ARMs) and asset-backed securities are priced daily, weekly or twice a month and at month-end. Municipal fixed income securities and options on Treasury/Government National Mortgage Association securities are priced at month-end.

The System's investment guidelines for each specific portfolio limits investments in any corporate entity to no more than 5.0 percent of the market value of the account for both the internally and externally managed portfolios. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits.

C. Plan Description

The Virginia Retirement System (VRS) is a qualified governmental retirement plan that administers three retirement benefit structures: Plan 1, Plan 2, and Hybrid Plan, for state employees, public school board employees, employees of participating political subdivisions, and other qualifying employees. VRS is a combination of mixed-agent and cost-sharing, multiple-employer retirement plans. Each plan's accumulated assets may legally be used to pay all the plan benefits provided to any of the plan's members, retirees, and beneficiaries. Contributions for fiscal year 2021 were $3.6 billion with a reserve balance available for benefits of $95.3 billion. This contribution includes a one-time payment of $61.3 million from the Commonwealth to the Teacher Employee Plan. As of June 30, 2021, the VRS had 834 contributing employers.

The Commonwealth also administers the following single-employer retirement plans and benefit structures:

- State Police Officers' Retirement System (SPORS) – Plan 1 and Plan 2
- Virginia Law Officers' Retirement System (VaLORS) – Plan 1 and Plan 2
- Judicial Retirement System (JRS) – Plan 1, Plan 2, and Hybrid Plan

All full-time, salaried permanent employees of VRS participating employers are automatically covered under VRS, SPORS, VaLORS or JRS with the following exceptions: (1) certain full-time faculty and administrative staff of public colleges and universities; and (2) eligible classified employees of the two state teaching hospitals. These employees have the option to elect not to participate in the Virginia Retirement System. Benefit provisions and all other requirements are established by Title 51.1 of the *Code of Virginia*.

Benefits vest for all plans after five years of service credit. Vested VRS members in the VRS Plan 1 are eligible for an unreduced retirement benefit at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit as elected by the employer. Vested VRS members in the VRS Plan 2 and the Hybrid Plan are eligible for unreduced retirement benefits at normal social security retirement age with at least five years of service credit or when age and service credit equal 90. Vested SPORS and VaLORS members in both the VRS Plan 1 and the VRS Plan 2 are eligible for an unreduced benefit at age 60 with at least five years of hazardous duty service credit or age 50 with at least 25 years of total service credit.

Annual retirement benefits are payable monthly for life in an amount equal to 1.7 percent of eligible members' average final compensation (AFC) for each year of service credit. Under the VRS Plan 2, the multiplier for general employees was reduced to 1.65 percent beginning January 1, 2013. Under the Hybrid Plan, the multiplier for the defined benefit component is 1.0 percent. AFC is the average of the member's 36 consecutive months of highest creditable compensation for members under the VRS Plan 1. Under the VRS Plan 2 and the Hybrid Plan, a member's AFC is the average of the member's 60 consecutive months of highest creditable compensation. The benefit for members of SPORS is calculated using a 1.85 percent multiplier. Members of SPORS also are eligible for a hazardous duty supplement, paid monthly, until they reach full Social Security retirement age.

Members of VaLORS hired before July 1, 2001, were allowed to make a one-time election to increase the multiplier from 1.7 to 2.0 percent instead of receiving a monthly hazardous duty supplement. VaLORS members who elected to retain the 1.7 percent multiplier are eligible for the supplement until age 65. Members of VaLORS hired after June 20, 2001, have their benefit computed using the 2.0 percent multiplier and are not eligible for the supplement.

Members of JRS receive weighted years of service credit for each year of actual service under JRS. VRS, SPORS, VaLORS, and JRS also provide death and disability benefits.

A cost-of-living allowance (COLA), based on changes in the Consumer Price Index and limited to 5.0 percent per year for VRS Plan 1 and 3.0 percent for VRS Plan 2 and Hybrid Plan, is granted on July 1 of the second calendar year after retirement and is effective each July 1 thereafter. Beginning January 2013, a member who retires with less than 20 years of service must receive an allowance for one full calendar year after reaching unreduced retirement age to be eligible for a COLA. Members within five years of eligibility for an unreduced benefit as of January 1, 2013 were grandfathered.

Benefits for all vested members are actuarially reduced if they retire before becoming eligible for an unreduced retirement benefit, provided they meet age requirements for a reduced retirement benefit.

As required by Title 51.1 of the *Code of Virginia*, members contribute 5.0 percent of their annual compensation to the retirement plans. If a member leaves covered employment, the accumulated contributions plus earned interest may be refunded to the member. Each participating employer is required by state statute to contribute the remaining amounts necessary to fund the retirement plans using the entry age normal actuarial cost method adopted by the Board of Trustees. Contributions for fiscal year 2021 were $40.3 million, $24.7 million, and $94.0 million, and reserved balances available for benefits were $1.1 billion, $673.2 million, and $1.9 billion, for SPORS, JRS, and VaLORS, respectively. State statute may be amended only by the General Assembly. To the extent that the employer's long-term obligation to provide pension benefits (total pension liability) is larger than the value of the assets available in the plan to pay these benefits (fiduciary net position), there is a net pension liability which is reported in the accompanying financial statements as a component of Long-term Liabilities Due in More than One Year.

The Hybrid Plan is the default benefit structure for new employees in the VRS and JRS plans. The Hybrid Plan benefit structure includes a defined benefit component and a defined contribution component. For Hybrid Plan members, 4.0 percent of the statutory member contribution of 5.0 percent is directed to the defined benefit component of the plan and 1.0 percent is directed to the mandatory defined contribution component of the plan. In addition, 1.0 percent of the total actuarially determined employer contribution is directed to the mandatory defined contribution component of the plan. The Hybrid Plan members may also elect to contribute an additional amount up to 4.0 percent to a voluntary defined contribution plan. The voluntary component also has a mandatory employer match of 0.5 to 2.5 percent that is deducted from the total actuarially determined employer contribution. For the fiscal year 2021, the mandatory and voluntary member contributions for the defined contribution component of the Hybrid Plan totaled $151.3 million and related mandatory employer contributions totaled $120.1 million. The statutory authority for the Hybrid plan is set out in the *Code of Virginia*, Section 51.1-169. This section also highlights the various plan provisions, including vesting and forfeiture. The total amount contributed by

the employer shall vest to the employee's benefit according to the following schedule:

a. Upon completion of two years of active participation, 50.0 percent.
b. Upon completion of three years of active participation, 75.0 percent.
c. Upon completion of four years of active participation, 100.0 percent.

If an employee ceases to be a member prior to achieving 100.0 percent vesting, contributions made by an employer on behalf of the employee under subdivision 2 that are not vested shall be forfeited. The Defined Contribution plan component of the Hybrid plan has a fixed employer contribution that is a percentage of covered payroll. There is no additional employer liability for this component at year end.

Further information about the benefits provided in these retirement plans and their different benefit structures can be found in the Virginia Retirement System's Annual Comprehensive Financial Report.

The following table provides participant information.

	VRS	SPORS	VaLORS	JRS	2021 Total
Retirees and Beneficiaries Receiving Benefits	60,478	1,495	5,400	544	67,917
Terminated Employees Entitled to Benefits but not Receiving Them	13,173	153	843	5	14,174
Total	73,651	1,648	6,243	549	82,091
Active Members:					
Vested	51,762	1,520	4,429	378	58,089
Non-Vested	24,346	419	3,383	75	28,223
Total	76,108	1,939	7,812	453	86,312

D. Funding Policy

The funding policy of the retirement plans provides for periodic employer contributions at actuarially determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. Contribution rates are developed using the entry age normal cost method for both normal cost and amortization of the unfunded actuarial accrued liability. Gains and losses are reflected in the unfunded actuarial accrued liability that is being amortized as a level percentage of payroll within 30 years or less.

The System's actuary, Cavanaugh MacDonald Consulting, LLC, computed the amount of contributions to be provided by state agency employers, state police and other Virginia law employers. The contribution rates for fiscal year 2021 were based on the actuary's valuation as of June 30, 2019. Employer contributions by the Commonwealth to VRS, SPORS, VaLORS, and JRS were 14.5 percent, 26.3 percent, 21.9 percent, and 29.8 percent, respectively.

In addition to determining contribution requirements, the actuarial computations present an estimate of the discounted present value of the prospective accrued liability contributions that employers will have to pay in the future so that such contributions, together with the assets on hand, the normal contributions to be made in the future by employers and members and the income earned by investing funds, will be sufficient to provide all benefits to be paid to present members in the future as well as the annuitants and their designated beneficiaries.

E. Changes in Net Pension Liability

The total pension liability was determined based on the actuarial valuation as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The following tables (dollars in thousands) show the Commonwealth's total pension liability, plan fiduciary net position, and net pension liability in total and individually for the VRS, SPORS, JRS, and VaLORS for the current and prior year.

Primary Government

	Totals (1)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020	$ 17,899,618	$ 13,339,686	$ 4,559,932
Changes for the year			
Service cost	312,510	—	312,510
Interest	1,177,621	—	1,177,621
Differences between actual and expected experience	8,854	—	8,854
Assumption changes	—	—	—
Contributions - employer	—	450,389	(450,389)
Contributions - member	—	144,206	(144,206)
Net investment income	—	253,362	(253,362)
Benefit payments, including refunds	(969,089)	(984,507)	15,418
Administrative expense	—	(8,157)	8,157
Other changes	—	(446)	446
Net changes	529,896	(145,153)	675,049
Balances at June 30, 2021	$ 18,429,514	$ 13,194,533	$ 5,234,981

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

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

Component Units

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

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

The amounts in the previous tables include governmental, business-type, and component unit activity for the Commonwealth's VRS State Plan. All component unit tables exclude the non-VRS State Plan net pension liability of $48.8 million for all component units.

The 2019 actuarial valuations were prepared using the entry age normal cost method. The actuarial assumptions included (a) 6.8 percent investment rate of return, per year compounded annually; (b) projected salary increases ranging from 3.5 percent to 6.0 percent, including a 2.5 percent inflation component and (c) COLA of 2.5 percent for Plan 1 and 2.3 percent for Plan 2 and Hybrid. The actuarial assumption for mortality rates was based on the RP-2014 mortality table projected with Scale BB to 2020. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

For more detailed actuarial information, refer to the Virginia Retirement System's financial statements, including mortality rates shown in the "Actuarial Assumptions and Methods – Pension Plans" schedule.

F. Changes to and Sensitivity of Discount Rate

The discount rate used to measure the total pension liability was 6.8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be based on the actuarially determined rates based on the Board's funding policy, which certifies the required rates under Title 51.1 of the *Code of Virginia*. Beginning on July 1, 2018, all agencies are assumed to contribute 100.0 percent of the actuarially determined contribution rates. Based on those assumptions, the fiduciary net position was projected to be available to make all of the projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability. In accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25,* regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the employers' net pension liability for each of the plans calculated using the discount rate of 6.8 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.0 percent lower (5.8 percent) or 1.0 percent higher (7.8 percent) than the current rate. The following table (dollars in thousands) shows the Commonwealth's changes in the discount rate.

Primary Government

VRS			SPORS		
Net Pension Liability			Net Pension Liability		
1.0% Decrease (5.8%)	Current Discount Rate (6.8%)	1.0% Increase (7.8%)	1.0% Decrease (5.8%)	Current Discount Rate (6.8%)	1.0% Increase (7.8%)
$ 5,697,910	$ 4,020,464	$ 2,610,022	$ 506,547	$ 360,496	$ 237,673

JRS			VaLORS		
Net Pension Liability			Net Pension Liability		
1.0% Decrease (5.8%)	Current Discount Rate (6.8%)	1.0% Increase (7.8%)	1.0% Decrease (5.8%)	Current Discount Rate (6.8%)	1.0% Increase (7.8%)
$ 199,907	$ 138,016	$ 84,168	$ 982,813	$ 716,005	$ 495,637

Component Units

VRS			VaLORS		
Net Pension Liability			Net Pension Liability		
1.0% Decrease (5.8%)	Current Discount Rate (6.8%)	1.0% Increase (7.8%)	1.0% Decrease (5.8%)	Current Discount Rate (6.8%)	1.0% Increase (7.8%)
$ 4,569,695	$ 3,224,393	$ 2,093,224	$ 90,427	$ 65,877	$ 45,602

The long-term expected rate of return on the System's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term target allocations are based on the Strategic Asset Allocation Implementation Schedule and Allowable Ranges document, which was approved by the VRS Board of Trustees on October 10, 2019. Best estimates of arithmetic real rates of return for each major asset class included in the System's long-term target asset allocation are summarized in the following table.

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.0 %	4.6%	1.5 %
Fixed Income	15.0 %	0.5%	0.1 %
Credit Strategies	14.0 %	5.4%	0.7 %
Real Assets	14.0 %	5.0%	0.7 %
Private Equity	14.0 %	8.3%	1.2 %
MAPS - Multi-Asset Public Strategies	6.0 %	3.0%	0.2 %
PIP-Private Investment Partnerships	3.0 %	6.5%	0.2 %
Total	100.0 %		4.6 %
		Inflation	2.5 %
		Expected arithmetic nominal return	7.1 %

The allocation in the previous table provides a one-year expected return of 7.1 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the pension system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.1 percent, including expected inflation of 2.5 percent. The VRS Board of Trustees elected a long-term rate of return of 6.8 percent which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY 2020 actuarial valuations, provide a median return of 6.8 percent.

G. Pension Related Deferred Outflows and Deferred Inflows

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* requires certain pension related items to be reported as either deferred outflows or deferred inflows of resources. The following tables (dollars in thousands) summarize these amounts as of June 30, 2021, in total and by individual plan.

Primary Government (1)

	Totals (2)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 95,997	$ 62,392
Changes of assumptions	$ 210,146	$ 27,752
Net difference between projected and actual earnings on plan investments	$ 397,815	$ —
Changes in proportion and difference between employer contributions and proportionate share of contributions	$ 72,129	$ 69,148
Employer contributions subsequent to the Measurement Date	$ 456,965	$ —
Total	$ 1,233,052	$ 159,292

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

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

Component Units (1) (3)

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

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

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

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

(3) The component unit amounts exclude deferred outflows of resources and deferred inflows of resources of $32,195 (dollars in thousands) and $5,436 (dollars in thousands), respectively, not related to the VRS State Plan.

Deferred Amounts to be Recognized in Fiscal Years Following Reporting Date

The following tables (dollars in thousands) provide the net estimated amount of the deferred inflows and deferred outflows of resources that will be recognized in the Commonwealth's pension expense for each of the next five fiscal years. These amounts exclude employer contributions made subsequent to the measurement date as those contributions will reduce the fiscal year 2022 net pension liability.

Primary Government

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

Component Units

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

H. Defined Contribution Plan for Political Appointees

Officers appointed by the Governor, officers elected by popular vote or the General Assembly, and executive branch chief deputies and confidential assistants may participate in the deferred contribution plan for Political Appointees, rather than the VRS. This optional retirement plan is authorized by the *Code of Virginia* and offered through the MissionSquare. This is a defined contribution plan where the retirement benefits are based upon the Commonwealth's 12.3 percent and the employee's (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year ended June 30, 2021, the total contributions to this plan were $1.6 million. As of June 30, 2021, the amount to be paid to participants upon retirement is $25.7 million. The summary of significant accounting policies for the plan is in accordance with those discussed in Note 16.B.

I. Defined Contribution Plan for Public School Superintendents

The Public School Superintendent Plan is a defined contribution pension plan that provides optional postemployment benefits for school superintendents. This plan is authorized by the *Code of Virginia* and offered through the MissionSquare. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school board for credit to the member. As of June 30, 2021, there were two participants in this plan. There were no contributions to the plan for fiscal year 2021.

J. Virginia Supplemental Retirement Plan

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

K. Higher Education (Nonmajor Component Units)

The Commonwealth's colleges and universities participate in the retirement plans administered by VRS. In addition, full-time faculty and certain administrative staff of the Commonwealth's colleges and universities may participate in optional retirement plans as authorized by Section 51.1-126 of the *Code of Virginia* rather than the VRS retirement plans. These optional retirement plans are defined contribution plans offered through the Teachers Insurance and Annuity Association (TIAA) and DCP. There are two defined contribution plans. Plan 1 is for employees hired prior to July 1, 2010, and retirement benefits received are based upon the employer's 10.4 percent contributions, plus net investment gains. Plan 2 is for employees hired on or after July 1, 2010, and retirement benefits received are based upon the employer's contribution, not to exceed 8.9 percent, and the employee's 5.0 percent contribution, plus net investment gains. For Plan 2, the employer contributions for fiscal year 2021 were 8.5 percent except for the University of Virginia (nonmajor) which were 8.9 percent. Vesting is full and immediate for both employer and employee contributions, except UVA employees hired after July 1, 2014, are fully vested in the UVA contributions after two years of continuous employment. For fiscal year 2021, total pension expense recognized was $170.9 million and contributions were calculated using the base salary amount of $1.8 billion. As of June 30, 2021, the Commonwealth's colleges and universities had accrued $11.1 million in employer liabilities related to these plans.

University of Virginia Medical Center (part of the University of Virginia – nonmajor) employees hired after July 1, 1999, cannot participate in Plan 1 or Plan 2 noted above but have the option of participating in the Medical Center's Optional Retirement Plan. For information regarding this plan, see the institution's separately issued financial statements.

Certain employees of Virginia Commonwealth University (nonmajor) are participating in The Select Plan, which is a 401(a) defined contribution plan. Participation is limited to executives by invitation. For

information regarding this plan, see the University's website at www.vcu.edu.

Prior to July 1, 1997, certain employees of the Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of Virginia Commonwealth University – nonmajor) were eligible to participate in the VRS defined benefit pension plan. Effective July 1, 1997, the Authority established the Virginia Commonwealth University Health System Authority Defined Contribution Plan (VCUHS 401(a) Plan) and the Virginia Commonwealth University Health System Authority Health Care Providers Defined Contribution Plan (HCP Plan). The Authority and component units, MCV Associated Physicians (MCVAP), VCU Community Memorial Hospital (CMH), and the Children's Hospital participate in the VCUHS 401(a) as well as sponsor the VCUHS Savings Plan (VCUHS 457(b) Plan). The Authority also provides an executive defined contribution plan and deferred compensation retirement benefits for select executives of the Health System. MCVAP and CMH Physicians sponsor 401(a) defined contribution plans and 403(b) salary deferral plans. For information regarding these plans, see the Authority's separately issued financial statements.

L. Other Component Units

Note 1.B. outlines the component units included in the Commonwealth's reporting entity. The Virginia Public Building Authority (blended - primary government), the Virginia Public School Authority (major), and the Virginia College Building Authority (major), have no employees. The Virginia School for the Deaf and Blind Foundation (nonmajor) has one wage employee. Virginia Resources Authority (major) and the following nonmajor component units participate in the retirement plans administered by VRS: the Virginia Economic Development Partnership, the Virginia Small Business Financing Authority, the Hampton Roads Sanitation District Commission, the Virginia Biotechnology Research Partnership Authority, the Virginia Tourism Authority, the Tobacco Region Revitalization Commission, the Virginia Foundation for Healthy Youth, the Virginia Passenger Rail Authority, and the Fort Monroe Authority.

The Virginia Housing Development Authority (major) has three defined contribution plans. For additional information regarding these plans, see the Authority's website at www.vhda.com.

The Virginia Outdoors Foundation (nonmajor) maintains a 401(k) contribution plan and provides an employer contribution match up to 6.0 percent. For information regarding this plan, see the Foundation's website at www.virginiaoutdoorsfoundation.org.

The Virginia Commercial Space Flight Authority (nonmajor) maintains a 401(a) contribution plan and provides an employer contribution to all eligible employees of 11.0 percent of their base salary. For information regarding this plan, see the Authority's separately issued financial statements.

The Virginia Port Authority (VPA) (nonmajor) maintains two defined benefit plans for its employees. Employees of record on July 1, 1997, had the option of continuing to maintain their benefit status as a State employee, and their benefits maintained under the VRS, or elect to be covered under a newly created pension plan (the VPA Defined Benefit Plan). The VPA Defined Benefit Plan covers all employees hired between July 1, 1997 and January 28, 2014. Employees hired after January 28, 2014, are eligible for a defined contribution plan only. On January 1, 2015, the plan was amended to add certain employees who transferred from the Virginia International Terminals (VIT) (referred to as "Legacy VIT Participants") to VPA. VIT (a blended component unit of VPA – nonmajor) has the Virginia International Terminals, LLC Pension Plan that is a single employer, noncontributory defined benefit pension plan administered by VIT. A stand-alone financial report is issued and is available upon request from VPA's administrative offices. For information regarding these plans, see the Authority's website at www.portofvirginia.com.

Employees of the Virginia Museum of Fine Arts Foundation (nonmajor) who are age 21 or older are eligible to participate in the Employee's Savings Plan, a 401(k) defined contribution profit sharing plan. Also, the Foundation entered into a supplemental retirement agreement to pay a key employee of the Museum upon retirement the difference between the amount accrued under the VRS retirement plan, based on salary, and the amount based on the supplemental salary. For additional information regarding these plans, see the Foundation's separately issued financial statements.

The Science Museum of Virginia Foundation (nonmajor) has a 403(b) defined contribution pension plan through the TIAA-CREF Retirement Plan for employees meeting age and service requirements. For additional information regarding this plan, see the Foundation's separately issued financial statements.

17. OTHER EMPLOYMENT BENEFITS

In addition to the pension plans, the Commonwealth participates in two other employment benefit plans, Group Life Insurance and the Virginia Sickness and Disability Program, which are administered by the Virginia Retirement System (the System). The significant accounting policies are the same as those described in Note 16 for pension plans. A separately issued financial report that includes financial statements for the Group Life Insurance and Virginia Sickness and Disability Program is publicly available. Copies may be obtained from the Virginia Retirement System website at www.varetire.org.

Group Life Insurance

The Group Life Insurance Plan was established for Commonwealth employees, teachers, employees of political subdivisions participating in the VRS, state police officers, other state law enforcement and correctional officers, judges, and other qualifying employees. The program provides life insurance for natural death coverage equal to a member's annual compensation rounded to the next highest $1,000 and then doubled. Accidental death coverage is double the natural death benefit. The program also provides coverage for accidental dismemberment and accidental blindness, a safety belt benefit, a repatriation benefit, a felonious assault benefit and an accelerated death benefit for terminal conditions. Approximately 348,350 active members participate in the program as of June 30, 2021.

Participating employers and their covered employees are required by Title 51.1 of the *Code of Virginia* to contribute to the cost of group life insurance benefits. Employers may assume the employees' contributions.

An optional Group Life Insurance Fund was established for members covered under the group life program as a supplement to that plan. Members may purchase optional life insurance coverage for themselves, their spouses and/or their dependent children. The optional program provides natural death coverage equal to one, two, three or four times the member's annual compensation rounded to the next highest $1,000, up to a maximum of $800,000. Spouse coverage is available for up to one-half of the member's optional insurance amount. Minor children who are at least 15 days old can be insured for $10,000, $20,000 or $30,000, depending on the option chosen by the member. An additional accidental death and dismemberment benefit is payable for death or bodily injuries. Approximately 73,045 members were covered under this program as of June 30, 2021.

Optional group life insurance coverage ends for members when they retire or terminate their employment, or when their basic coverage ends. Optional life insurance amounts begin to reduce by 25.0 percent based on the retiree's age, beginning with the retiree's normal retirement age under his or her plan ending at age 80. Retirees may elect to continue coverage within 31 days of retirement. Spouse coverage terminates should a couple divorce or when the member leaves employment. Children's coverage ends with the termination of the member's coverage or when the child marries or turns 21 years of age (25 years of age for full-time college students).

Employers of members who elect optional life insurance coverage deduct the premiums from the members' paychecks, as required by Title 51.1 of the *Code of Virginia*. Premiums are based on the member's age and determined by the Board of Trustees. Because optional life insurance is an insured product, the carrier bills each employer directly, and the employer makes the contribution payments to the carrier. Any differences and adjustments are settled between the employer and the carrier.

Virginia Sickness and Disability Program

The System administers the Virginia Sickness and Disability Program (VSDP) to provide income protection in the event of a disability for eligible state employees hired on or after January 1, 1999. State agencies are required by Title 51.1 of the *Code of Virginia* to contribute to the cost of providing long-term disability benefits and administering the program.

VSDP benefits include sick, family and personal leave and short-term and long-term disability benefits. After a seven-calendar day waiting period following the first day of disability, eligible employees receive short-term disability benefits from 60.0 percent to 100.0 percent of their compensation. After 125 work days of short-term disability, eligible employees receive long-term disability benefits equal to 60.0 percent of their compensation. If the employee's condition becomes catastrophic, income replacement increases to 80.0 percent until the condition is no longer catastrophic. Long-term disability benefits continue until employees return to work, retire or reach age 65 (age 60 for state police officers and other state law enforcement and correctional officers) or die.

Full-time permanent salaried state employees, including state police officers and other Virginia law and correctional officers, are automatically enrolled in the VSDP. Part-time permanent salaried state employees who work at least 20 hours a week and accrue leave also are automatically enrolled. Teaching, administrative and research faculty of Virginia public colleges and universities who elect VRS as their retirement plan must make an irrevocable election to participate in either the VSDP or the institution's disability program. If there is no institution program, the faculty member is covered under VSDP.

Eligible state employees and state police officers employed before January 1, 1999, had the option to elect to participate in the VSDP or remain under the Commonwealth's existing sick leave program and retain their eligibility for disability retirement benefits under VRS and SPORS. (Members of VaLORS have been automatically enrolled in the VSDP since October 1, 1999, when VaLORS was created.) Eligible employees enrolled in the VSDP are not eligible for disability retirement benefits under VRS, SPORS, or VaLORS. Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work related short-term disability coverage and certain income replacement levels. Approximately 78,705 members were covered under the program as of June 30, 2021.

18. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

1) Administration and Significant Accounting Policies

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

Employment Benefits Other than Pensions. In addition, the net OPEB liability for these plans have a measurement date of June 30, 2020. As previously mentioned, a separately issued financial report that includes financial statements, notes and required supplementary information for each of the System-administered plans discussed below is publicly available. Copies may be obtained from the Virginia Retirement System website at www.varetire.org.

The administration and significant accounting policies for the System-administered OPEB plans are the same as those described in Note 16 for pension plans.

2) Plan Descriptions

Retiree Health Insurance Credit Program

The Retiree Health Insurance Credit Program is composed of a single-employer plan for state employees; a cost-sharing multiple-employer plan for teachers; three cost-sharing, multiple-employer plans for constitutional officers, social services employees and registrars; and an agent, multiple-employer plan for political subdivisions electing coverage. This note and the required supplementary information in this report is for the single-employer plan for state employees and also includes the state-funded noncontributing employer portion for constitutional officers, registrars, and their employees, as well as local social service employees.

The Retiree Health Insurance Credit (RHIC) for state employees provides benefits for retired state employees, state police officers, other state law enforcement, correctional officers, and judges who have at least 15 years of service credit under the retirement plans. Members of JRS receive weighted years of service credit for each year of actual service under JRS. VRS, SPORS, VaLORS, and JRS also provide death and disability benefits. The program provides a credit reimbursement of $4 per month per year of service credit against the monthly health insurance premiums of eligible retirees. There is no cap on the credit. Certain eligible employees who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program are eligible for a credit not to exceed $120.

The following is the approximate number of employees covered by the RHIC plan for state employees on the measurement date of June 30, 2020:

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

The health insurance credit plan for general registrars, constitutional officers, and their employees as well as local social service employees (RHIC Non-State) provides $1.50 per month per year of service with a maximum monthly credit of $45. The Commonwealth funds this credit. Benefit provisions and eligibility requirements are established by Title 51.1 of the *Code of Virginia*. The amount required to fund all credits is financed by the employers based on contribution rates determined by the System's actuary.

Virginia Sickness and Disability Program

The Virginia Sickness and Disability Program (VSDP) is a single-employer plan. It is also known as the Disability Insurance Trust Fund. The Commonwealth provides OPEB disability insurance benefits, in accordance with state statutes, to eligible retired and terminated employees. Eligible employees include state employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement and full-time and part-time, salaried state employees covered under VRS, SPORS, and VaLORS. State agencies are required by Title 51.1 of the *Code of Virginia* to contribute to the cost of providing long-term disability benefits and administering the program. The following is the approximate number of employees covered by this plan on the measurement date of June 30, 2020:

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

Group Life Insurance Program

The Group Life Insurance Program (GLI) is a cost-sharing, multiple employer plan. Members whose employers participate in the Group Life Insurance Program are covered automatically under the Basic Group Life Insurance Program upon employment. This program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including certain employers that do not participate in VRS for retirement. At retirement or termination, accidental death benefits cease and natural death coverage reduces at a rate equal to 25.0 percent on January 1 of the first full calendar year following retirement or termination and on January 1 of each year thereafter, until it reaches 25.0 percent of its original value. These group life insurance benefit provisions and requirements are established by Title 51.1 of the *Code of Virginia*. Participating employers and covered employees are required to contribute to the cost of group life insurance benefits. Employers may assume employees' contributions. A portion of the premium contributions collected during members' active careers is placed in an advance premium deposit reserve. This reserve is to fund the claims for eligible retired and deferred members.

Line of Duty Act Program

The Line of Duty Act Program (LODA) is a cost-sharing, multiple employer plan. It provides death and health insurance reimbursement benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. Benefit provisions and eligibility requirements are established by Title 9.1 of the *Code of Virginia*. The System is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in fiscal year 2012. The employer contribution rate was determined by the System's actuary using the anticipated costs and the number of covered individuals associated with all participating employers. Additionally, beginning in fiscal year 2018, the Department of Human Resource Management administered the benefits and payment of claims under this program. The System manages the death benefit payments.

3) Funding

The contribution requirements are governed by the *Code of Virginia*, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employer contributions by the Commonwealth for the RHIC and VSDP were 1.1 percent and 0.6 percent, respectively, of covered employee compensation. In addition, the contributions by the Commonwealth for the RHIC: Non-State for general registrars, constitutional officers, and their employees, and local social service employees were approximately 0.4 percent.

The total contribution rate for the GLI was 1.3 percent allocated into an employee and an employer component using a 60/40 split. The employee component was 0.8 percent and the employer component was 0.5 percent. Each employer's contractually required employer contribution rate for the year ended June 30, 2021, was 0.5 percent of covered employee compensation. Each employer's contractually required employer contribution rate for the LODA for the year ended June 30, 2021, was $717.31 per covered full-time-equivalent employee.

All rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. For RHIC and GLI, the actuarially determined rate was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. For VSDP, the actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. For the LODA, the rate represents a pay-as-you-go funding rate and not the full actuarial cost of benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year.

Employer contributions by the Commonwealth to the RHIC, VSDP, GLI, LODA, and the RHIC Non-State plans were $81.1 million, $26.6 million, $33.7 million, $8.2 million, and $3.8 million, respectively, for the year ended June 30, 2021.

4) Changes in Net OPEB Liability and Proportionate Share of Net OPEB Liability

The total OPEB liability for each plan was determined based on the actuarial valuation as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The following tables (dollars in thousands) show the Commonwealth's total OPEB liability, plan fiduciary net position, and net OPEB liability (asset) for the RHIC and VSDP for the current and prior year, and the Commonwealth's proportionate share of the net OPEB liability for GLI, LODA, and RHIC Non-State plans. Since the VSDP has a net OPEB asset rather than a net OPEB liability, the net OPEB asset amount is not included in the total balance amount. The Commonwealth's Proportion for the GLI, LODA, and RHIC Non-State plans represents the percentage of the Commonwealth's share of Net OPEB Liability amount compared to the Net OPEB Liability amount for all employers of $1.7 billion, $418.8 million and $40.6 million, respectively.

Primary Government

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

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

Component Units

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

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

(1) The VSDP net OPEB asset is included in Other Restricted Assets in the accompanying government-wide financial statements.

(2) The primary government's aggregate OPEB liability is $1,230,725 (dollars in thousands) as of June 30, 2021. This includes amounts for both the VRS-administered and DHRM-administered plans.

(3) The primary government's proportion for Group Life Insurance and Line of Duty changed by 0.1 percent and -0.1 percent, respectively, while the component units' proportion changed by 0.2 percent and 0.3 percent, respectively, when compared to the prior year. The Commonwealth's proportion of the Retiree Health Insurance Credit: Non-State for the primary government did not change from the prior year.

(4) The component unit's aggregate OPEB liability is $1,120,139 (dollars in thousands) as of June 30, 2021. This includes amounts for both the VRS-administered and DHRM-administered plans as well as other OPEB plans.

The amounts in the previous tables include governmental, business-type, and component unit activity for the Commonwealth's VRS OPEB plans. The table excludes other net OPEB liability amounts of $3.5 million for all other component units.

The net OPEB liabilities were based on an actuarial valuation as of June 30, 2019, using the entry age normal actuarial cost method. The actuarial assumptions included the following: (a) investment rate of return, net of OPEB plan investment expenses, including inflation: 6.8 percent for RHIC, VSDP, and GLI, and 2.2 percent for LODA; and (b) projected salary increases, including a 2.5 percent inflation component, ranging from 3.5 percent to 6.0 percent for VRS state, JRS, SPORS, and VaLORS employees, and teachers and political subdivision employees. For these OPEB plans, the teachers and political subdivision employees are not Commonwealth employees and, therefore, are excluded from the accompanying tables.

For more detailed actuarial information, refer to the Virginia Retirement System's financial statements, including the "Actuarial Assumptions and Methods – Other Post-Employment Benefit Plan Funds" schedule.

5) Changes to and Sensitivity of Discount Rate

The discount rate used to measure the total OPEB liability was 6.8 percent for the prefunded plans. These include the Group Life Insurance Program, the Retiree Health Insurance Credit Program, and the Disability Insurance Program.

The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be based on the actuarially determined rates based on the Board's funding policy, which certifies the required rates under Title 51.1 of the *Code of Virginia*. Based on those assumptions, the fiduciary net position was projected to be available to make all of the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of the projected benefit payments to determine the total OPEB liability. In accordance with GASB Statement No. 75 regarding the disclosure of the sensitivity of the net OPEB liability to changes in the discount rate, the following table (dollars in thousands) presents the employers' net OPEB liability for each of the plans calculated using the discount rate of 6.8 percent, as well as what the employers' net OPEB liability would be if it were calculated using a discount rate that is 1.0 percent lower (5.8 percent) or 1.0 percent higher (7.8 percent) than the current rate.

The Line of Duty Act Program is funded on a pay-as-you-go basis. As a result, the liabilities are valued using a discount rate of 2.2 percent, which approximates the risk-free rate of return. This rate decreased by 1.3 percent when compared to the prior year. The following table (dollars in thousands) shows the Commonwealth's changes in the discount rate and the healthcare trend rate.

Primary Government

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

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

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

Component Units

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

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

Changes in Healthcare Cost Trend Rates		
LODA		
Proportionate Share of Net OPEB Liability		
1.0% Decrease (6.0% decreasing to 3.8%)	Healthcare Cost Trend Rates (7.0% decreasing to 4.8%)	1.0% Increase (8.0% decreasing to 5.8%)
$ 10,966	$ 13,268	$ 16,278

(1) The VSDP net OPEB asset is included in Other Restricted Assets in the accompanying government-wide financial statements.

The long-term expected rate of return on the System's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term target allocations are based on the Strategic Asset Allocation Implementation Schedule and Allowable Ranges document, which was approved by the VRS Board of Trustees on October 10, 2019. Best estimates of arithmetic real rates of return for each major asset class included in the System's long-term target asset allocation are summarized in the following table.

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.0 %	4.6 %	1.5 %
Fixed Income	15.0 %	0.5 %	0.1 %
Credit Strategies	14.0 %	5.4 %	0.7 %
Real Assets	14.0 %	5.0 %	0.7 %
Private Equity	14.0 %	8.3 %	1.2 %
MAPS - Multi-Asset Public Strategies	6.0 %	3.0 %	0.2 %
PIP-Private Investment Partnerships	3.0 %	6.5 %	0.2 %
Total	100.0 %		4.6 %
	Inflation		2.5 %
	Expected arithmetic nominal return		7.1 %

The allocation in the previous table provides a one-year expected return of 7.1 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the pension system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.1 percent, including expected inflation of 2.5 percent. The VRS Board of Trustees elected a long-term rate of return of 6.8 percent which is roughly at the 40th percentile of expected long-term results of VRS fund asset allocation. More recent capital market assumptions compiled for the FY 2020 actuarial valuations, also provide a median return of 6.8 percent.

The long-term expected rate of return on the LODA OPEB Program's investments was set at 2.2 percent for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.8 percent assumption. Instead, the assumed annual rate of return of 2.2 percent was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of June 30, 2020.

6) OPEB Related Deferred Outflows and Deferred Inflows

GASB Statement No. 75 requires certain OPEB related items to be reported as either deferred outflows or deferred inflows of resources. The following tables (dollars in thousands) summarize these amounts as of June 30, 2021, in total and by individual plan.

Primary Government (3)

	Totals (1)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 54,572	$ 234,771
Changes of assumptions	84,930	294,500
Net difference between projected and actual earnings on plan investments	18,744	339
Changes in proportion and difference between employer contributions and proportionate share of contributions	61,659	86,796
Employer contributions subsequent to the Measurement Date	78,236	—
Amounts associated with transactions subsequent to the Measurement Date	21,222	—
Total	$ 319,363	$ 616,406

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

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

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

Component Units (2) (3)

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

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

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

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

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

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

Deferred Amounts to be Recognized in Fiscal Years Following Reporting Date

The following tables (dollars in thousands) provide the net estimated amount of the deferred inflows and deferred outflows of resources that will be recognized in the Commonwealth's OPEB expense for each of the next five fiscal years and thereafter. These amounts exclude employer contributions made subsequent to the measurement date as those contributions will reduce the fiscal year 2022 net OPEB liability (asset).

Primary Government

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

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

Component Units

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

B. Department of Human Resource Management (DHRM-administered) OPEB Plan

1) Administration

The DHRM-administered defined benefit OPEB plan mentioned below does not have a trust that meets the requirements of GASB Statement No. 75. In addition, the total OPEB liability for this plan has a measurement date of June 30, 2020. A separately issued financial report for this DHRM-administered OPEB plan is not available.

2) Plan Description

The Commonwealth provides a Pre-Medicare Retiree Healthcare (PMRH) plan established by Title 2.2 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. It is the same health insurance program offered to active employees and managed by DHRM. After retirement, the Commonwealth of Virginia no longer subsidizes the retiree's premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit. Following are eligibility requirements for Virginia Retirement System (VRS) retirees:

- Retiring state employee who is eligible for a monthly retirement benefit from VRS;
- Start receiving (do not defer) retirement benefit immediately upon retirement;
- Last employer before retirement was the Commonwealth of Virginia;
- Eligible for (even if not enrolled) coverage as an active employee in the State Health Benefits Program until retirement date (not including Extended Coverage/COBRA); and
- Enroll no later than 31 days from retirement date.

Effective January 1, 2017, are the following eligibility requirements for Optional Retirement Plan (ORP) retirees:

- Terminating state employee who participates in one of the qualified Optional Retirement Plans;
- Last employer before termination was the Commonwealth of Virginia;
- Eligible for (even if not enrolled) coverage in the State Employee Health Benefits Program for active employees at the time of termination;
- Meet age and service requirements for an immediate retirement benefit under the non-ORP VRS plan that the retiree would have been eligible for on the date of hire had the retiree not elected the ORP; and
- Enroll in the State Retiree Health Benefits Program no later than 31 days from the date the retiree loses coverage (or loses eligibility for coverage) in the State Health Benefits Program for active employees due to termination of employment.

Eligibility for ORP retirees who terminated prior to January 1, 2017, would be based on the policy in place at the time of their termination.

This fund is reported as part of the Commonwealth's Health Care Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management.

There were approximately 4,400 retirees and 90,000 active employees in the program as of June 30, 2020. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

3) Funding

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

4) Changes in Total OPEB Liability

The PMRH total OPEB liability of $568.8 million as of June 30, 2021, was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2020. The following tables (dollars in thousands) show the Commonwealth's total OPEB liability for the current and prior year:

Primary Government

	PMRH Increase (Decrease) Total OPEB Liability
Balances at June 30, 2020	$ 392,111
Changes for the year	
Service cost	27,481
Interest cost	14,329
Changes of benefit terms	—
Differences between expected and actual experience	(13,821)
Changes of assumptions	(74,488)
Benefit payments	(19,695)
Net change	(66,194)
Balances at June 30, 2021	$ 325,917

Component Units

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

The amounts in the previous tables include governmental, business-type, and component unit activity for the DHRM-administered OPEB plan. The table excludes the non-DHRM OPEB plans' total OPEB liability of $60.8 million for all other component units.

The PMRH total OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2020. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 6.8 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 4.5 percent for medical and pharmacy and 4.0 percent for dental.

Actuarial Assumptions and Methods

Valuation Date of June 30, 2020

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

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2020. The inflation rate used was 2.3 percent per year and there were no ad hoc postemployment benefit changes used to measure the total OPEB liability.

Changes of Assumptions

The following actuarial assumptions were updated since the June 30, 2019 valuation based on recent experience:

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

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

5) Changes to and Sensitivity of Discount Rate

The following table (dollars in thousands) shows the Commonwealth's changes in discount rate and the healthcare cost trend rates.

Primary Government

Changes in Discount Rate		
PMRH		
Total OPEB Liability		
1.0% Decrease (1.2%)	Current Discount Rate (2.2%)	1.0% Increase (3.2%)
$ 342,957	$ 325,917	$ 308,634

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

Component Units

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

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

6) OPEB Related Deferred Outflows and Deferred Inflows

The following tables (dollars in thousands) summarize the OPEB related items reported as deferred outflows or deferred inflows of resources:

Primary Government (2)

	PMRH	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ —	$ 165,931
Changes of assumptions	—	266,857
Changes in proportion	22,939	38,949
Amounts associated with transactions subsequent to the Measurement Date	21,222	—
Total	$ 44,161	$ 471,737

Component Units (1) (2)

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

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

(2) Additionally, during fiscal year 2021, the Commonwealth recognized OPEB expense for the primary government and component units of negative $84,668 (dollars in thousands) and negative $55,925 (dollars in thousands), respectively, for the DHRM-administered OPEB plan.

Deferred Amounts to be Recognized in Fiscal Years Following Reporting Date

The following tables (dollars in thousands) provide the net estimated amount of the deferred inflows and deferred outflows of resources that will be recognized in the Commonwealth's OPEB expense for each of the next five fiscal years and thereafter. These amounts exclude amounts associated with transactions subsequent to the measurement date as those will reduce the fiscal year 2022 total OPEB liability.

Primary Government

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

Component Units

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

7) Other OPEB Plans

Higher Education

The University of Virginia (nonmajor component unit) has a Retiree Health Plan that covers employees who retire before becoming eligible for Medicare. In addition, an Optional Retirement Life Insurance Plan is offered to University faculty and Medical Center employees who participate in the Optional Retirement Plans. For these OPEB plans, the University reported a total OPEB liability of $59.7 million, deferred outflows of resources of $4.0 million, and deferred inflows of resources of $52.0 million as of June 30, 2021. Additional information on these plans can be found at the University's website at www.virginia.edu.

The Roanoke Higher Education Authority (nonmajor component unit) reported a net OPEB liability of $89,789, deferred outflows of resources of $27,700, and deferred inflows of resources of $12,705 for Group Life Insurance and Retiree Health Insurance Credit OPEB Plans.

Other Component Units

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

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

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

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

The Virginia Biotechnology Research Partnership Authority (nonmajor component unit) offers an Optional Retirement Life Insurance Plan for those employees who choose to participate. The Authority reports a net OPEB liability of $65,282, deferred outflows of resources of $26,207, and deferred inflows of resources of $3,170 as of June 30, 2021.

19. DEFERRED COMPENSATION PLANS

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The Virginia Retirement System (the System) administers the deferred compensation plan, pursuant to the Government Employees Deferred Compensation Plan Act, Section 51.1 of the *Code of Virginia*. The System contracts with private corporations or institutions subject to the standards set forth in the Code to provide investment products as well as any other goods and services related to the administration of the deferred compensation plan. The Department of Accounts is responsible for the accounting, reconciliation, payment to the plan through payroll deductions, and timely transfer of withheld funds to the trustee designated by the System for investment. The plan provides a number of investment options and is designed so that each participant retains investment control of his/her individual account. The plan, available to all state employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of plan participants and their beneficiaries and is not available to employees until termination, retirement, death, unforeseeable emergency, or an in-service distribution at age 72 or later. Since the System has no fiduciary relationship with plan participants, plan assets as of June 30, 2021, of $4.2 billion are not included in the accompanying financial statements.

In addition, the Commonwealth provides a cash match under Internal Revenue Code Section 401(a) for employees participating in the deferred compensation plan. The match amount for an employee was established at 50.0 percent of the voluntary contributions to the deferred compensation plan. During the current fiscal year, the maximum match was $20 per pay period or $40 per month. The fair value of assets in the cash match savings plan as of June 30, 2021, was $615.2 million, which is also excluded from the accompanying financial statements.

Most employees of the Commonwealth's colleges and universities may participate in the Commonwealth's deferred compensation plan in accordance with Internal Revenue Code Section 457(b) and/or the institution's deferred compensation plan in accordance with Internal Revenue Code Section 403(b). Under either plan, the institution's cash match under the Internal Revenue Code Section 401(a) during fiscal year 2021 was a maximum match up to $20 per pay period or $40 per month. This employer match is for either plan but not both plans. Employer contributions under these plans were approximately $15.0 million for fiscal year 2021.

The deferred compensation plan for the University of Virginia Medical Center (part of the University of Virginia – nonmajor component unit) employees hired on or after September 30, 2002, allows employee contributions up to 4.0 percent of their salary and the employer match is 50.0 percent of the 4.0 percent deferral not to exceed 2.0 percent of the employees' salary. Employer contributions under this plan were approximately $5.7 million for fiscal year 2021. The University of Virginia provides executive deferred compensation retirement benefits for certain officers and executives of the University and the University Medical Center. The University makes contributions on behalf of each participant each plan year as determined by the Board of Visitors. The University contributed $2.0 million to these accounts for fiscal year 2021.

The Virginia Housing Development Authority and the Virginia Resources Authority (major component units) have deferred compensation plans available to all employees created in accordance with Internal Revenue Section 457(b). The plan permits participants to defer a portion of their salary or wages until future years. The deferred compensation is not available to employees until termination, retirement, or death. The assets of the plan are in an irrevocable trust with an external trustee and, accordingly, no assets or liabilities are reflected in the accompanying financial statements.

The Virginia Port Authority (VPA) (nonmajor component unit) offers three deferred compensation plans and two matching savings plans under Internal Revenue Code Sections 457 and 401(a), respectively. For additional information, please see the Authority's website at www.portofvirginia.com.

The Assistive Technology Loan Fund Authority (nonmajor component unit) employees contribute an amount of their choosing into Deferred Compensation Plans administered by the Virginia Retirement System and into a qualified 403(b) plan.

20. STATE NON-ARBITRAGE POOL

The Commonwealth sponsors the Virginia State Non-Arbitrage Program (SNAP) for use by the Commonwealth and local governments to invest bond proceeds. The Treasury Board is responsible for the oversight of SNAP, procuring the following services: investment management, program administration, arbitrage rebate and calculation, and custodial and depository services. The Commonwealth does not have fiduciary responsibility for SNAP.

The SNAP fund is a local government investment pool. PFM Asset Management LLC serves as the investment adviser of the SNAP fund. The SNAP individual investment portfolios are the responsibility of the SNAP investment manager and the governments investing proceeds in the portfolios. These investments are held solely in the SNAP participants' names. Since the Commonwealth has no fiduciary relationship with local governmental entities participating in the plan, these assets of $3.6 billion are not included in the financial statements.

21. COMMITMENTS

A. Construction Projects

Primary Government

Highway Projects

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

Mass Transit Projects

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

Wastewater Treatment Projects

As of June 30, 2021, the Department of Environmental Quality was committed to grant contracts with localities to reimburse a portion of construction costs for nutrient reduction facilities at wastewater treatment plants totaling $8.6 million provided by bond proceeds and the Water Quality Improvement Fund.

Other Construction Projects

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

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

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

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

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

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

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

Component Units

Port Projects

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

Wallops Island Project

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

Treatment Plant

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

Higher Education Institutions

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

B. Operating Leases

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

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

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

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

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

Lease agreements are for various terms and contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

C. Investment Commitments – Virginia Retirement System

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

D. Virginia Transportation Infrastructure Bank

Section 33.2-1500 of the *Code of Virginia* states the Virginia Transportation Infrastructure Bank is intended to help alleviate a critical financing need for present and future highways within the Commonwealth. This includes toll facilities; mass transit; freight, passenger, and commuter rail; and port, airport and other transportation facilities.

As of June 30, 2021, $194.8 million included as Loans Receivable in the accompanying statements represents loans to the City of Chesapeake for the Dominion Boulevard Project, Loudoun County for the Pacific Boulevard Project, the Chesapeake Bay Bridge and Tunnel District for the Parallel Thimble Shoal Tunnel, and 95 Express Lanes LLC for the 395 Express Lanes Northern Extension. The City of Alexandria for the Potomac Yard Metrorail Station loan has been approved, but no disbursements were made as of June 30, 2021. Payments were made by the City of Chesapeake for $9.8 million, Chesapeake Bay Bridge and Tunnel District for $20,564, and the 95 Express Lanes LLC for $827,624 in July 2021. All loans are coordinated through the Virginia Resources Authority (major component unit).

E. Tobacco Grants

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

F. Other Commitments

Primary Government

As of June 30, 2021, the Virginia Department of Transportation had contractual commitments of approximately $984.9 million for individual contracts awarded with a contract value of $1.0 million or more for operational services, facilities, tolling services and other non-highway construction type contracts. This amount has been reduced by $201.7 million due to a vendor bankruptcy.

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

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

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

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

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

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

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

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

Component Units

The Virginia Housing Development Authority (major) and Virginia Resources Authority (major) had $1.3 billion and $545.7 million, respectively, in commitments to fund new loans not reflected in the accompanying financial statements since eligibility requirements were not met as of June 30, 2021, in accordance with GASB Statement No. 33.

As of June 30, 2021, the Virginia Passenger Rail Authority (nonmajor) had capital grant commitments outstanding of $78.6 million and other contractual commitments of $33.7 million. The Authority also has $26.7 million of funding committed to reimburse the Department of Rail and Public Transportation (part of primary government) for planned expenses related to grants managed by the Department.

The Virginia Small Business Financing Authority (nonmajor) had $1.1 million in loan commitments to banks and borrowers not reflected in the accompanying financial statements since eligibility requirements were not met as of June 30, 2021, in accordance with GASB Statement No. 33.

22. ACCRUED LIABILITY FOR COMPENSATED ABSENCES

Employees accrue annual leave at a rate of four to nine hours semimonthly, depending on their length of service. The maximum leave accumulation is dependent upon years of service, but in no case may it exceed 432 hours at the end of the leave year. The maximum compensation for annual leave balances is also dependent upon years of service, but in no case may an employee be compensated for more than 336 hours upon separation.

All employees hired after January 1, 1999, are required to enroll in the Virginia Sickness and Disability Program (VSDP) (see Note 17). Under the VSDP, employees receive a specified number of sick and personal leave hours, depending on their length of service, and any balances at the end of the leave year revert. Individuals employed at January 1, 1999, had the option of converting to the VSDP or remaining in the traditional sick leave plan. If converting, the employee's sick leave balance could be used to purchase retirement credits or be converted to disability credits. If an employee opted to remain in the traditional sick leave program, sick leave accrues at a rate of five hours semimonthly. Employees who leave state service after a minimum of five years employment receive the lesser of 25.0 percent of the value of their disability credits or accumulated sick leave at their current earnings rate or $5,000. All employees leaving state service are paid for accrued annual leave up to the maximum leave year limit at their current earnings rate.

In conformance with Section C60 of the GASB Codification, the monetary value of accumulated vacation, compensatory, overtime, recognition, and sick leave payable upon termination is included in the accompanying financial statements and is reported as Compensated Absences. In the government-wide statements, proprietary fund statements, and discrete component unit fund statements, compensated absence amounts are segregated into two components – the amount due within one year and the amount due in more than one year. Compensated absences due within one year consist of an estimate of the amount that will be used by active employees for paid time off and/or paid upon termination, plus the actual amount paid after June 30 for employees terminating on or before June 30. In the governmental fund statements, amounts to be paid from expendable resources are recognized as fund liabilities in the applicable governmental fund types as long-term liabilities and represent payments to employees for separations that occurred on or before June 30. Amounts not payable from expendable resources are reflected in the governmental activities column in the Government-wide Statement of Net Position (see Note 27). All amounts related to the fiduciary funds are recognized in those funds.

The liability as of June 30, 2021, was computed using salary rates effective at that date, and represents vacation, compensatory, overtime, recognition, and sick leave earned, or disability credits held by employees, up to the allowable ceilings.

23. POLLUTION REMEDIATION OBLIGATIONS

The Commonwealth has pollution remediation obligations of $9.1 million, of which $2.0 million is due within one year. With the exception of the Department of Environmental Quality (DEQ), agencies estimated future obligations based on professional consultant estimates and/or historical project expenses of similar projects; however, there is the potential for change in estimates due to price increases or reductions, technology, or applicable laws and regulations. Remediations for DEQ are not estimates but contractual obligations between the Commonwealth and the U.S. Environmental Protection Agency (EPA), and any change due to a reconciliation of incurred costs requires mutual consent and contract amendment.

The estimated Commonwealth pollution remediation liability relates to the anticipated cost of hazardous waste removal, cleanup relating to leakage of underground storage tanks, soil and groundwater contaminations, dump site cleanups, asbestos, lead contamination, mold remediation and remediation relating to superfund state contracts.

Agencies involved in remediation include:

- Department of Conservation and Recreation (DCR)
- Department of Corrections (DOC)
- Department of Emergency Management (VDEM)
- Department of Environmental Quality (DEQ)
- Department of Juvenile Justice (DJJ)
- Department of Transportation (VDOT)

A Facility Lead Agreement was signed between the EPA and VDOT to resolve an issue concerning the storage of lab wastewater in an outdoor lined surface impoundment that operated between 1979 and 1983 for which contamination is present in soil and groundwater. DOC was fined by the EPA in September/October 2003. DOC proposed to conduct a Supplemental Environmental Project (SEP) which included the formation of the Pollution Prevention Section of the Environmental Services Unit, disclosure of all environmental deficiencies to both the EPA and DEQ and corrections of those deficiencies.

The following pollution remediation outlays could not reasonably be estimated as of June 30, 2021:

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

24. INSURANCE

A. Self-Insurance

The Commonwealth maintains three types of self-insurance plans. The first type of self-insurance is a health care plan administered by the Department of Human Resource Management for Commonwealth employees. The plan is accounted for in the Health Care Internal Service Fund. Interfund premiums are accounted for as internal activity receipts from other funds. As of June 30, 2021, $116.5 million is reported as the estimated claims payable for this fund, which is undiscounted as nearly all healthcare claims are current in nature. The estimated liability is based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported as described in Note 1.W. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	Balance July 1,	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, (1)
2020-2021	$ 136,804	$ 1,454,648	$ (1,474,995)	$ 116,457
2019-2020	$ 131,384	$ 1,319,329	$ (1,313,909)	$ 136,804

(1) The entire ending balance shown above is due within one year.

The second type of plan, Risk Management, is administered by the Department of the Treasury, Division of Risk Management and the Department of Human Resource Management, Worker's Compensation Program. These plans are accounted for in the Risk Management Internal Service Fund. The Department of the Treasury administers risk management programs providing property, general (tort) liability, medical malpractice, automobile and surety bond exposures for the Commonwealth of Virginia as provided in Sections 2.2-1834 through 1838 and Section 2.2-1840 of the *Code of Virginia*. Established subject to the approval of the Governor, risk management plans provide state agencies with protection through purchased insurance, self-insurance or a combination thereof. Interfund premiums for the fund are accounted for as internal activity receipts from other funds. The claims payable is an estimated liability based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported. As of June 30, 2021, $799.3 million is reported as the estimated claims payable for the risk management plan. This amount is discounted to present value at a rate of 0.1 percent. Undiscounted claims payable as of June 30, 2021, is $807.9 million. The estimated losses are based upon actual claims that have been submitted, as well as claims incurred but not reported. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	Balance July 1,	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, (1)
2020-2021	$ 892,190	$ (31,008)	$ (61,926)	$ 799,256
2019-2020	$ 751,969	$ 211,641	$ (71,420)	$ 892,190

(1) Of the balance shown above, $66.7 million is due within one year.

For workers' compensation, the Commonwealth assumes the full risk of claims filed. For tort and automobile, liability is assumed at a maximum of $2.0 million per occurrence. Medical malpractice is assumed at the maximum per occurrence recovery limited as stated in Section 8.01-581.15 of the *Code of Virginia*. Risk Management purchases commercial insurance to protect state-owned property with deductibles as stated in the insurance policies.

The third type of plan, Line of Duty, is administered by the Department of Human Resource Management for Line of Duty recipients. Per the amended Line of Duty Act Section 9.1-401 of the *Code of Virginia*, the Department of Human Resource Management is responsible for administration of the premium-free health benefits provided to eligible Line of Duty recipients. The plan is accounted for in the Line of Duty Internal Service Fund. All eligible employees, former employees, and eligible family members will be covered under one program, the Line of Duty Health Benefit Plans. Participating or non-participating refers to whether the employer participates in the Line of Duty Death and Health Benefits Trust Fund, administered by VRS. All state agencies are participating employers, but localities can be either participating or non-participating. As of June 30, 2021, $600,937 is reported as the claims payable for the fund for state employees and participating localities, which is undiscounted as nearly all healthcare claims are current in nature. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	Balance July 1,	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, (1)
2020-2021	$ 592	$ 7,515	$ (7,506)	$ 601
2019-2020	$ 618	$ 6,402	$ (6,428)	$ 592

(1) The entire ending balance shown above is due within one year.

The Commonwealth has not had any insurance settlements exceed the coverage during the past three years.

University of Virginia (nonmajor component unit) employees have the option to participate in the University's self-funded, comprehensive medical care benefits program. The cost of medical care is paid out of employee and employer contributions. Claims and expenses are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Those

losses include an estimate of claims that have been incurred but not reported and the future costs of handling claims. The estimated liability for outstanding claims on June 30, 2021 was $11.0 million. The University has contracted with several third-party claims administrators: Aetna for its medical claims, United Concordia for its dental claims, and OptumRx for its pharmacy claims.

As of June 30, 2021, the Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – nonmajor component unit) reports the following claims payable amounts: estimated workers' compensation claims of $5.0 million and estimated losses on malpractice claims of $3.2 million. Aries Insurance Captive (component unit of the Authority) reports claims payable of $26.9 million for estimated losses on malpractice claims and $6.2 million for estimated workers' compensation claims. Additional information on claims payable can be found in the Authority's separately issued financial statements.

Virginia International Terminals, LLC (VIT) (a blended component unit of the Virginia Port Authority – nonmajor) is partially self-insured for certain workers' compensation claims. The Authority maintains insurance coverage of $5.0 million per claim, but is obligated to pay the first $1.0 million of any individual's claims per incident. VIT bears some self-insurance risk for health/ medical insurance claims cost in excess of employee premiums/contributions received. Pursuant to a joint arrangement with the Virginia Port Authority, (VPA) (nonmajor) the entity carries stop loss insurance to mitigate exposure to significant claims. The stop loss policy is on a calendar year basis, with renewals effective each January 1. During the calendar year 2020 and 2021, the individual claim cost limit (deductible) under the policy for the Authority was $150,000. The aggregate deductible for VIT and VPA combined claims in excess of the individual limit was $6.5 million for calendar year 2021 and $6.2 million for calendar year 2020.

B. Public Entity Risk Pools

The Commonwealth administers three types of public entity risk pools for the benefit of local governmental units: healthcare, risk management, and line of duty insurance. The Local Choice Health Care plan was established to make comprehensive healthcare insurance available to localities and political subdivisions at affordable rates and with stable premiums. During the fiscal year, there were 433 local government units participating in the pool. This includes 67 school districts, 38 counties, 132 cities/towns, and 196 other subdivisions. This program is accounted for in the Local Choice Health Care Enterprise Fund (nonmajor).

The Department of Human Resource Management, under Section 2.2-1204 of the *Code of Virginia*, has the authority to design, set rates, and administer the Local Choice Health Care fund. The pool's standard contract period is one year. However, a member group may withdraw on the last day of any month with three month's written notice. Contributions are based on the current necessary contribution and the amortization of experience adjustments in the pool. As of June 30, 2021, $49.9 million is reported as the actuarially determined estimated claims payable for this fund based on claims incurred but not reported.

The actuarial liability is determined for the membership pool in total and then adjusted for each locality based on individual historic and demographic data. If the pool's assets were to be exhausted, the program participants would share the responsibility for any liabilities or deficits.

The Department of the Treasury, Division of Risk Management administers the VARisk and VARisk2 risk management programs for political subdivisions, constitutional officers and others in accordance with Section 2.2-1839 of the *Code of Virginia*. These pools were established to provide an economical, low-cost alternative to the commercial insurance market for the Commonwealth's political subdivisions. These risk programs are accounted for in the Risk Management Enterprise Fund (nonmajor). The pool is established subject to approval by the Governor. It may be insurance, self-insurance, or any combination thereof, and must provide protection and legal defense against liability. Participation is voluntary and open to those identified in Section 2.2-1839 of the *Code of Virginia*. As of June 30, 2021, there were 495 units of local government in the pool, including 13 towns and 24 counties. The remaining 458 units include a large variety of boards, commissions, authorities, and special districts.

The VARisk program is comprised of constitutional officers and regional jails, and participation is not mandated by the *Code of Virginia*. However, the Compensation Board (part of the primary government) requires participation by all constitutional officers.

The VARisk2 program is comprised of local governments and has a minimum membership period of one year. However, a member group can cancel membership and withdraw from the plan on their coverage anniversary date or at the end of the fiscal year with 30 days' notice.

No excess insurance or reinsurance is provided. The risk assumed by the VARisk and VARisk2 pool for liability is $1.0 million per occurrence, with the exception of sheriffs and their deputies, which is $1.5 million per occurrence.

As of June 30, 2021, $45.2 million and $3.7 million is reported as estimated claims payable for the VARisk and the VARisk2 programs, respectively. These figures are actuarially determined for the

funds in total and are reported at gross. They are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. They do not reflect possible reimbursements for insurance recoveries.

Per the amended Line of Duty Act Section 9.1-401 of the *Code of Virginia*, the Virginia Department of Human Resource Management (DHRM) is responsible for administration of the premium-free health benefits provided to eligible LODA recipients. All eligible employees, former employees, and eligible family members will be covered under one program, the LODA Health Benefits Plans. As of June 30, 2021, $1.5 million is reported as the actuarially determined estimated claims payable for the non-participating localities reported in this fund based on claims incurred but not reported.

The following schedule (dollars in thousands) shows the changes in claims liabilities for the past two fiscal years.

	Local Choice Health Care		Risk Management		Line of Duty	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	$ 50,486	$ 46,836	$ 47,609	$ 39,509	$ 1,450	$ 1,513
Incurred Claims and Claim Adjustment Expenses:						
Provision for Insured Events of the Current Fiscal Year	450,897	402,147	13,845	14,130	18,398	15,674
Changes in Provision for Insured Events of Prior Fiscal Years	—	—	(4,255)	1,711	—	—
Total Incurred Claims and Adjustment Expenses	450,897	402,147	9,590	15,841	18,398	15,674
Payments:						
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	451,451	398,497	1,251	1,267	18,376	15,737
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Fiscal Year	—	—	7,055	6,521	—	—
Total Payments	451,451	398,497	8,306	7,788	18,376	15,737
Change in Provision for Discounts	—	—	23	47	—	—
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Discounted) (1) (2) (3) (4)	$ 49,932	$ 50,486	$ 48,916	$ 47,609	$ 1,472	$ 1,450
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Undiscounted)	$ 49,932	$ 50,486	$ 49,000	$ 47,786	$ 1,472	$ 1,450

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

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

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

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

25. ACCOUNTS PAYABLE

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

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

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

Note (2): Other Accounts Payable for the Virginia Lottery primarily represents unclaimed prizes attributable to multi-state games and player subscription wallets.

Note (3): Other Accounts Payable for the Pension and Other Employee Benefit Trust Fund consists of $28,170 (dollars in thousands) in investment management fees and $17,367 (dollars in thousands) in program benefit liabilities.

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

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

26. OTHER LIABILITIES

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

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

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

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

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

Note (3): Fiduciary liabilities of $136,769 (dollars in thousands) are not included in the Government-wide Statement of Net Position. Governmental fund liabilities of $80,443 (dollars in thousands) are included in the Government-wide Statement of Net Position, but excluded from the above amounts.

	Component Units					
	Virginia Housing Development Authority	Virginia Public School Authority	Virginia Resources Authority	Virginia College Building Authority	Nonmajor Component Units (4)	Total Component Units
Accrued Interest Payable	$ 33,781	$ 51,472	$ 22,830	$ 86,484	$ 94,633	$ 289,200
Deposits Pending Distribution	—	—	—	—	650,507	650,507
Short-term Debt	710,300	—	—	—	124,943	835,243
Grants Payable	—	—	—	—	8,634	8,634
Other Liabilities	31,799	—	6,129	462	599,155	637,545
Total Other Liabilities	$ 775,880	$ 51,472	$ 28,959	$ 86,946	$ 1,477,872	$ 2,421,129

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

Medicaid Payable

Medicaid Payable represents services rendered but not billed by providers and potential liability resulting from cost reports not settled as of year-end. Providers subject to cost settlement are paid in the interim based on established per diem or diagnosis related group rates for services.

The Department of Medical Assistance Services (DMAS) estimates, based on past experience, the total amount of Medicaid claims that will be paid from the Medicaid program in the future which relate to services provided before year-end. As of June 30, 2021, the estimated liability related to Medicaid claims totaled $1.9 billion. Of this amount, $472.2 million is reflected in the General Fund (major governmental), $1.3 billion in the Federal Trust Special Revenue Fund (major governmental), and $152.5 million in the Health and Social Services Fund (nonmajor special revenue).

Family Access to Medical Insurance Security Payable

DMAS estimates the total amount of claims that will be paid from the Family Access to Medical Insurance Security program in the future which relate to services provided before year-end. As of June 30, 2021, the estimated liability related to claims totaled $32.7 million. Of this amount, $10.0 million is reflected in the General Fund (major governmental) and $22.7 million in the Federal Trust Special Revenue Fund (major governmental).

Tax Refunds Payable

Tax refunds payable represent refunds due on individual tax returns filed for the calendar year ended on or before December 31, 2020, and on business tax returns filed for corporate fiscal years ending on or before June 30, 2021. The individual tax return filing deadline is May 1 of each year for the preceding calendar year. The corporate tax return filing deadline is the 15th day of the fourth month following the close of the corporate fiscal year. Due to the COVID-19 pandemic, the filing deadline for individual tax returns was extended.

Car Tax Refund Payable

During the year ended June 30, 1998, the General Assembly passed the Personal Property Tax Relief Act. Under the terms of this legislation, the Commonwealth assumed financial responsibility for a portion, ranging from 12.5 percent to 70.0 percent, of the personal property taxes assessed by localities.

During 2004, the General Assembly modified this legislation. Chapter 1 of Special Session 1 (2004) established a $950.0 million limit on the amount the Commonwealth would appropriate for personal property tax relief, beginning in tax year 2006. It further established that each county, city, and town would receive a fixed percentage of the $950.0 million, with payments to begin on or after July 1, 2006 (fiscal year 2007). The accrued liability amount of $263.0 million reflects payments owed to localities as of June 30 and paid in July.

Termination Benefits

During fiscal year 2021, the Commonwealth laid off 142 employees. The affected employees had the option of volunteering for enhanced retirement benefits or severance benefits. The enhanced retirement benefits option was elected by 21 employees, and the remaining 121 employees elected severance benefits. The severance benefits include salary payments based on years of service and insurance premium payments for health and life insurance. All severance benefits were initiated during fiscal year 2021 and will end no later than June 30, 2022. The benefit cost expended and the outstanding liability as of June 30, 2021 for governmental funds, are $1.2 million and $79,142, respectively. Since the severance benefits last for a maximum of 12 months, discounting of future cash flows is unnecessary. Additionally, the estimated payments are calculated using the Department of Human Resources' Termination Benefits Calculator and actual costs.

Short-term Debt

Short-term debt results from borrowings from anticipation notes, lines of credit, and similar loans with parties external to the primary government. The primary government's policy is to disclose activity related to short-term borrowings occurring during the fiscal year. During fiscal year 2021, the Unemployment Compensation Fund (major enterprise) received short-term loans from the U.S. Department of Labor to pay unemployment claims related to the COVID-19 pandemic in the amount of $164.1 million. No loans were outstanding at June 30, 2021. Changes in the balances of short-term debt (dollars in thousands) are as follows:

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

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, requires the disclosure of any unused lines of credit. The primary government does not have any unused lines of credit at June 30, 2021.

The Virginia Housing Development Authority (major component unit) has a direct borrowing from a line of credit of $710.3 million. Virginia Polytechnic Institute and State University and Virginia Commonwealth University (nonmajor component units) have commercial paper of $21.4 million and $4.4 million, respectively, primarily for capital projects. Various higher education institution foundations (nonmajor component units) have lines of credit of $97.2 million primarily for construction or property acquisition. The Virginia Museum of Fine Arts Foundation (nonmajor component unit) has borrowed $1.9 million from a line of credit to purchase a building expected to be used by the Museum. Additionally, the Library of Virginia Foundation (nonmajor component unit) has a $15,000 note with a related party. The balance of Other Liabilities is spread among various other funds.

The Virginia Housing Development Authority (major component unit) has an unused line of credit of $250.0 million. The University of Virginia, Virginia Polytechnic Institute and State University, Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University), and Christopher Newport University (nonmajor component units) have unused lines of credit of $500.0 million, $190.0 million, $50.0 million, and $69,811, respectively. The Hampton Roads Sanitation District Commission, the Virginia Port Authority, and the Science Museum of Virginia Foundation (nonmajor component units) have unused lines of credit of $35.0 million, $16.0 million, and $1.5 million, respectively. For the University of Virginia, in the event of default under revolving credit agreements, any outstanding advances, interest, and the value of the promissory note would be due and payable to the various banking institutions.

27. LONG-TERM LIABILITIES

Commonwealth bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. Section 9(a) bonds have been issued to redeem previous debt obligations. Section 9(b) bonds have been authorized by the citizens of Virginia through bond referenda to finance capital projects. These bonds are retired through the use of state appropriations. Section 9(c) bonds are issued to finance capital projects which, when completed, will generate revenue to repay the debt. Section 9(a), 9(b), and 9(c) bonds are tax-supported general obligation bonds and are backed by the full faith and credit of the Commonwealth. No other long-term debt obligations are backed by the full faith and credit of the Commonwealth.

Section 9(d) bonds are revenue bonds that are not backed by the full faith and credit of the Commonwealth. These bonds are not general obligation bonds and are not deemed to constitute a legal liability of the Commonwealth. However, this debt may be supported by state appropriations in whole or in part, such as certain debt of the Commonwealth Transportation Board (primary government) and the Virginia Port Authority (nonmajor component unit). Other 9(d) revenue bonds are payable from general revenues of the component units, or from revenues of specific revenue-producing capital projects, such as the teaching hospitals, dormitories, student centers, and dining halls at the various colleges and universities (nonmajor component units).

Certain 9(d) bonds are considered, along with 9(a), 9(b), and 9(c) bonds, to be tax-supported debt of the Commonwealth. Tax-supported debt includes all bonds and short-term debt for which debt service payments are made or are ultimately pledged to be made from tax revenues (net of sinking fund requirements).

Other 9(d) revenue bonds are considered debt not supported by taxes. For this debt, the Commonwealth has no direct or indirect pledge of tax revenues. In certain limited cases, the Commonwealth has made a moral obligation pledge. A government's moral obligation pledge provides a deficiency make-up for bondholders in the event pledged revenues prove to be insufficient. If a revenue deficiency exists, monies held in a debt service reserve fund are used to pay bondholders. The issuer then requests that the legislative body provide an appropriation to replenish the reserve fund before subsequent debt service is due. The legislative body may, but is not legally required to, replenish the reserve fund.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, requires disclosures related to unused lines of credit (see Note 26), direct borrowings and placement debt, and specific disclosures related to debt default. Direct borrowings and placements have terms with an investor or lender and are not offered for public sale.

The following schedule presents the total long-term liabilities of the Commonwealth, and the portion of these amounts which are due within one year, as reported on the Government-wide Statement of Net Position.

Total Long-term Liabilities

June 30, 2021

(Dollars in Thousands)	Balance At June 30	Amount Due Within One Year
Primary Government:		
Governmental Activities:(1)		
General Obligation Bonds: (2)		
9(b) Public Facilities (3)	$ 278,221	$ 45,775
9(c) Parking Facilities (3)	6,640	840
Total General Obligation Bonds	284,861	46,615
Nongeneral Obligation Bonds - 9(d):		
Transportation Debt (3) (4)	3,747,904	202,440
Virginia Public Building Authority (3)	3,472,631	178,075
Total Nongeneral Obligation Bonds	7,220,535	380,515
Other Long-term Obligations:		
Net Pension Liability	5,058,611	—
Net OPEB Liability	880,210	4,908
Total OPEB Liability	314,039	20,458
Compensated Absences	346,551	179,356
Capital Lease Obligations	27,768	6,672
Pollution Remediation Obligations	9,140	2,028
Installment Purchase Obligations from Direct Borrowings	127,673	18,711
Economic Development Authority Obligations (3)	7,542	7,542
Hampton Roads Transportation Accountability Commission (3) (5)	1,748,229	—
Other Liabilities	32,130	7,269
Total Other Long-term Obligations	8,551,893	246,944
Total Governmental Activities	16,057,289	674,074
Business-type Activities: (1) (5)		
Other Long-term Obligations:		
Net Pension Liability	176,370	—
Net OPEB Liability	24,598	49
Total OPEB Liability	11,878	765
Compensated Absences	14,545	10,378
Installment Purchase Obligations from Direct Borrowings	771	199
Educational Benefits Payable	1,733,998	287,677
Lottery Prizes Payable	116,934	11,157
Total Other Long-term Obligations	2,079,094	310,225
Total Business-type Activities	2,079,094	310,225
Total Primary Government	18,136,383	984,299

Continued on next page

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

(Dollars in Thousands)	Balance At June 30	Amount Due Within One Year
Component Units:		
General Obligation Bonds: (2)		
Higher Education Fund - 9(c) Bonds (3)	955,729	35,899
Nongeneral Obligation Bonds:		
Higher Education Institutions - 9(d) (3) (5)	3,916,094	51,586
Higher Education Institutions - 9(d) from Direct Placements (3) (5)	190,280	2,067
Virginia College Building Authority (3)	5,101,393	344,475
Virginia Port Authority - 9(d) (3) (6)	495,646	17,940
Virginia Housing Development Authority - 9(d) (3) (5)	4,128,164	93,099
Virginia Housing Development Authority from Direct Placements - 9(d) (3) (5)	230,420	7,170
Virginia Resources Authority - 9(d) (3) (7)	3,397,129	197,257
Virginia Public School Authority - 9(d) (3) (5)	3,509,142	261,760
Virginia Public School Authority from Direct Placements - 9(d) (3) (5)	95,156	3,910
Hampton Roads Sanitation District Commission (3) (5)	835,006	88,419
Virginia Biotechnology Research Partnership Authority (3)	4,903	4,903
Foundations (5) (8)	1,010,663	39,152
Total Nongeneral Obligation Bonds	22,913,996	1,111,738
Other Long-term Obligations:		
Net Pension Liability (9)	3,339,060	—
Net OPEB Liability (10)	816,451	276
Total OPEB Liability (11)	303,688	15,817
Compensated Absences	390,615	272,397
Capital Lease Obligations (12)	2,348,604	4,532
Notes Payable (5)	1,740,276	126,084
Notes Payable from Direct Borrowings (5)	69,381	2,947
Installment Purchase Obligations from Direct Borrowings	96,340	11,140
Trust and Annuity Obligations (5) (13)	99,320	—
Other Liabilities (5)	665,009	268,328
Total Other Long-term Obligations (Excluding Foundations)	9,868,744	701,521
Other Long-term Obligations (Foundations): (5) (8)		
Compensated Absences	26,474	16,588
Capital Lease Obligations	1,434	513
Notes Payable	272,165	20,408
Trust and Annuity Obligations (13)	83,135	2,242
Other Liabilities	366,938	22,974
Total Other Long-term Obligations - Foundations	750,146	62,725
Total Other Long-term Obligations	10,618,890	764,246
Total Component Units	34,488,615	1,911,883
Total Long-term Liabilities	$ 52,624,998	$ 2,896,182

1. Pursuant to GASB Statement No. 34, governmental activities include internal service funds. Business-type activities are considered enterprise funds.
2. Total general obligation debt of the Commonwealth is $1.2 billion.
3. Amounts are net of any unamortized discounts and premiums.
4. This debt includes $1.1 billion that is not supported by taxes.
5. This debt is not supported by taxes.
6. This debt includes $272.8 million for bonds that is not supported by taxes.
7. This debt is not supported by taxes; however, $914.4 million is considered moral obligation debt.
8. Foundations represent FASB reporting entities defined in Note 1.B.
9. This includes net pension liabilities that do not relate to the Virginia Retirement System's State Plan from the Hampton Roads Sanitation District Commission, Virginia Port Authority and Virginia Resources Authority of $39.1 million, $9.6 million and $62,206, respectively. This debt is not supported by taxes.
10. This includes OPEB obligations that do not relate to the Virginia Retirement System's State Plan from the Hampton Roads Sanitation District Commission, Virginia Port Authority, Virginia Resources Authority, Roanoke Higher Education Authority, and Virginia Biotechnology Research Partnership Authority of $2.5 million, $618,000, $278,496, $89,789, and $65,282, respectively. This debt is not supported by taxes.
11. This includes OPEB obligations that do not relate to the Department of Human Resource Management from the University of Virginia of $59.7 million and Virginia Port Authority of $1.1 million. This debt is not supported by taxes.
12. This includes $14.5 million that is supported by taxes.
13. These generally represent split-interest agreements that represent donor contributed assets with the requirement that an annual distribution be made to the donor or specified beneficiary. The annual distributions are usually for a fixed dollar amount or a fixed percentage of the trust's fair market value. The present value of these commitments is reported as Trust and Annuity Obligations.

Primary Government

Transportation Facilities Debt

Transportation Facilities Bonds include $3.7 billion of Transportation Facilities Section 9(d) debt. The Section 9(d) debt includes $2.6 billion of Section 9(d) revenue bonds and $1.1 billion of Grant Anticipation Revenue Notes (GARVEES) in addition to the outstanding Section 9(d) revenue bonds. Section 9(c) principal and interest requirements for the current year totaled $3.0 million. There are no Section 9(c) bonds outstanding at June 30, 2021. Section 9(d) principal and interest requirements for the current year totaled $369.1 million. The Section 9(d) Transportation Facilities Bonds were issued to fund the construction of State Route 28, U.S. Route 58, the Northern Virginia Transportation District Program, the Oak Grove Connector (Chesapeake), and costs of certain transportation projects in the Commonwealth. The GARVEES were issued to finance various Federal Aid Transportation projects throughout the Commonwealth. The interest rates for these bonds range from 1.0 percent to 5.4 percent and the issuance dates range from October 10, 2002 to September 22, 2020.

The following schedule details the annual funding requirements necessary to amortize Transportation 9(d) debt. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $48.5 million for Build America Bonds (BABs) issued. The BABs are applicable to Commonwealth of Virginia Transportation Series 2010A Capital Project Revenue Bonds. Additionally, the Commonwealth will receive the amounts required to pay the debt service on outstanding Series 2002 and Series 2012 bonds from the Route 28 Transportation Improvement District, annually. The Commonwealth will also receive a portion of the debt service amount for Oak Grove and the Northern Virginia Transportation District from the localities where the projects are located, annually.

9(d) TRANSPORTATION FACILITIES DEBT
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2022	$ 202,440,226	$ 150,602,203	$ 353,042,429
2023	211,105,351	140,771,232	351,876,583
2024	219,895,602	130,611,126	350,506,728
2025	212,898,739	119,953,057	332,851,796
2026	222,854,277	109,464,906	332,319,183
2027-2031	1,029,271,299	389,458,627	1,418,729,926
2032-2036	844,375,000	168,909,379	1,013,284,379
2037-2041	339,040,000	43,817,274	382,857,274
2042-2046	62,080,000	2,965,625	65,045,625
Less:			
Unamortized Discount	(66,760)	—	(66,760)
Add:			
Accretion on Capital Appreciation Bonds	25,067,889	—	25,067,889
Unamortized Premium	378,942,531	—	378,942,531
Total	$ 3,747,904,154	$ 1,256,553,429	$ 5,004,457,583

Fairfax Economic Development Authority Obligations

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

FAIRFAX COUNTY ECONOMIC DEVELOPMENT AUTHORITY
Debt Service Requirements to Maturity

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

Public Facilities Bonds

Section 9(b) general obligation bonds consist of Public Facilities Bonds, Series 2012A Refunding, Series 2013B Refunding, Series 2015B Refunding, Series 2016B Refunding, Series 2019B Refunding, and Series 2019C Refunding. Bonds were issued to fund construction projects for higher educational institutions, behavioral health, and/or park facilities. The Series 2012A bonds were issued to advance refund outstanding Series 2002, Series 2003A, Series 2004A, and Series 2005A bonds. The Series 2013B bonds were issued to advance refund outstanding Series 2005A, Series 2006B, Series 2007A, and Series 2007B bonds. The Series 2015B bonds were issued to advance refund certain maturities of outstanding Series 2007B, Series 2008A, and Series 2008B bonds. The Series 2016B bonds were issued to advance refund certain maturities of outstanding Series 2009A bonds. The Series 2019B bonds were issued to advance refund outstanding 2009D Refunding bonds. The Series 2019C bonds were issued to advance refund outstanding 2009E bonds. Principal and interest requirements for the current year totaled $59.1 million. The interest rates for all bonds range from 2.0 percent to 5.0 percent and the issuance dates range from March 7, 2012, to August 14, 2019. The following schedule details the annual funding requirements necessary to repay these bonds.

9(b) PUBLIC FACILITIES BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2022	$ 45,775,000	$ 11,100,915	$ 56,875,915
2023	46,950,000	8,978,916	55,928,916
2024	44,390,000	6,830,292	51,220,292
2025	36,280,000	4,807,314	41,087,314
2026	30,400,000	3,243,986	33,643,986
2027-2031	43,395,000	2,794,948	46,189,948
Add:			
Unamortized Premium	31,030,991	—	31,030,991
Total	$ 278,220,991	$ 37,756,371	$ 315,977,362

Parking Facilities Bonds

Section 9(c) general obligation bonds consist of Parking Facilities Bonds, Series 2012A Refunding, Series 2016B Refunding, and Series 2019B Refunding. The Series 2012A Refunding bonds were issued to advance refund outstanding Series 2002 Refunding and Series 2004A bonds. The Series 2016B Refunding bonds were issued to advance refund certain maturities of outstanding Series 2009B bonds. The Series 2019B bonds were issued to advance refund outstanding 2009D Refunding bonds. The interest rate for these bonds range from 2.0 percent to 5.0 percent, and the issuance dates range from March 7, 2012, to August 14, 2019. Current year principal and interest requirements totaled $1.1 million. The following schedule details the annual funding requirements necessary to repay these bonds.

9(c) PARKING FACILITIES BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2022	$ 840,000	$ 261,560	$ 1,101,560
2023	906,256	223,652	1,129,908
2024	952,789	178,339	1,131,128
2025	575,000	130,700	705,700
2026	605,000	101,950	706,950
2027-2031	1,965,000	138,900	2,103,900
Add:			
Unamortized Premium	796,102	—	796,102
Total	$ 6,640,147	$ 1,035,101	$ 7,675,248

Virginia Public Building Authority

Virginia Public Building Authority Section 9(d) bonds consist of 2009A, 2009C (Taxable), 2010B-2 (Taxable Build America Bonds), 2010B-3 Refunding, 2011A, 2012A Refunding, 2013A, 2013B Refunding, 2014A, 2014B (Taxable), 2014C Refunding, 2015A, 2015B Refunding, 2016A, 2016B Refunding, 2016C (AMT), 2016D (Taxable), 2017A Refunding, 2018A, 2018B (Taxable), 2019A, 2019B (AMT), 2019C (Taxable), 2020A, 2020B Refunding, 2020C (Taxable), 2021A, and 2021B Refunding (Taxable). All bonds were issued for the purpose of constructing, improving, furnishing, maintaining, and acquiring public buildings for the use of the Commonwealth and also to reimburse localities, regional jail authorities or other combinations of localities under the Regional Jail Financing Program. The Series 2010B-3 bonds were issued to advance refund outstanding series 2002A and 2004B Revenue bonds. The Series 2012A bonds were issued to advance refund outstanding series 2004B and 2005C Revenue bonds. The Series 2013B bonds were issued to advance refund 2006A and 2006B revenue bonds. The Series 2014C bonds were issued to advance refund outstanding Series 2004A Refunding, 2004B, 2004C Refunding, and 2004D Refunding bonds, and certain maturities of the 2005C, 2006A, 2006B, and 2007A bonds. The Series 2015B bonds were issued to advance refund outstanding series 2005A Refunding, 2005B Refunding, and 2006A bonds and certain maturities of the series 2008B bonds. The Series 2016B bonds were issued to advance refund certain maturities of the series 2009B and 2011A bonds. The Series 2017A bonds were issued to advance refund certain maturities of the 2011A, 2013A, and 2014A bonds. The Series 2020B bonds were issued to advance

refund outstanding Series 2005D, Series 2009D Refunding and 2010A bonds. The Series 2021B bonds were issued to advance refund outstanding Series 2011B bonds. The interest rates range from 0.3 percent to 5.9 percent and the issuance dates range from April 22, 2009, to March 31, 2021.

Current year principal and interest requirements for all VPBA bonds totaled $285.0 million. The following schedule details the annual funding requirements necessary to repay these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $16.7 million for Build America Bonds (BABs) issued. The BABs are applicable to Series 2010 Revenue Bonds.

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

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

Hampton Roads Transportation Accountability Commission

Hampton Roads Transportation Accountability Commission bonds consists of Senior Lien Revenue Bonds, Series 2018A, Intermediate Lien Revenue Bonds, Series 2019A, and Senior Lien Revenue Bonds, Series 2020A. The bonds were issued to pay for the costs of planning, design, and construction of transportation infrastructure in the localities comprising Planning District 23. The interest rates for these bond series range from 4.5 percent to 5.8 percent and the issue dates range from February 14, 2018 to October 22, 2020. Current year interest requirements totaled $66.1 million. The following schedule details the annual funding requirements necessary to repay these bonds.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION BONDS
Debt Service Requirements to Maturity

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

Component Units

Higher Education Institution Bonds

Higher Education Institution Bonds are comprised of both 9(c) general obligation bonds and 9(d) revenue bonds. Section 9(d) bonds are from several sources as shown on the following schedule (dollars in thousands).

College and university bonds backed by pledge of general revenue or revenue from specific revenue-producing capital projects	$ 3,512,199
College and university debt backed exclusively by pledged revenues of an institution	594,175
Total Higher Education Institution 9(d) debt	$ 4,106,374

The interest rates for these bonds range from 0.4 percent to 6.2 percent and the issuance dates range from April 15, 2009, to June 29, 2021. The Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – nonmajor) Series 2013B bonds are variable rate bonds and the rates are reset weekly by the remarketing agent.

The following schedules detail the annual funding requirements necessary to amortize Higher Education Institution 9(c) and 9(d) bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $184.8 million for Build America Bonds (BABs) issued. The BABs are applicable to General Obligation Series 2010A Bonds, Series 2010B 21st Century Virginia College Building Authority Education Facilities Bonds, and the University of Virginia's Series 2009 and 2010 General Revenue Bonds. Virginia Commonwealth University (nonmajor component unit) and Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University - nonmajor component unit) have Direct Placement Bond Series and these bonds include event of default provisions that could change the timing of repayment of the outstanding amounts to become immediately due.

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

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

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

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

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

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

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

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

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

Various higher education institutions' foundations (component units) and a museum foundation (component unit) have bonds outstanding as of year-end. The purpose of a majority of these bonds is for construction, property acquisition, and defeasance of prior debt. The following schedule details the future principal payments.

FOUNDATIONS' BONDS (1)
Debt Service Requirements to Maturity

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

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

Virginia Port Authority

The Virginia Port Authority (nonmajor) has issued Section 9(d) revenue bonds and notes pursuant to powers provided to its Board of Commissioners by the *Code of Virginia.* The interest rates for these bonds range from 0.3 percent to 5.0 percent, and the issuance dates range from January 25, 2012, to August 4, 2020. The following schedule details the annual funding requirements necessary to amortize these bonds.

9(d) VIRGINIA PORT AUTHORITY DEBT
Debt Service Requirements to Maturity

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

Virginia Housing Development Authority

The Virginia Housing Development Authority (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 2.1 percent to 6.5 percent and the issuance dates range from December 17, 2002, to June 24, 2021. The following schedule details the annual funding requirements necessary to amortize these bonds. VHDA has an option to redeem various bonds pursuant the terms of each bond issue. The redemptions generally cannot be exercised without condition until the bonds have been outstanding for nine years or more.

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

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

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

Maturity	Principal	Interest	Total
2022	$ 7,170,000	$ 8,962,088	$ 16,132,088
2023	7,415,000	8,679,066	16,094,066
2024	7,670,000	8,386,227	16,056,227
2025	7,930,000	8,083,470	16,013,470
2026	8,210,000	7,770,205	15,980,205
2027-2031	45,480,000	33,758,374	79,238,374
2032-2036	53,885,000	24,129,615	78,014,615
2037-2041	63,890,000	12,711,750	76,601,750
2042-2046	28,770,000	1,423,109	30,193,109
Total	$ 230,420,000	$ 113,903,904	$ 344,323,904

Virginia Resources Authority

The Virginia Resources Authority (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 0.2 percent to 6.3 percent and the issuance dates range from July 31, 2002, to May 24, 2021. The following schedule details the annual funding requirements necessary to amortize these bonds.

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

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

Virginia Public School Authority

The Virginia Public School Authority (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 0.0 percent to 5.5 percent, and the issuance dates range from October 27, 2009, to May 11, 2021. The following schedules detail the annual funding requirements necessary to amortize these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $105.5 million for Qualified School Construction Bonds (QSCBs) issued. The QSCBs are applicable to Series 2010-1, 2011-1, 2011-2, and 2012-1 Revenue Bonds. VPSA's 2014-1 QZAB Bond Series shall bear interest at the default rate, payable on demand by the owner of the Bonds.

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

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

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

Maturity	*Principal*	*Interest*	*Total*
2022	$ 3,910,000	$ 2,480,498	$ 6,390,498
2023	3,960,000	2,368,350	6,328,350
2024	4,010,000	2,254,778	6,264,778
2025	7,871,000	2,139,851	10,010,851
2026	4,105,000	2,023,571	6,128,571
2027-2031	21,365,000	8,319,506	29,684,506
2032-2036	25,250,000	5,168,190	30,418,190
2037-2041	24,685,000	1,780,609	26,465,609
Total	$ 95,156,000	$ 26,535,353	$ 121,691,353

Hampton Roads Sanitation District Commission

The Hampton Roads Sanitation District Commission (nonmajor) issues revenue bonds for various capital improvements including, but not limited to, wastewater treatment plants and interceptor system improvements. Bond issue dates range from November 12, 2009 to June 11, 2020. The interest cost for these bonds range from 1.2 percent to 5.9 percent. The following schedule details the annual funding requirements necessary to amortize these bonds. The fiscal year 2022 principal amount includes $50.0 million for demand bonds, which are also classified as “due within one year” in the accompanying financial statements.

HAMPTON ROADS SANITATION DISTRICT COMMISSION
Debt Service Requirements to Maturity

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

Virginia Biotechnology Research Partnership Authority

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

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY
Debt Service Requirements to Maturity

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

Total principal outstanding as of June 30, 2021, on all component unit bonds amounted to $23.9 billion.

The following schedule summarizes the changes in long-term liabilities:

(Dollars in Thousands)

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

*Net increase/decrease is shown.

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

Continued on next page

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

(Dollars in Thousands) *(Continued)*

	Balance July 1, as restated (3)	Issuances and Other Increases	Retirements and Other Decreases	Subtotal June 30
Component Units				
Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
General Obligation Bonds - Higher Education 9(c) (6)	$ 886,837	$ 280,216	$ (211,324)	$ 955,729
Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Bonds (6)	19,623,252	4,404,907	(2,640,682)	21,387,477
Bonds from Direct Placements (6)	506,461	76,835	(67,440)	515,856
Installment Purchase Obligations from Direct Borrowings	83,385	24,422	(11,467)	96,340
Capital Lease Obligations	2,347,234	23,557	(22,187)	2,348,604
Notes Payable	1,840,173	571,424	(671,321)	1,740,276
Notes Payable from Direct Borrowings	167,215	—	(97,834)	69,381
Compensated Absences	363,109	363,282	(335,776)	390,615
Net Pension Liability*	2,924,721	414,339	—	3,339,060
Net OPEB Liability* (5)	816,706	—	(255)	816,451
Total OPEB Liability* (5)	352,250	—	(48,562)	303,688
Trust and Annuity Obligations	64,923	41,635	(7,238)	99,320
Other	272,820	661,717	(269,528)	665,009
Total Component Units	$ 30,249,086	$ 6,862,334	$ (4,383,614)	$ 32,727,806

*Net increase/decrease is shown.

Note (1): Pursuant to GASB Statement No. 34, governmental activities include internal service funds. Business-type activities are considered enterprise funds.

Note (2): Payments on bonded debt that pertain to the Commonwealth's governmental activities are made through the debt service funds. Payments for installment purchases, compensated absences, capital leases, pension, other post-employment benefits, and other obligations that pertain to the Commonwealth's governmental activities are made through the general and all special revenue funds, excluding the Literary Fund (major). Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the total for governmental activities. Enterprise funds, or business-type activities, are self-supporting funds. Accordingly, long-term liabilities are paid from each respective fund.

Note (3): Other Liabilities has been restated by $22,417 (dollars in thousands) for a nonmajor component unit due to correction of a prior year error.

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

Note (5): The Net OPEB Liability amount reported as due within one year pertains to the Commonwealth's Line of Duty (LODA) OPEB plan because the ending fiduciary net position is less than the benefit payments expected to be paid within one year. The Total OPEB Liability amount reported as due within one year represents the benefit payments expected to be paid within one year from the Pre-Medicare Retiree Healthcare (PMRH) OPEB plan. This plan does not have a trust.

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

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

Bond and Note Defeasance

GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of June 30, 2021, there were $767.0 million in bonds from the primary government that have been refunded and defeased in-substance from the governmental activities column by placing existing assets and the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments. In addition, there were $3.5 billion in bonds and notes outstanding considered defeased from the component units.

Primary Government

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

Component Units

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

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

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

In August 2020, the Virginia Port Authority (VPA) (non-major) issued $77.8 million of Commonwealth Port Fund Revenue Refunding Bonds, Series 2020A (Taxable) to advance refund $4.8 million in principal amount of the Authority's Commonwealth Port Fund Revenue Bonds, Series 2012C (Non-AMT) issued in the original par amounts of $4.8 million and to advance refund $58.7 million in principal amount of the Authority's Commonwealth Port Fund Revenue Bonds, Series 2015 (AMT) issued in the original par amounts of $58.7 million. The net proceeds from the issuance, along with the other funds available from the Authority, were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are to be called. At June 30, 2021, $63.5 million of these defeased bonds were still outstanding. In addition, the Authority issued $19.8 million (par value) of Commonwealth Port Fund Revenue Refunding Bonds, Series 2020B (AMT) to advance refund $23.1 million in

principal amount of the Authority's Commonwealth Port Fund Revenue Bonds, Series 2012B (Taxable) issued in the original par amounts of $45.2 million. The net proceeds from the issuance, along with the other funds available from the Authority, were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are to be called. At June 30, 2021, $23.1 million of these defeased bonds were still outstanding.

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

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

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

In February 2021, VCBA (major) issued $29.3 million of Series 2021A Pooled refunding bonds. The bonds were issued to refund $31.5 million of its 2010A (selected maturities only) and the 2010B bonds. The net proceeds from the sale of the refunding bonds of $32.6 million were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the defeased bonds. This defeasance resulted in an accounting gain of $223,800. Total debt service payments over the next 23 years will be increased by $916,279 resulting in a present value savings of $699,508 discounted at 1.1 percent.

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

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

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

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

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

Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt calculate and rebate arbitrage earnings to the Federal government. The U.S. Treasury has issued regulations on calculating the rebate amount and complying with the provisions of the Tax Reform Act of 1986. Governmental issuers must comply with the rebate regulations in order for their bonds to maintain tax-exempt status. The regulations require earnings on investments purchased with bond proceeds in excess of the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, be subject to rebate to the Federal government. Income earned on excess earnings is also subject to rebate. Rebate liability, if any, must be paid every five years over the life of the bonds. Governmental issuers may at the time of issuance elect to pay a penalty in lieu of rebate. Bonds may be exempt from the rebate requirements if they qualify for certain exceptions under the regulations. If the issuer meets one of the exceptions, the issuer retains any arbitrage earnings. Rebate and penalty payments are calculated and paid as required by law on bond issues that do not qualify for an exception.

Rebate liability on bonds of the VPSA (major component unit) issued under its Pooled Bond Programs is payable from earnings on related bond funds and from local issuers whose local school bonds were purchased by the VPSA. During fiscal year 2021, no rebate payments were owed on VPSA bonds issued under its Pooled Bonds Programs. Rebate liability on notes of the VPSA issued under its School Technology and Security Notes Program is payable from earnings on related note funds and funds of the Commonwealth. During fiscal year 2021, a final arbitrage rebate calculation for VPSA's School Technology and Security Notes, Series IV identified an arbitrage rebate liability payment of $231,295 due to the Federal government in fiscal year 2021. The liability was paid in fiscal year 2021 by the VPSA. The Virginia Department of Education reimbursed the VPSA in fiscal year 2021.

Rebatable arbitrage need only be calculated for tax purposes every fifth year that debt is outstanding. Consistent with the modified accrual basis of accounting, it is not recognized as a liability in governmental funds until amounts actually become due and payable; however, a liability is recognized in accrual basis government-wide statements as soon as the underlying event has occurred. Accordingly, as of June 30, 2021, the Virginia Resources Authority (major component unit) has recognized a liability of $3.3 million.

Amounts remitted to the Federal government for rebate liability are generally paid from earnings derived from the issue. However, if all proceeds have been expended and depending on the type of issue, it may be necessary to use project revenues or general or non-general fund appropriations to satisfy any rebate liability. During fiscal year 2021, no rebate payments were owed on the Commonwealth's General Obligation Bonds, Virginia Public Building Authority, Commonwealth Transportation Board, the Virginia College Building Authority 21st Century or Pooled Bond Programs, or the Virginia Port Authority.

Capital Leases

The Commonwealth leases buildings and equipment under various agreements that are accounted for as capital leases. The lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

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

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

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

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

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

As of June 30, 2021, assets purchased under capital leases were included in depreciable capital assets as

follows (dollars in thousands). The amounts are net of accumulated depreciation where applicable. For a portion of these assets, ownership will pass to the Commonwealth at the end of the lease term.

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

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

Notes Payable

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

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

The Virginia Public School Authority (major component unit) notes of $185.5 million are for the School Technology and Security Notes Program. The note proceeds were used to finance technology equipment purchases and to make grants to school divisions for the purchase of security equipment. The notes will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund (major special revenue).

An additional amount of $1.6 billion is comprised primarily of higher education institutions' (nonmajor component units) promissory notes with the Virginia College Building Authority (VCBA) (major component unit) to finance the construction of various higher education facilities pursuant to the Pooled Bond Program. Interest rates range from 0.5 percent to 5.6 percent and shall be paid semi-annually and the planned interest payments total $440.3 million. Additionally, in accordance with the American Recovery and Reinvestment Act, the Commonwealth expects to receive a Build America Bonds (BABs) interest subsidy to reimburse interest payments of $18.2 million. The final principal payment is due in fiscal year 2052.

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

Various foundations (component units) have notes outstanding as of year-end. The purpose of a majority of these notes is for property acquisition, working capital, and construction. Future principal payments as of June 30, 2021, are shown in the following table (dollars in thousands).

Foundations' Notes Payable (Component Units) (1)

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

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

Installment purchase obligations have been entered into by agencies and institutions of the Commonwealth. These agreements, other than those in the component units and certain institutions of higher education, contain nonappropriation clauses indicating that continuation of the installment purchase obligations is subject to funding by the General Assembly. Installment purchase obligations represent $224.8 million of the total outstanding debt of the Commonwealth. Presented in the following tables are repayment schedules for installment purchase obligations as of June 30, 2021.

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

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

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

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

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

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

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

On May 23, 2016, the Virginia Department of Transportation (VDOT) (primary government) and Chesterfield County (County) signed a memorandum of understanding concerning payment of interest relating to the County's contribution to VDOT for the construction of the Powhite Parkway Extension Project. The parties agreed that the interest to be paid by VDOT on the County's contribution to the construction of the Powhite Parkway Extension is $18.5 million. The interest requirement paid during fiscal year 2021 totaled $1.0 million. The remaining outstanding interest amount of $2.3 million is payable in annual installments on September 1 in the years 2021 to 2022. This interest is applicable to a note payable that VDOT repaid to the County in fiscal year 2014.

Lottery Prizes Payable

Lottery prizes are paid in 20, 25, 26, or 30 installments. The first installment is paid on the day the prize is claimed. The subsequent annual payments are funded with U.S. Treasury STRIPS purchased by the Virginia Lottery. For Life prizes payable represent estimated prizes payable monthly, quarterly or annually for the life of the winner based on life expectancy tables from the Virginia Bureau of Insurance, and funded with a pool of U.S. Treasury STRIPS.

Lottery prizes payable represent the future annual prize payments valued at cost plus accrued interest (current value of securities held to maturity) of the assets funding the payments.

Lottery prizes payable for the fiscal year ended June 30, 2021, are shown in the following table:

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

Educational Benefits Payable

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

As of June 30, 2021, educational benefits payable of $1.7 billion have been recorded for the Defined Benefit 529 program on the statement of net position for the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for the Defined Benefit 529 program. In addition, a receivable in the amount of $120.5 million has been recorded to reflect the actuarially determined present value of future payments anticipated from contract holders.

28. OTHER REVENUE

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

	Assessments and Receipts for Support of Special Services	Fines, Forfeitures, Court Fees, Penalties, and Escheats	Receipts from Cities, Counties, and Towns	Private Gifts, Grants, and Contracts	Sales of Property
Primary Government:					
General	$ 5,976	$ 228,545	$ 6,354	$ 481	$ 19,404
Major Special Revenue Funds:					
Commonwealth Transportation	22,005	20,697	957,476	9,285	56
Federal Trust	—	3,218	199	—	—
Literary	—	33,437	—	—	—
Nonmajor Governmental Funds	132,122	52,905	75,816	7,648	96,279
Major Enterprise Funds:					
Virginia Lottery	—	—	—	—	—
Unemployment Compensation	—	18	—	—	—
Nonmajor Enterprise Funds	—	15,026	—	—	—
Internal Service Funds	—	—	—	—	—
Private Purpose Trust Funds	—	—	—	—	—
Pension and Other Employee Benefit Trust Funds	—	—	—	—	—
Custodial Funds - Other	—	—	—	—	—
Total Primary Government	$ 160,103	$ 353,846	$ 1,039,845	$ 17,414	$ 115,739

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

Note (1): $116,216 (dollars in thousands) and $456,748 (dollars in thousands) are related to prior year expenditures refunded in the current fiscal year for the General Fund and Federal Trust, respectively, and $27,120 (dollars in thousands) is related to localities' share of capital funding for the Washington Metropolitan Area Transit Authority in the Commonwealth Transportation Fund. $162,717 (dollars in thousands) is related to proceeds from unclaimed property in the Unclaimed Property Fund, $83,676 (dollars in thousands) is related to indirect costs, reimbursable employee benefits, law enforcement services and court collection fees in the Other Special Revenue Fund, $34,207 (dollars in thousands) is related to welfare activity receipts in the Health and Social Services Special Revenue Fund, and the remaining $74,834 (dollars in thousands) is related to other miscellaneous activities in the nonmajor governmental funds.

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

29. TAX ABATEMENTS

GASB Statement No. 77, *Tax Abatements*, requires disclosures to be made for tax abatements. These arise from agreements between the Commonwealth and taxpayers and result in reduced tax revenue when the taxpayer promises to provide economic benefits to the Commonwealth. As of June 30, 2021, the Commonwealth participates in the following tax abatements programs in excess of $1.0 million. There are no provisions for recapturing abated taxes since the requirements must be met prior to receiving the abatement.

- The Retail Sales and Use Tax Data Center Exemptions are intended to attract data centers to the Commonwealth pursuant to Title 58.1-609.3(18) of the *Code of Virginia*. Qualifying entities may purchase or lease certain computer equipment, enabling software and other enabling hardware for use in the data center exempt from the retail sales and use tax. Each recipient's retail sales and use taxes are reduced by being able to purchase qualifying items for use in the data center without having to pay the retail sales and use tax on the purchase price. The amount of the abatement for each recipient is determined by multiplying the purchase price of the qualifying computer equipment, enabling software and other enabling hardware purchased by the recipient by the rate of the retail sales and use tax that would be imposed on the purchase if the exemption was not available. The rate of the retail sales and use tax is 6.0 percent in the Northern Virginia, Hampton Roads, and Central Virginia regions; 7.0 percent in the Historic Triangle region; 6.3 percent in the counties of Charlotte, Gloucester, Halifax, Henry, Northampton, and Patrick; and 5.3 percent in the remainder of the state. The exemption is available for data centers that (i) are located in a Virginia locality; (ii) result in a new capital investment of at least $150.0 million on or after January 1, 2009; and (iii) meet specified employment and salary requirements. On or after July 1, 2009, the data center or tenants must result in the creation of at least 50 new jobs paying at least one and one-half the prevailing average wage in the locality, or 25 new jobs paying at least one and one-half the prevailing average wage in the locality if the data center is located in a locality that has an unemployment rate for the preceding year of at least 150.0 percent of the average statewide unemployment rate or is located in an enterprise zone. Effective July 1, 2012, the exemption was extended to purchases and leases made by tenants of a data center that meets the requirements of the data center exemption.

  In order to qualify for the exemption, the data center operator must enter into a memorandum of understanding with the Virginia Economic Development Partnership Authority (nonmajor component unit). The exemption is scheduled to sunset June 30, 2035. The amount of abated taxes for fiscal year 2021 is $124.5 million.

- The Motion Picture Production Tax Credit is intended to encourage the filming of motion picture productions in the Commonwealth. Pursuant to Section 58.1-439.12:03 of the *Code of Virginia*, a motion picture production company with qualifying expenses of at least $250,000 may abate its individual income tax or corporate income tax liability by the amount of the Motion Picture Production Tax Credit. The amount of the tax credit is equal to (i) 15.0 percent of the production company's qualifying expenses or (ii) 20.0 percent of such expenses if the production is filmed in an economically distressed area of the Commonwealth. In addition to the credit for the qualifying expenses incurred by a motion picture production company, such company may receive an Additional Virginia Resident Credit and an Additional Virginia Resident First-Time Industry Employee Credit. The Additional Virginia Resident Credit equals (i) 10.0 percent of the total aggregate payroll for Virginia residents employed in connection with the production of a film in Virginia when total production costs in Virginia are at least $250,000, but not more than $1.0 million or (ii) 20.0 percent of the total aggregate payroll of such residents when total production costs in Virginia exceed $1.0 million. The Additional Virginia Resident First-Time Industry Employee Credit is equal to 10.0 percent of the total aggregate payroll for Virginia residents employed for the first time as actors or members of a production crew in connection with the production of a film in Virginia.

  The Motion Picture Production Tax Credit is a refundable tax credit. Therefore, if the amount of credit that a company is allowed to claim exceeds the company's tax liability for the taxable year, the excess amount of credit will be refunded to the company. Companies must have a memorandum of understanding with the Virginia Tourism Authority (nonmajor component unit) in order to participate in this program.

  The credit is scheduled to sunset January 1, 2027. The annual cap on the amount of credits granted for a fiscal year is $6.5 million, and this amount is expected to be claimed annually. While a motion picture production company may receive approval within a given year, the credits may not be claimed by the taxpayer until at the earliest, the filing of a return. The filing of a return often occurs in a fiscal year subsequent to the year during which a credit is granted. In addition, the Virginia Tourism Authority is allowed to issue and a taxpayer to claim credits in future fiscal years subject to certain conditions. Because of these timing differences between when tax credits are granted and when they are claimed, the credits claimed in a fiscal year may fluctuate compared to the $6.5 million annual cap. For fiscal year 2021, $5.8 million of income tax was abated.

30. PRIZES AND CLAIMS

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

(Dollars in Thousands)

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

31. OTHER EXPENSES

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

(Dollars in Thousands)

	Grants and Distributions To Localities	Expendable Equipment/ Improvements	Other (1)	Total Other Expenses
Proprietary Funds:				
Major Enterprise Funds:				
Virginia College Savings Plan	$ —	$ 415	$ 9,543	$ 9,958
Nonmajor Enterprise Funds	104	5,286	776	6,166
Total Enterprise Funds	$ 104	$ 5,701	$ 10,319	$ 16,124
Internal Service Funds	$ 2,117	$ 3,358	$ 15,383	$ 20,858
Fiduciary Funds:				
Pension and Other Employee Benefit Trust Funds (2)	$ —	$ —	$ 3,767	$ 3,767
Custodial Funds - Other (2)	$ —	$ —	$ 95	$ 95

Note (1): $9,543 (dollars in thousands) can be attributed to the Defined Benefit 529 Program for the SOAR scholarship program, Access and Affordability program, and other promotional scholarships. $13,850 (dollars in thousands) can be attributed to expenses related to insurance program expenses in the Risk Management internal service fund and $478,154 can be attributed to Affordable Care Act related fees in the Health Care Fund internal service fund.

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

32. OTHER NON-OPERATING REVENUE/EXPENSES

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

(Dollars in Thousands)

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

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

33. SPECIAL ITEM

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

34. TRANSFERS

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

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

Transfers are used to (1) move revenues from the fund that the *Code of Virginia* or budget requires to collect them to the fund that the *Code of Virginia* or budget requires to expend them; (2) move receipts restricted for debt service from the funds holding the resources to the debt service fund as principal and interest payments become due; and (3) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

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

35. ENDOWMENTS

Donor restricted endowments reside primarily within the higher education institutions. The net appreciation available for expenditure is $2.6 billion as of June 30, 2021. Of this amount, $2.5 million is reported as unrestricted net position and the remainder is reported as restricted net position. The *Code of Virginia* authorizes acceptance of donations. The governing boards of these entities and the donor agreements determine whether net appreciation can be spent and the accepted spending rate. These policies are entity specific and vary with each institution.

36. CASH FLOWS – ADDITIONAL DETAILED INFORMATION

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

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

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

37. TOBACCO SETTLEMENT AND SECURITIZATION

On November 23, 1998, 46 states' Attorneys General and the major tobacco companies signed a proposed settlement that reimburses states for smoking-related medical expenses paid through Medicaid and other healthcare programs. At the time of the settlement, it was estimated that the Commonwealth could receive approximately $4.1 billion over the duration of the settlement. The settlement was approved in a Consent Decree in December 1998. On March 29, 1999, the General Assembly enacted a law approving the establishment of the Tobacco Region Revitalization Commission (Commission) (nonmajor component unit), in compliance with the Consent Decree, to help communities in Virginia hurt by the decline of tobacco.

The Commission was established for the purposes of determining the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund. The monies are to be used to provide payments to tobacco farmers as compensation for the tobacco equipment and barns and lost tobacco production opportunities associated with a decline in quota. The monies are also to be used to revitalize tobacco dependent communities.

The General Assembly also created the Virginia Foundation for Healthy Youth (Foundation) (nonmajor component unit). The purpose of the Foundation is to determine the appropriate recipients of monies in the Virginia Tobacco Settlement Fund. The Foundation will also be responsible for distributing monies for the purposes provided in the legislation. Disbursements can be made to assist in financing efforts to restrict the use of tobacco products by minors, through educational and awareness programs describing the health effects of tobacco use on minors, and laws restricting the distribution of tobacco products to minors. Moneys from the fund can also be used to assist in financing efforts to reduce childhood obesity through such means as educational and awareness programs, implementing evidence based practices, and assisting schools and communities with policies and programs.

Additionally, the General Assembly created two special non-reverting funds. The Tobacco Settlement monies were accounted for in these funds and in the General Fund. Of the Settlement monies, 50.0 percent was deposited into the Tobacco Indemnification and Community Revitalization Fund at the Commission and 8.5 percent is deposited into the Virginia Tobacco Settlement Fund at the Foundation. The remaining 41.5 percent is reported in the General Fund.

Pursuant to Purchase and Sale Agreements executed in 2005 and 2007, the Commonwealth, acting as an agent on behalf of the Commission, sold the Commission's future right, title and interest in the Tobacco Settlement Revenues (TSRs) to the Tobacco Settlement Financing Corporation (Corporation) (related organization).

Consideration paid by the Corporation to the Commission for TSRs consisted of a cash amount deposited into an endowment to fund the long-term spending plan approved by the Commission. Bonds issued by the Corporation to finance the purchase price are asset-backed instruments secured solely by the Corporation's right to receive TSRs. At the time of issuance these revenues were expected to produce sufficient funds to repay the bond obligations issued by the Corporation.

The Commission is a nonmajor component unit of the Commonwealth, and the Corporation is disclosed as a related organization.

38. SERVICE CONCESSION ARRANGEMENTS

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, describes the criteria for when an arrangement is classified as a Service Concession Arrangement (SCA). The basic criteria are: the operator of the capital asset owned by the transferor has the right to provide services in exchange for significant consideration; the operator's revenue must come from a third party; the transferor must retain some level of control over the asset; and the transferor must receive significant residual interest at the conclusion of the arrangement.

Primary Government

The Commonwealth of Virginia has five SCAs as of June 30, 2021: Pocahontas 895, the 495 Express Lanes, Elizabeth River – Midtown Tunnel, the 95 Express Lanes, and the I-66 Outside the Beltway Express Lanes. They are all related to highway construction and operation and were established per the Public-Private Transportation Act of 1995, as amended (PPTA). PPTA project goals are to provide highway projects to the public in a timely and cost effective manner with private funding and support.

Pocahontas 895

On June 21, 2006, the Pocahontas Parkway Association (Association – previously reported as a blended component unit of the Virginia Department of Transportation (VDOT), part of primary government) signed an agreement with Transurban (895) LLC (Transurban). Under the terms of the agreement, all assets and rights of the Association under the Comprehensive Agreement with VDOT were transferred to Transurban. In exchange for the existing toll road and other assets, Transurban transferred sufficient funds and securities to pay or defease all outstanding bonds of the Association and pay all other outstanding obligations owed to VDOT. Additionally, Transurban agreed to construct an enhancement to the original toll road, and this enhancement was completed and placed in service in 2011.

During the 99-year agreement term, VDOT will have fee title or good and valid interest in the asset. VDOT retains the right of inspection of the asset and has outlined maximum toll charges and increases in the terms of the agreement. Capital assets of $337.2 million and deferred inflows of $483.5 million are included in the government-wide financial statements. No

contractual liabilities exist for this arrangement as of June 30.

During fiscal year 2014, the Transurban Board approved the transfer of Pocahontas 895 to the lenders of the asset due to lower revenues than anticipated. On May 15, 2014, DBi Services assumed control of Pocahontas 895. In December 2016, the majority owner of toll rights, Macquarie and other rights owners closed on the sale of 100.0 percent of the tolling rights to Globalvia. Macquarie CAF Management LLC, Pocahontas Holdings LLC and Meeko LLC entered into a Sale and Purchase Agreement with Pocahontas Parkway Holdings LLC and Magnolia Operations LLC (Globalvia Inversiones SAU Subsidiaries) (as the buyers) in September 2016. The acquisition was effective on December 20, 2016 after VDOT's approval.

VDOT approved Globalvia Operations USA LLC as the new O&M contractor (as defined in the Concession Agreement) and the O&M agreement between Globalvia Operations USA LLC and Pocahontas Parkway Operations LLC (company the concession agreement with VDOT was transferred to after the acquisition in December 2016) on December 2017. Globalvia Operations USA LLC replaced DBi as the new O&M contractor in February 2018.

Globalvia acquired the company that had, at that time, the agreement with VDOT to develop, finance, operate, manage the tolls and maintain Route 895-Pocahontas Parkway. The concession agreement period will end in 2105.

495 Express Lanes

On December 19, 2007, VDOT signed an 80-year public-private partnership agreement with Capital Beltway Express, LLC. The purpose of this agreement is to build new express lanes to provide users with a faster and more reliable travel option. The construction of the express lanes was completed in November 2012.

During the 80-year agreement, VDOT maintains regulatory control and jurisdiction of the express lanes. VDOT will have fee title or good and valid interest in the express lanes. The lanes will remain open for the public as long as the applicable tolls are paid. Capital assets of $747.5 million and deferred inflows of $939.6 million are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement.

On December 7, 2018, VDOT and Capital Beltway Express, LLC executed the Development Framework Agreement related to the northern extension of the 495 Express Lanes (495 NEXT), which is the approximately 2-mile extension of the existing express lanes from Route 738 to the vicinity of George Washington Memorial Parkway. As of June 2021, 495 NEXT is undergoing project development.

Elizabeth River – Midtown Tunnel

On December 5, 2011, VDOT signed a 58-year public-private partnership agreement with Elizabeth River Crossings OPCO, LLC. The purposes of this agreement are to design, build, finance, operate, and maintain a new Midtown Tunnel, adjacent to the existing Midtown Tunnel, provide improvements to the existing Midtown Tunnel and the Downtown Tunnel, and to provide various extensions and improvements of the Martin Luther King Jr. (MLK) Freeway and I-264. As of September 1, 2017, all project components of this agreement have reached substantial completion and are in service.

During the agreement, Elizabeth River Crossings OPCO, LLC will operate and maintain the road. The revenue source for the concessionaire will be toll collections, excluding the MLK Freeway, which will be used for maintenance, operating and return on investment for constructing the project. At the end of the 58-year term, control of and the rights to operate the facilities will revert back to VDOT. Capital assets of $868.8 million and deferred inflows of $849.1 million are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement. In July 2017, VDOT issued a Department Project Enhancement directive for Elizabeth River Crossings OPCO LLC, to design and build noise barrier walls for the MLK Freeway. After the Preliminary Field Inspection Plans were developed, VDOT took over to complete the project due to lower costs, estimated at $23.4 million. The design activities are well beyond Field Inspection Plans and submission of final plans for advertisement are projected to be in October 2022. In addition to these project enhancements, the Federal Highway Administration (FHWA) has also required an annual traffic study for the Value Pricing Pilot Program (VPPP) to monitor driver behavior, traffic volume, transit ridership, air quality, and availability of funds for transportation programs. VDOT is currently conducting a Year Four VPPP study at a cost of $142,000.

95 Express Lanes

On July 31, 2012, VDOT signed a 73-year public-private partnership agreement with 95 Express Lanes, LLC. This project will create approximately 29 miles of Express Lanes on I-95 in Northern Virginia. The project will also add capacity to the existing high occupancy vehicle (HOV) lanes. The construction of the express lanes was completed in December 2014.

During the agreement, 95 Express Lanes LLC will operate and maintain the road. The revenue source for the concessionaire will be toll collections which will be used for maintenance, operating and return on investment for constructing the project. At the end of the 73-year term, control of and the rights to operate the facilities will revert back to VDOT. The lanes will remain open for the public as long as the applicable tolls are paid. Capital assets of $515.1 million and deferred inflows of $574.6 million are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement.

During fiscal year 2016, the Commonwealth Transportation Board awarded a contract to design and

construct a reversible extension of the 95 Express Lanes at the southern terminus in Stafford County. The approximately 2.5-mile extension will carry traffic beyond the location where the 95 Express Lanes currently end. The construction began in fiscal year 2017 and lanes opened to traffic on October 31, 2017. This 2.5-mile extension resulted in an increased value of $25.7 million to the 95 Express Lanes SCA.

On June 8, 2017, an amended and restated Comprehensive Agreement was signed between VDOT and 95 Express Lanes LLC to include the scope of the project work for the I-395 northern extension. The Comprehensive Agreement was updated to include this addition to the project and payments to VDOT for transit improvements. VDOT reached commercial close with 95 Express Lanes LLC on June 8, 2017, and financial close was completed on July 25, 2017, for this project. Construction on the 8-mile I-395 extension began in summer of 2017 and opened to traffic on November 17, 2019. In consideration for the rights granted by VDOT to 95 Express Lanes LLC, solely in respect of the I-395 Project, 95 Express Lanes LLC made an up-front payment to VDOT of $15.0 million on the I-395 Project Service Commencement date. Deferred inflows of $14.6 million relating to the 395 Express Lanes are included in the fund financial statements. Additionally, as part of the up-front consideration, VDOT will receive an annual payment that escalates at a rate of 2.5 percent per annum set forth in the Amended and Restated Comprehensive Agreement (ARCA). Accordingly, accounts receivable of $1.0 billion and deferred inflows of $1.0 billion, relating to the present value of the annual installment payments are included in the fund financial statements. Capital assets of $278.7 million and deferred inflows of $293.6 million are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement.

In fiscal year 2017, planning was initiated on the additional extension of the Express Lanes from Garrisonville Road to Route 17 in Stafford County, which is about 10 miles. It will have direct connection with both the northbound and southbound Rappahannock River crossing projects, access points and operational improvements.

On April 18, 2019, a second amended and restated Comprehensive Agreement was signed between VDOT and 95 Express Lanes LLC to add the scope of the project work for the Fredericksburg Extension. The Comprehensive Agreement was updated to include payments to VDOT. At financial close on April 30, 2019, 95 Express Lanes LLC made a $45.0 million Initial Permit Fee Buyout Payment. The Concessionaire also provided a right of way cost deposit of $2.5 million and $4.0 million for southbound Rappahannock River Crossing work overlap funding. Deferred inflows of $49.8 million are included in the fund financial statements. VDOT received an additional $65.9 million from 95 Express Lanes LLC at the additional financial close in July 2019, which is a sum of $11.5 million Private Activity Bonds (PABs) payment and $54.4 million design-build price protection benefits. At service commencement, the concessionaire will make payment of $232.0 million Final Permit Fee Buyout Payment as set forth in the second amended and restated Comprehensive Agreement. Deferred inflows of $63.9 million are included in the fund financial statements. As of June 2021, the Fredericksburg Extension project is under construction.

I-66 Outside the Beltway Express Lanes

On December 8, 2016, a 50-year Public Private Partnership Agreement (the Agreement) between VDOT, the Department of Rail and Public Transportation (DRPT), and private partner, I-66 Express Mobility Partners LLC, was signed.

The $2.2 billion I-66 Outside the Beltway Project with Express Mobility Partners is to build express lanes on I-66 outside the I-495 Capital Beltway. During the 50-year Agreement, VDOT maintains regulatory control and jurisdiction of the express lanes. VDOT will have fee title or good and valid interest in the express lanes. The purpose of this Agreement is to build new express lanes to provide users with a faster and more reliable travel option.

The I-66 Outside the Beltway Project will include 22.5 miles of new express lanes alongside three regular lanes from I-495 to University Boulevard in Gainesville, Virginia. The project will also provide new and improved bus service and transit routes, new and improved park and ride lots, and interchange improvements to enhance safety and reduce congestion.

Express Mobility Partners will be responsible for all costs to design, build, operate and maintain the I-66 Express Lanes, without any upfront public contribution.

Financial close on the project occurred on November 9, 2017. Construction work continued on the project during fiscal year 2021. The express lanes will open to traffic at the end of 2022. These lanes will remain open for the public as long as the applicable tolls are paid. Liabilities for VDOT from the Agreement are contingent on specific events occurring pursuant to the Agreement.

Express Mobility Partners provided $578.9 million during fiscal 2018, as an up-front concession payment to VDOT. Pending approval by the Commonwealth Transportation Board, these funds will be used for project oversight by VDOT, contingency risk during construction that is released during the construction period, and projects in the corridor as selected by the Commonwealth Transportation Board. Deferred inflows of $536.5 million are included in the fund financial statements.

Additional consideration to be provided by Express Mobility Partners includes several components of the permit fee established in the Agreement. A description of these components and the stipulations around receiving is provided below.

Express Mobility Partners is required to pay VDOT a permit fee that consists of transit funding payments,

support for corridor improvements, and revenue sharing as further described below.

The transit funding payment portion of the permit fee that becomes due during the operating period will be payable after debt service and required reserve accounts, and will be subject to the lock-up provisions required in the Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Agreement, but prior to support for corridor improvements and distributions. If funds are insufficient to make scheduled transit funding payments at the time due, such payments or any unpaid portion thereof will be considered past due and will remain due and payable without interest charges. In fiscal year 2021, VDOT received an up-front payment of $21.3 million to be used for transit investments, and $21.2 million of deferred inflows are included in the fund financial statements.

The support for corridor improvements is to be paid as indicated in the Agreement. Amounts to be paid annually are contingent on actual toll revenues. At the end of the term of the Agreement, any unpaid balance of these payments is to be forgiven or cancelled.

Express Mobility Partners will make revenue sharing payments in amounts calculated based on actual cumulative net present value of gross revenue at the end of each year of the Agreement. The percentage of gross revenue to be paid by Express Mobility Partners to VDOT increases in accordance with a five-tier revenue sharing scale. Revenue sharing payments do not have to be made if transit funding payments or support for corridor improvements are past due or unpaid.

Additional information on these payments can be found in the Agreement executed between VDOT, DRPT, and Express Mobility Partners.

Component Units

Aramark – Dining Services

During the year ended June 30, 2015, the University of Virginia (nonmajor) entered into an agreement with Aramark Educational Services, LLC (Aramark) for Aramark to provide dining services to the University. In return for use of University facilities, Aramark is required to make certain payments to the University and the University is required to provide certain repair and maintenance services related to the facilities during the term of the agreement. The University also receives a yearly minimum guarantee on dining and vending commissions and has a minimum guaranteed profit split on residential and athletics services regardless of gross sales. As of June 30, 2021, the University has accrued $125.7 million in current and noncurrent receivables and a $179.4 million deferred inflow of resources related to the service concession arrangement.

39. INFORMATION TECHNOLOGY INFRASTRUCTURE

The Commonwealth is into its third or fourth contract year, depending on when services commenced, with all of its current IT service providers. This includes SAIC for Multi-Services Integrator (MSI) services, Atos for managed security services, Xerox for managed print services, Iron Bow for end-user services, Unisys for server and data center services, and Verizon for voice and data network services. The Commonwealth has recently executed a new contract with NTT DATA (NTT) to transition existing messaging services by December 2021 from its current service provider, Tempus Nova, to NTT. With a multi-services integrator (MSI) model in effect, the Commonwealth will continuously pursue new and additional IT service providers to ensure that the Commonwealth has a competitive portfolio of IT suppliers that deliver modern cost-effective technology services. The contract terms range from three years to six years, with additional renewal options on each.

Expenses in fiscal year 2021 associated with the new service providers were $221.0 million. The Commonwealth expects to spend an additional $578.0 million over the remaining life of these contracts with the current portfolio of suppliers.

40. CONTINGENCIES

A. Grants and Contracts

The Commonwealth has received federal grants for specific purposes that are subject to review and audit by the grantor agencies or their auditors. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Commonwealth. The increased federal funding related to the COVID-19 pandemic could impact future liabilities.

Institutions of higher education (component units) and other state agencies are required to comply with various federal regulations issued by the Office of Management and Budget, if such agencies are recipients of federal grants, contracts, or other sponsored agreements. Failure to comply with certain requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. It is believed that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the Commonwealth.

The U.S. Department of Health and Human Services (DHHS) Office of the Inspector General conducted a review and indicated that the Commonwealth's Statewide Indirect Cost Allocation Plan rates have allowed over-recoveries and transfers in the internal service funds and portions

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

Additionally, the DHHS has received the 2017 and 2016 payback schedules which are based on fiscal year 2016 and 2015 data, respectively. Further, the Commonwealth has computed payback schedules for 2021, 2020, 2019 and 2018 which are based on fiscal years 2020, 2019, 2018 and 2017 data, respectively. The Commonwealth has computed a liability of $47.5 million representing the amounts owed to the federal government for internal service fund over-recoveries and transfers, as well as the federal share of various rebates received. This amount has been reflected in the accompanying financial statements.

The Virginia Tourism Authority (nonmajor component unit) had unclaimed awards totaling $3.1 million payable to awardees upon submission of proper claims for reimbursement for the Marketing Leverage Program. Additionally, property at the Virginia/Maryland border to be used for the Gateway Welcome Center was donated to the Authority in July 2008. The deed to the property includes a covenant requiring any or all land to revert to the U.S. Government should it become needed for national defense. The net book value of the property as of June 30, 2021 was $810,950.

B. Litigation

The Commonwealth is named as a party in legal proceedings and investigations that occur in the normal course of governmental operations, some involving substantial amounts. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the Commonwealth in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits or investigations will not have a material, adverse effect on the financial condition of the Commonwealth.

C. Subject to Appropriation

Both the primary government and the discretely presented component units enter into agreements and issue debt secured solely by future appropriations from the General Fund of the Commonwealth. The primary government has leases and other agreements of such debt of $3.5 billion. The discretely presented component units have such debt of $5.1 billion.

D. Bailment Inventory

The Virginia Alcoholic Beverage Control Authority (ABC) houses and controls bailment inventory in the warehouse and is therefore responsible for the exercise of reasonable care to preserve the inventory until it is purchased by ABC or returned to the supplier. ABC uses the bailment system for payment of merchandise for resale. ABC initiates payments to the vendors based on shipments from the ABC warehouse to the retail stores, rather than receipt of invoice from the vendor. As of June 30, 2021, the bailment inventory was valued at $71.5 million.

E. Loan Guarantees

The Virginia Small Business Financing Authority (VSBFA) (nonmajor component unit) has a loan guaranty program which provides guarantees up to the lesser of $750,000, or 75.0 percent, of a bank loan for lines of credit and short-term working capital loans for small businesses as defined by Section 2.2-2285 of the *Code of Virginia*. The relationship of the Commonwealth to the issuer or issuers of the obligations are private banks that contact VSBFA to obtain guarantees if they deem it necessary to approve the loan. The VSBFA staff underwrites the request for guarantees and approves applications of $500,000 or less with subsequent ratification by the Board of Directors. The Board of Directors approves applications in excess of $500,000. The maximum term of support for guarantees is up to five years for lines of credit and seven years for term loans. In the event the small business borrower fails to repay a loan guaranteed through the program, the originating bank lender exercises its rights against the collateral and the guarantors of the loan and proceeds from the sale of the collateral are applied to the loan. In the event the originating bank lender incurs a deficiency principal balance, the bank submits a claim to VSBFA under the program. If a claim payment is subsequently paid under the program, VSBFA retains the right to pursue collection from the borrower or the guarantor to the extent possible and provided that neither the borrower nor the guarantor has been adjudicated bankrupt. VSBFA submits collections to the Office of the Attorney General, Division of Debt Collection for legal action and collection of debt. As of June 30, 2021, the loan guaranty program has guarantees outstanding of $5.1 million.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* requires that certain information be disclosed regarding selected nonexchange financial guarantees. As of June 30, 2021, the VSBFA recognized a nonexchange financial guarantee liability of $101,718. This is a decrease of $31,114 from the beginning balance of $132,832. There were no required payments made during fiscal year 2021. Additionally, there have been no cumulative

amounts paid on these outstanding loan guarantees nor are there any expected recoveries.

F. Regional Wet Weather Management Plan

Hampton Roads Sanitation District (HRSD) (nonmajor component unit) is party to a federal consent decree with the federal and state governments (the Consent Decree), which requires the HRSD to evaluate the wet weather capacity of the regional sewer system, including collection systems owned by 14 of the localities which the HRSD serves in the Hampton Roads area. Based upon that evaluation, the HRSD, in consultation with the localities, is required to develop a regional wet weather management plan (RWWMP) for submittal to the federal and state environmental agencies for their approval.

The HRSD and the localities believe that addressing wet weather capacity issues from a regional perspective will result in the most affordable and cost-effective approach for rate payers throughout the region. Toward that end, the HRSD and the localities entered into a legally binding Memorandum of Agreement in March of 2014 (the MOA). The MOA commits HRSD to (1) develop the RWWMP in consultation with the localities, (2) fund the approved plan through a regional rate imposed on all regional ratepayers, (3) design and construct the necessary improvements, and (4) assume responsibility for wet weather capacity throughout the region in each area once the RWWMP is implemented. In exchange, the localities have agreed to (1) cooperate with the HRSD, (2) facilitate the construction of and accept ownership of any improvements which the HRSD may need to construct in the localities' systems, and (3) maintain the integrity of their systems to industry standards. The Consent Decree and MOA also contemplate that the localities' obligation to maintain the integrity of their sewer systems to industry standards was embodied in a State administrative order. While the HRSD is preparing the RWWMP, the Consent Decree also requires the HRSD to implement approximately $200.0 million in priority capital system upgrade projects over a 10-year period, which is included in the capital improvement and expansion program. The HRSD is on schedule to complete these projects. The HRSD has a major capital improvement and expansion program funded through the issuance of debt and its own resources. As of June 30, 2021, the HRSD has outstanding commitments for contracts in progress of approximately $583.0 million.

41. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

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

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

42. SUBSEQUENT EVENTS

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

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

Additionally, the federal government passed the American Rescue Plan Act (ARP Act) to respond to the COVID-19 emergency and bring back jobs. Part of the assistance provided by the ARP Act was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF), representing $350.0 billion to states, local, territorial, and Tribal governments. The CSLFRF was launched to provide much-needed relief to support urgent COVID-19 response efforts to continue to decrease the spread of the virus and bring the pandemic under control; replace lost revenue for eligible state, local, territorial, and Tribal governments to strengthen support for vital public services and help retain jobs; support immediate economic stabilization

for households and businesses; and address systemic public health and economic challenges that have contributed to the inequal impact of the pandemic. Recipients may use funds to cover costs incurred during the period beginning March 3, 2021, and ending December 31, 2024, for one or more authorized purposes.

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

Primary Government

Debt

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

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

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

Other

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

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

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

Component Units

Debt

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other

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

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