

A REPORT TO THE CITIZENS OF THE COMMONWEALTH

Popular Annual Financial Report for the Fiscal Year Ended June 30, 2021

Commonwealth of Virginia

FINANCIAL PERSPECTIVE

December 15, 2021

K. Joseph Flores
Secretary of Finance

Ralph S. Northam
Governor

David A. Von Moll
Comptroller



EXECUTIVE SUMMARY

Purpose of this Report

The purpose of this report is to summarize and simplify the presentation of information contained in the Annual Comprehensive Financial Report (ACFR) of the Commonwealth of Virginia. The Commonwealth's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and are independently audited by the Auditor of Public Accounts. Much of the information in the audited financial statements is necessarily technical and complex. As a result, the full financial statements may not be particularly useful to the citizens of the Commonwealth who wish to better understand state government finances.

Virginia began issuing simplified financial reports in 1991. These reports, commonly referred to as *popular reports*, are intended to better inform the public about their government's financial condition, without excessive detail or the use of technical accounting terms.

This report summarizes and explains the information contained in the financial statements for fiscal year 2021 in easily understood terms. This report represents the ongoing commitment of Commonwealth officials to keep Virginia's citizens informed about state finances and to be accountable, in all respects, for the receipt and expenditure of public funds.

INCLUDED IN THIS REPORT:

- Virginia's Economy**
- Financial Statement Information**
- Commonwealth Statement of Net Position and Statement of Activities**
- General Fund**
- Commonwealth Transportation Fund**
- Alcoholic Beverage Control Fund**
- Virginia College Savings Plan Fund**
- Virginia Lottery Fund**
- Debt Administration**
- Award for Outstanding Achievement in Popular Annual Financial Reporting**
- Organization of Government**

Virginia's Economy

During the fiscal year, many of the restrictions imposed to slow the COVID-19 virus transmission were relaxed, vaccines were introduced, federal fiscal stimulus and relief spending was rolled out, and consumers began to resume normal routines. Meanwhile, the Federal Reserve continued to be accommodative in its policy. Thus, many measures of economic activity such as gross domestic product, personal income, and consumer spending showed improvement. Meanwhile, housing demand was buoyed by low mortgage interest rates and increased consumer demand for suburban homes for remote work. Home prices jumped due to increased demand and restricted inventory, while housing construction rose. However, scars remained on the labor market due to the residual effects of the pandemic on demand and supply. Nonfarm employment dropped, and unemployment rose in all but a handful of localities. Average employment growth is expected to resume next fiscal year as the economy continues to improve.

Figure 1
Virginia Economic Indicators

	FY 2020	FY 2021
Real Gross Domestic Product	-0.8%	1.2%
Personal Income	3.5%	4.1%
Nonfarm employment	-1.6%	-2.5%
Average Unemployment Rate	4.3%	5.6%

1.2%

Gross Domestic Product

Gross Domestic Product (GDP) is the broadest measure of overall economic activity. It represents the value of all finished goods and services produced in the economy. GDP grew in Virginia by 1.2 percent in fiscal year 2021 after slipping by -0.8 percent in fiscal year 2020 due to the pandemic.

4.1%

State Personal Income

State personal income growth improved to 4.1 percent in fiscal year 2021 from 3.5 percent in fiscal year 2020. This growth was partly due to continued federal pandemic fiscal stimulus and relief. Wages and salaries, which make up the majority of total personal income, grew 2.5 percent in fiscal year 2021, an improvement over the 1.7 percent growth rate in fiscal year 2020.

-2.5%

State Non-farm Payroll Employment

During fiscal year 2021, Virginia's changes in non-farm employment generally mirrored those of the U.S., with losses in almost all sectors. Leisure/hospitality and state/local government had the largest losses. Several sectors added jobs during the fiscal year, including transportation and utilities, federal government, retail trade and construction. The new jobs were small in comparison to jobs lost.

5.8%

Taxable Sales Rate

Taxable sales data are used as a proxy for retail sales, even though they do not include motor vehicle or motor fuel sales, yet do include sales at restaurants and lodging places. During fiscal year 2021, taxable sales increased by 5.8 percent, the largest increase in over 14 years.

Virginia's Economy, *continued*

Overall, Virginia's economy improved in fiscal year 2021, though some residual effects of the COVID-19 recession were still evident in labor market indicators. The broadest measure of economic activity, state gross domestic product (GDP), increased after falling the year before. Wages and salary growth, in addition to federal relief programs, contributed to higher personal income. Higher incomes combined with relaxation of restrictions imposed to slow the COVID-19 virus transmission and vaccine rollouts helped boost consumer spending, reflected in increased state taxable sales. The Virginia housing market also continued to improve during the fiscal year. Existing home sales, building permit issuance, and housing prices increased over the previous year, with housing price appreciation approaching rates of increase last seen during the real estate bubble that peaked in 2006.

By the end of fiscal year 2021, the nation's economy saw conditions return to a more familiar pattern of lower unemployment and stable growth. Economic growth is expected to continue into the next fiscal year as consumer spending ramps up due to pent up demand for services, substantial savings accumulated during the pandemic, and the effects of federal fiscal stimulus. Businesses will need to fill depleted inventories, and homebuilders will respond to rising housing demand. However, new challenges are on the horizon, including the spread of the "Delta Variant," which created a new wave of increased COVID-19 caseloads that threatened to slow consumer spending, supply chain bottlenecks in various areas of the economy, business difficulties finding workers, and an uptick in inflation. In addition, the Federal Reserve is expected to rein in its accommodative monetary policy, resulting in higher interest rates.

*Economic data and review prepared by the
Weldon Cooper Center for Public Service
at the University of Virginia*



Colonial Williamsburg
Photo by Sarah Hauser

Financial Statement Information

Virginia state government reports on its finances on the basis of a *fiscal year*, which starts on July 1 and ends the following June 30. All information presented in this report is for fiscal year 2021 (FY 2021), which began on July 1, 2020, and ended on June 30, 2021.

Virginia's financial information is prepared by the Department of Accounts, an executive branch agency, under the direction of the Governor and the Secretary of Finance. The information is then audited by the Auditor of Public Accounts, who is an official of the legislative branch of government. In this way, the audit process is independent. The financial information for FY 2021 was audited and received an unmodified auditor's opinion.

Virginia accounts for its financial operations through government-wide financial statements and fund financial statements (governmental, proprietary, and fiduciary).

Government-wide Highlights:

- The primary government's (Commonwealth's) assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2021, by \$33.7 billion. Net position of governmental activities (i.e., general fund, special revenue funds) increased by \$4.4 billion and net position of business-type activities (enterprise funds) increased by \$153.0 million.

Fund Highlights:

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

Long-term Debt:

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

Information is presented in this report on the GAAP basis of accounting. This means the data was compiled using the standardized set of reporting principles that have been established for all state and local governments.

This Popular Report contains information from only selected funds and accounts and does not include information of the state's discrete component units. Component units are legally separate entities that are accountable to the state. Some examples of component units are the public higher education institutions.

The full financial statements of the Commonwealth of Virginia, together with other economic and demographic information, are published in Virginia's Annual Comprehensive Financial Report, or ACFR. If you would like to view the ACFR, it is available for download at <https://www.doa.virginia.gov/reports/ACFReport/2021-ACFReport.shtml>.

Commonwealth Statement of Net Position and Statement of Activities

A *Statement of Net Position* summarizes all of the assets and deferred outflows of resources, and all the liabilities and deferred inflows of resources, with the difference reported as net position.

- At the end of FY 2021, Virginia had *assets and deferred outflows of resources* (i.e., cash, investments, property, receivables, and consumption of assets applicable to future reporting periods) of \$73.7 billion. These assets were partially offset by *liabilities and deferred inflows of resources* (i.e., amounts owed by the state to others and acquisition of assets applicable to future reporting periods) of \$40.0 billion.
- This left state government with a net position (the amount left after liabilities and deferred inflows of resources are subtracted from assets and deferred outflows of resources) of \$33.7 billion, an increase of 15.7 percent over fiscal year 2020. The increase was primarily due to increases in cash, investments, and capital assets.

Figure 2 is a condensed Statement of Net Position for the Commonwealth as of June 30, 2021.

Figure 2 Statement of Net Position

As of June 30, 2021
Dollars in Millions

	Primary Government			FY 2020 Total as restated (Informational Only)
	Governmental Activities	Business-type Activities	FY 2021 Total	
Assets and Deferred Outflows of Resources	\$ 68,961	\$ 4,693	\$ 73,654	\$ 63,805
Liabilities and Deferred Inflows of Resources	37,226	2,761	39,987	34,714
Net Position	\$ 31,735	\$ 1,932	\$ 33,667	\$ 29,091



Kayaking on Claytor Lake
Photo by Sam Dean

Commonwealth Statement of Net Position and Statement of Activities - continued

The Statement of Activities (**Figure 3**) summarizes information showing how the state’s net position changed during the fiscal year.

- Total net position increased by \$4.6 billion. The net position of the governmental activities increased \$4.4 billion, or 16.2 percent, primarily due to increases in cash and investments in the General Fund and increases in capital assets offset by increases in total liabilities. Business-type activities had an increase of \$153.0 million, or 8.6 percent.
- Virginia recognized \$37.7 billion in program revenues and \$31.8 billion in general revenues, which was used to pay for \$64.9 billion of expenses.
- Program revenues are receipts that can be identified with specific expenses and are used to pay those expenses. Most of these receipts comes from user fees, charges to purchase items, and federal funding. General revenues consist primarily of tax revenue, as well as any other revenue that does not meet the definition of program revenue.

Figure 3
Statement of Activities
 For the Fiscal Year Ended June 30, 2021
Dollars in Millions

	Primary Government			FY 2020 Total as restated (Informational Only)
	Governmental Activities	Business-type Activities	FY 2021 Total	
Program Revenues:				
Charges for Services	\$ 2,779	\$ 6,230	\$ 9,009	\$ 7,012
Operating Grants and Contributions	26,952	257	27,209	19,237
Capital Grants and Contributions	1,390	77	1,467	1,473
Total Program Revenues	31,121	6,564	37,685	27,722
Expenses	59,526	5,383	64,909	54,059
Net (Expenses) Revenues	(28,405)	1,181	(27,224)	(26,337)
General Revenues	31,788	12	31,800	28,128
Transfers and Other Items	1,040	(1,040)	-	-
Change in Net Position	4,423	153	4,576	1,791
Net Position - July 1, as restated	27,312	1,779	29,091	27,300
Net Position - June 30	\$ 31,735	\$ 1,932	\$ 33,667	\$ 29,091

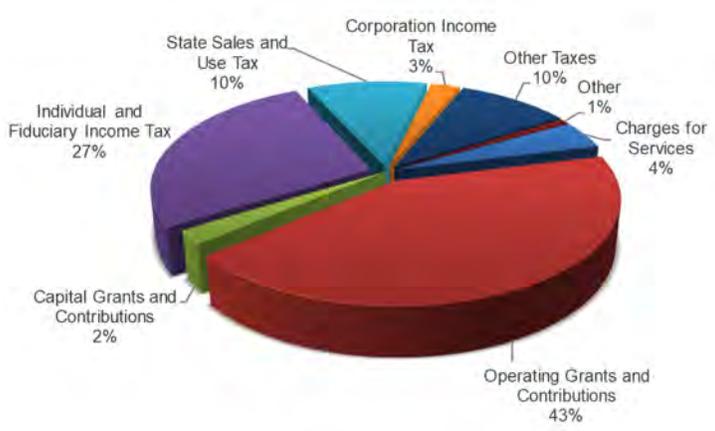
Commonwealth Statement of Net Position and Statement of Activities - continued

Although the total equity of Virginia is substantial and confirms the overall financial health of the Commonwealth, it is equally important to look at the financial condition of some of the individual *funds*. Governmental activities represent activities associated with the taxes and fees charged by most state agencies. Business-type activities are those like the Virginia Lottery that operate like a business.

Governmental Activities Revenues

The following is a graphical representation of the Statement of Activities (**Figure 4**) revenues for governmental activities.

Figure 4
Revenues by Source – Governmental Activities
FY 2021



Governmental Activities Expenses

The following is a graphical representation of the Statement of Activities (**Figure 5**) expenses for governmental activities.

Figure 5
Expenses by Type – Governmental Activities
FY 2021

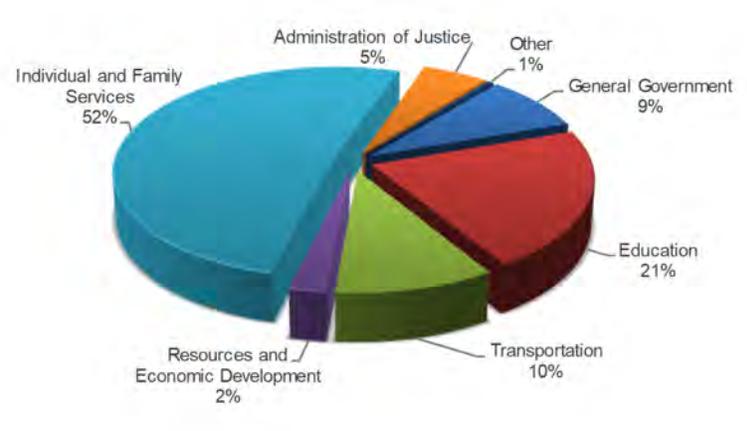
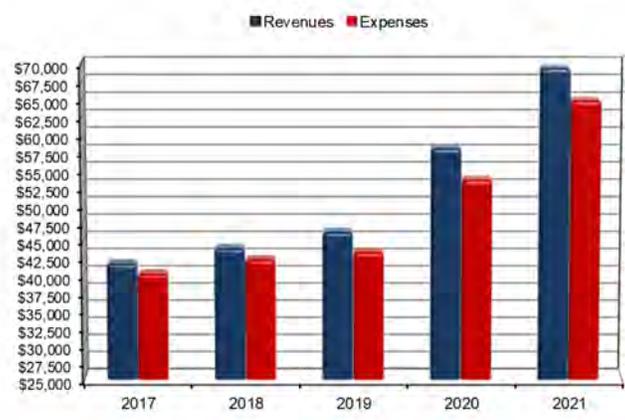


Figure 6 represents financial trend information for primary government (governmental and business-type activities) to help the reader understand how the Commonwealth’s financial performance has changed over time.

Figure 6
Primary Government Total Revenues and Expenses

(Dollars in Thousands)
FY 2017– FY 2021



Commonwealth Statement of Net Position and Statement of Activities - continued

The following table (dollars in millions) summarizes the Commonwealth's revenue and expenses by major source and category for the current and previous two fiscal years (as restated). For the Governmental Activities, the Operating Grants and Contributions and expense differences between the current and prior fiscal year are primarily due to the receipt and disbursement of federal monies received for support to individuals and families to help offset the economic difficulties caused by the COVID-19 pandemic. The tax increases in fiscal year 2021 resulted from a strong recovery in Virginia as the COVID-19 pandemic restrictions were lifted. The largest increases came from income and sales taxes. For the Business-type Activities, the Virginia Lottery had significantly higher sales, which were offset by expenses during the current year.

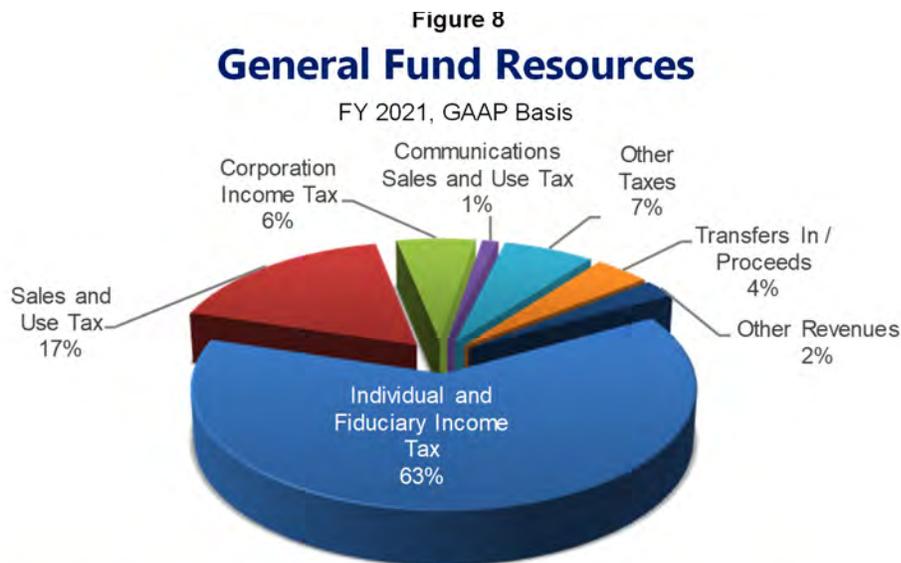
**Figure 7
Three Year Comparison of Revenues and Expenses**

	2019	2020	2021	2021/2020 Variance Positive (Negative)
Expenses				
Governmental Activities:				
General Government	\$ 3,291	\$ 4,018	\$ 5,107	\$ (1,089)
Education	11,097	11,535	12,766	(1,231)
Transportation	4,921	5,555	6,148	(593)
Resources and Economic Development	1,036	1,158	1,423	(265)
Individual and Family Services	16,586	24,120	30,575	(6,455)
Administration of Justice	2,946	3,169	3,235	(66)
Interest and Charges on Long-term Debt	257	262	272	(10)
Total Governmental Activities Expenses	40,134	49,817	59,526	(9,709)
Business-type Activities:				
Virginia Lottery	1,643	1,542	2,484	(942)
Virginia College Savings Plan	61	56	124	(68)
Unemployment Compensation	274	1,246	1,199	47
Alcoholic Beverage Control	699	792	904	(112)
All Other Enterprise	649	606	672	(66)
Total Business-type Activities Expenses	3,326	4,242	5,383	(1,141)
Total Primary Government Expenses	\$ 43,460	\$ 54,059	\$ 64,909	\$ (10,850)
Program Revenues				
Governmental Activities:				
Charges for Services	\$ 2,802	\$ 2,697	\$ 2,779	\$ 82
Operating Grants and Contributions	10,957	19,170	26,952	7,782
Capital Grants and Contributions	1,528	1,463	1,390	(73)
Total Governmental Activities Program Revenues	15,287	23,330	31,121	7,791
Business-type Activities:				
Charges for Services	4,597	4,315	6,230	1,915
Operating Grants and Contributions	-	67	257	190
Capital Contributions	-	10	77	67
Total Business-type Activities Program Revenue	4,597	4,392	6,564	2,172
Total Primary Government Program Revenues	\$ 19,884	\$ 27,722	\$ 37,685	\$ 9,963
General Revenues				
Governmental Activities:				
Taxes:				
Individual and Fiduciary Income	\$ 14,896	\$ 15,666	\$ 17,067	\$ 1,401
Sales and Use	5,458	5,721	6,527	806
Corporation Income	951	1,074	1,579	505
Motor Fuel Related	2,056	2,053	2,541	488
Other Taxes	2,471	2,831	3,554	723
Investment Earnings	239	247	37	(210)
Miscellaneous	429	525	483	(42)
Total Governmental Activities	26,500	28,117	31,788	3,671
Business-type Activities:				
Other Taxes	9	9	9	-
Investment Earnings	2	2	1	(1)
Miscellaneous	-	-	2	2
Total Business-type Activities	11	11	12	1
Total Primary Government General Revenues	\$ 26,511	\$ 28,128	\$ 31,800	\$ 3,672

General Fund

During FY 2021, the General Fund received \$27.2 billion in resources. **Figure 8** illustrates the various revenue sources.

- Individual and fiduciary income taxes accounted for 63.0 percent of the resources, while sales and use taxes made up 17.0 percent. These revenues plus other revenues totaled \$26.1 billion, or 95.9 percent.
- The remaining monies totaling \$1.1 billion came from other sources, such as transfers from other funds, including alcoholic beverage sales.
- Revenues (not including transfers) increased by \$2.7 billion from FY 2020. This revenue change results from increases of \$2.9 billion primarily attributable to income taxes, sales and use taxes, tobacco product tax and tobacco master settlement receipts.
- These increases were offset by decreases of \$255.9 million primarily attributable to interest and dividends.

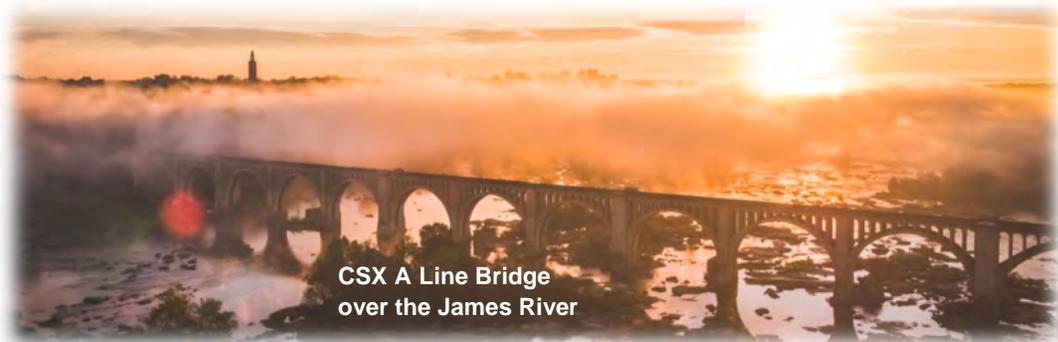
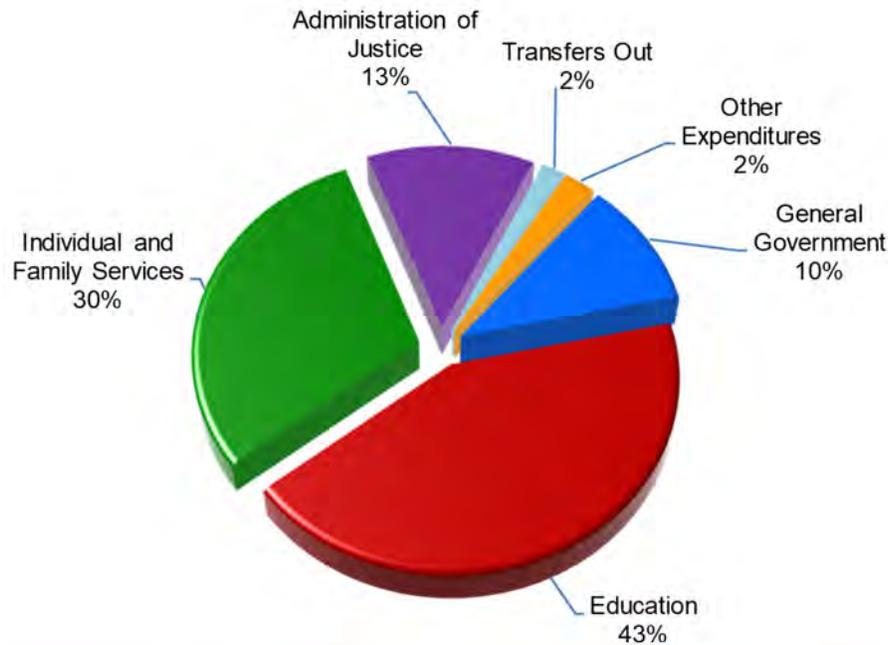


General Fund, continued

- General Fund disbursements, including transfers, for FY 2021 (**Figure 9**) totaled \$23.4 billion.
- Expenditures totaled \$23.0 billion and transfers to other funds were \$414.8 million. Education, including direct aid for primary and secondary schools as well as support for public college and universities, accounted for 43.0 percent.
- Support for social services, Medicaid, public health, and mental health consumed 30.0 percent of the General Fund. Disbursements for public safety were 13.0 percent, while only 10.0 percent was used to support the administration of general governmental operations.
- Expenditures (not including transfers) increased by \$833.4 million over the prior year. This was primarily attributable to increases in education and individual and family services expenditures of \$534.0 million and \$293.8 million, respectively.
- Net other financing sources and uses increased by \$224.2 million, which is primarily due to higher transfers in from nongeneral funds and a decrease in transfers out to nongeneral funds.

Figure 9
General Fund Disbursements

FY 2021, GAAP Basis



CSX A Line Bridge
over the James River

General Fund, continued

While the Commonwealth operates on the cash basis of accounting, GAAP accounting requires that Virginia recognize certain assets and liabilities that are not recognized on the cash basis of accounting. Therefore, the Commonwealth’s GAAP basis financial statements differ from the cash basis of accounting. Overall, the additional liabilities recognized under GAAP exceeded the additional assets, reducing fund balance to a greater degree than is recognized on a cash basis of accounting. Several future liabilities are particularly significant.

- One is for *tax refunds payable* on returns filed in FY 2021 and paid during the months of July and August following year-end close of \$481.5 million.
- Another is estimated *Medicaid claims payable* of \$472.2 million, which represents medical services rendered in prior years that will not be paid for until FY 2022. These amounts are summarized in **Figure 10** that compares the General Fund on a cash and GAAP basis of accounting.

Figure 10
Analysis of General Fund Balance
Cash Basis versus GAAP Basis

For Fiscal Years Ended June 30, 2021 and 2020

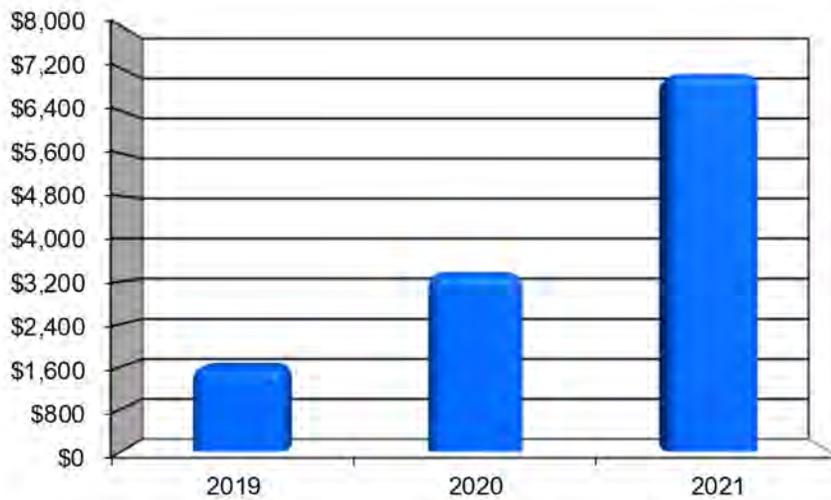
Dollars in Millions

	FY 2021	FY 2020
Fund Balance, Cash Basis	\$ 7,505.1	\$ 3,524.6
ADD:		
Sales Taxes Receivable	292.0	264.2
Other Taxes Receivable	844.0	923.7
Other Receivables	1,266.4	1,329.4
Inventory/Prepaid Items	147.1	107.2
Other Accrued Items	117.7	149.8
Nonexchange Transactions Not Meeting Time Requirements	0.2	0.2
Total to be Added	2,667.4	2,774.5
LESS:		
Tax Refunds Payable	481.5	408.0
Medicaid Claims Payable	472.2	399.1
Sales Taxes Due to Localities	344.0	313.0
Other Accrued Items	679.0	682.5
Revenues Considered Unavailable	1,086.8	1,147.7
Total to be Subtracted	3,063.5	2,950.3
Difference	(396.1)	(175.8)
Fund Balance, GAAP Basis	\$ 7,109.0	\$ 3,348.8

General Fund, continued

- Fund balance increased to \$7.1 billion, compared to a balance of \$3.3 billion in FY 2020. **(Figure 11).**
- The increase in the General Fund balance from FY 2020 to FY 2021 is primarily due to increases in individual income taxes, sales and use taxes, and deeds, contracts, wills, and suits taxes offset by increases in education and individual and family services expenditures.

Figure 11
General Fund Balance
(Dollars in Millions)



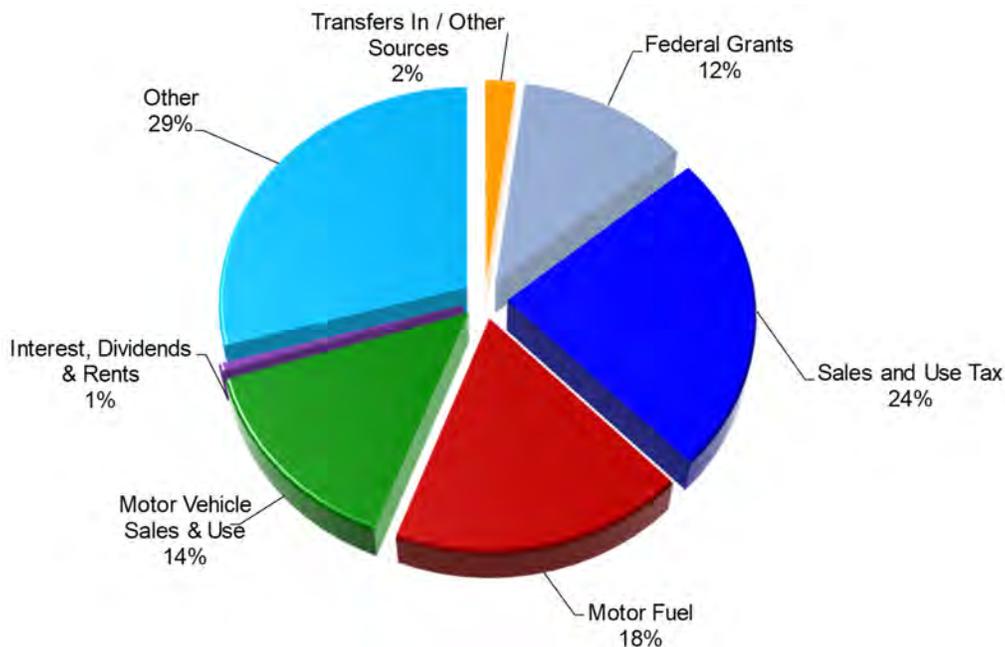
Commonwealth Transportation Fund

The Commonwealth Transportation Fund pays for the construction and maintenance of state highways. The fund also provides monies for other modes of transportation including rail, bus, aviation and seaports. The size of this fund reflects the fact that Virginia is one of only a few states that includes essentially all roads within the state highway system. Virginia has approximately 72,861 miles of state roads.

The Commonwealth Transportation Fund (**Figure 12**) is classified as a *special revenue fund* because revenues of the fund come from various taxes and fees that are restricted for use in the support of transportation programs.

- These revenue sources include the tax on motor fuel, vehicle registration and titling fees, and driver licensing fees. Also, since 1986, one half cent of the state's sales tax revenue is deposited into this fund. Effective with fiscal year 2014, an additional portion of the state's sales tax revenue is deposited into this fund.
- During FY 2021, the Commonwealth Transportation Fund had revenues and other sources of \$7.7 billion and expenditures and other uses of \$7.4 billion. At the end of FY 2021, the fund had a balance of \$3.6 billion measured.
- Highway construction projects often require several years to complete. State revenues contribute approximately 74.1 percent of the funding for these projects. The federal government provides 10.6 percent, and 15.3 percent comes from bond proceeds. Local governments also contribute to the cost of highway construction.

Figure 12
Commonwealth Transportation Fund Revenue Resources
 FY 2021



Alcoholic Beverage Control Fund

- The ABC fund accounts for the receipts and disbursements from the sale of alcoholic beverages.
- In FY 2021, ABC transferred \$246.4 million to the General Fund to use for current operations and for the care, treatment, study, and rehabilitation of alcoholics. Total ABC operating income for FY 2021 was \$228.9 million on \$1.1 billion in total sales.

Virginia College Savings Plan Fund

Proprietary Fund

The Virginia College Savings Plan (VCSP) Fund administers the Defined Benefit 529 Program, which consists of two savings options: Prepaid529 and Tuition Track Portfolio. Prepaid529 is closed to new contracts. The Tuition Track Portfolio allows for the purchase of units to be redeemed for future tuition costs.

- VCSP had current assets of \$207.0 million plus noncurrent assets such as investments and receivables of \$3.2 billion. These assets were held to satisfy current liabilities of \$331.8 million and noncurrent liabilities of \$1.5 billion.
- Net investment in capital assets was \$675,000, Restricted for Net Other Postemployment Benefit – Virginia Sickness and Disability Program was \$405,000 and total unrestricted net position was \$1.6 billion as of June 30, 2021.

Private Purpose Fund

The VCSP also administers the Defined Contribution 529 Program that allows participants to save for qualified higher education expenses by making contributions.

- Total investments in the VCSP Defined Contribution 529 Program totaled \$7.1 billion, and the net position held in trust as of June 30, 2021, was \$7.3 billion.
- For FY 2021, VCSP reported contributions from plan participants of \$935.7 million. Deductions for FY 2021 totaled \$479.1 million, including \$431.8 million in educational expense benefits paid and \$47.3 million in redeemed shares.

Virginia Lottery Fund

- The Virginia Lottery Fund (**Figure 13**) accounts for all receipts and disbursements from the sale of lottery tickets for various games.
- During FY 2021, the Virginia Lottery had operating revenues of \$3.3 billion and expenses, including lottery prize payments, of \$2.5 billion. Nonoperating revenue and expenses for the year, including interest earnings, netted to \$716,023.
- During FY 2021, \$777.0 million was transferred out to be spent for public education as required by law.

Figure 13
Revenues, Expenses and Changes in Fund Net Position Virginia Lottery

For the Fiscal Year Ended June 30, 2021
Dollars in Thousands

Operating Revenues:	
Charges for Sales and Services	\$ 3,258,976
Other Revenues	508
Total Operating Revenue	3,259,484
Operating Expenses:	
Personal Services	35,744
Contractual Services	42,271
Supplies and Materials	407
Depreciation	6,848
Prizes and Claims	2,196,506
Cost of Sales and Services	199,195
Other Expenses	2,161
Total Operating Expenses	2,483,132
Operating Income	776,352
Nonoperating Revenues:	
Interest, Dividends, and Rents	916
Other	(200)
Total Nonoperating Revenues (Expenses)	716
Income Before Transfers and Changes	777,068
Transfers In	-
Transfers Out	(776,974)
Change in Net Position	94
Total Net Position, July 1	(32,801)
Total Net Position, June 30	\$ (32,707)

Debt Administration

Virginia has held its AAA bond rating, the best rating possible, since 1938. This is longer than any other state and is a reflection of the confidence placed in the Commonwealth's fiscal health by bond raters and finance professionals. Virginia's bond rating allows it to borrow money at the most competitive rates available. Having a good credit rating means Virginia can save millions of taxpayer dollars in interest payments when it finances debt, such as borrowing for construction costs. With less interest to pay, Virginia's resources can be used where needed, and the state can maintain more favorable tax rates for citizens and industries.

- Discrete Component Units are generally excluded from this document. However, the debt of Component Units is included in the Debt Administration section in order to provide a complete presentation of the Commonwealth's total debt.
- The total outstanding debt on the books of the Commonwealth as of the end of FY 2021 was \$52.6 billion (**Figure 14**). Debt on the books of the Commonwealth can be classified into three categories:
 1. general obligation bonds of Virginia taxpayers;
 2. limited obligations, which may use tax revenue to pay principal and interest (Other Tax Supported); and
 3. debt issued by state-created authorities and institutions of higher education, which is not an obligation of Virginia taxpayers and does not use tax revenues (Non-Tax Supported).
- As illustrated in **Figure 14**, a total of \$1.2 billion, or 2.4 percent, of all debt, is a general obligation of Virginia taxpayers and supported by a pledge of all tax revenues and other monies of the Commonwealth. This kind of pledge is also referred to as "full faith and credit" debt. General obligation debt is issued as provided for in the State Constitution.
- The next category of debt, limited obligations which may use tax revenue, does not carry the "full faith and credit" of the Commonwealth, but does use certain tax revenues, in whole or in part, to pay principal and interest. Examples of other tax supported debt include certain bonds issued by the Virginia Port Authority to improve Virginia ports, most highway construction bonds, bonds issued to construct state office buildings, hospitals and prisons, as well as capital leases and installment purchase contracts entered into by state agencies and institutions of higher education. A total of \$24.4 billion of this type of tax supported debt was outstanding at the end of FY 2021. This is 46.3 percent of all debt on the books of the Commonwealth.



Debt Administration, *continued*

- The total outstanding debt on the books of the Commonwealth as of the end of FY 2021 was \$52.6 billion (**Figure 14**). Non-tax Supported Debt makes up 53.7 percent of all debt in the Commonwealth. The majority of this debt is issued by various authorities that are created under state law to issue bonds to finance programs considered to provide a benefit to the public. Total debt in this category at the end of FY 2021 was \$28.3 billion.
- The largest of these authorities is the Virginia Housing Development Authority, which has \$4.4 billion in debt outstanding secured by various mortgages. Other issuers include the Virginia Public School Authority and the Virginia Resources Authority. In each case, the debt of these authorities is secured only by the fees paid for services. Colleges and teaching hospitals also issue bonds secured only by fees paid for services. No tax revenues are used to support this debt and it is not considered a legal obligation of the Commonwealth. However, \$914.4 million of the total carries a "moral obligation" promise by the Commonwealth to consider funding any deficiencies in debt service reserves from tax revenues. To date, no such deficiencies have occurred.

Figure 14

**State Debt/Obligations
Tax Supported and Non-Tax Supported**

As of June 30, 2021
Dollars in Thousands

Tax-Supported Debt/Obligations		
General Obligation Bonds		
Public Facilities Bonds	\$ 278,221	0.5%
Parking Facilities Bonds	6,640	0.1%
Higher Education Bonds	955,729	1.8%
Total General Obligation Bonds	<u>1,240,590</u>	<u>2.4%</u>
Other Tax-Supported Debt/Obligations		
Transportation	2,661,007	5.1%
Virginia Port Authority	222,831	0.4%
Virginia Public Building Authority	3,472,631	6.6%
Virginia College Building Authority	5,101,393	9.7%
Long-term Capital Lease Payable	42,290	0.1%
Compensated Absences Obligations	737,166	1.4%
Pension Liability Obligations	8,348,881	15.8%
Net OPEB Liability	1,693,093	3.1%
Total OPEB Liability	556,946	1.1%
Virginia Biotechnology Research Partnership Authority	4,903	0.1%
Installment Purchases	224,013	0.4%
Other Long-term Debt/Obligations	48,812	0.1%
Total Other	<u>23,113,966</u>	<u>43.9%</u>
Total Tax-Supported Debt/Obligations	<u>24,354,556</u>	<u>46.3%</u>
Non-Tax Supported Debt/Obligations		
Higher Education	4,106,374	7.8%
Virginia Housing Development Authority	4,358,584	8.3%
Virginia Public School Authority	3,604,298	6.8%
Virginia Resources Authority	3,397,129	6.5%
Other Long-term Debt/Obligations	12,804,057	24.3%
Total Non-Tax Supported Debt/Obligations	<u>28,270,442</u>	<u>53.7%</u>
Total Commonwealth Debt/Obligations	<u>\$ 52,624,998</u>	<u>100.0%</u>

Debt Administration, continued

Figure 15 shows the ratio of general obligation debt per person.

Figure 15
Ratio of General Obligation Debt Per Capita

(Amounts in Thousands, Except for Per Capita)

For the Fiscal Year Ended June 30,	Population (1)	General Obligation Debt (2)	General Long-term Debt Per Capita
2021	8,582	\$ 1,240,590	\$ 145
2020	8,603	1,228,437	143
2019	8,566	1,309,607	153
2018	8,481	1,313,402	155
2017	8,470	1,435,229	169

- (1) Population figures are estimated.
- (2) Includes 9(a), 9(b) and 9(c) debt, net of unamortized premiums and discounts.

Figure 16 summarizes the outstanding debt owed by the Commonwealth in all categories over three fiscal years.

Figure 16
Percentage of Annual Debt Service Expenditures for Governmental Debt to Total Noncapital Expenditures – All Governmental Fund Types

(Dollars in Thousands)

For the Fiscal Year Ended June 30,	Debt Service (1)	Total Noncapital Expenditures (2)	Percentage
2021	\$ 797,114	\$ 57,989,541	1.37
2020	812,422	47,551,964	1.71
2019	748,354	39,008,346	1.92

- (1) Includes principal and interest payments related to general bonded debt reflected in the governmental activities column of the Government-wide Statement of Net Assets. The principle outstanding at June 30, 2021, was \$9.3 billion.
- (2) Includes General, Special Revenue, Debt Service, Capital Projects, and Permanent Funds.

Source: Department of Accounts

Award for Outstanding Achievement in Popular Annual Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) recognized the Commonwealth through its Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2020.

This is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report whose contents conform to program standards of creativity, presentation, reader appeal, and understandability. The award is valid for a period of one year only. The Commonwealth has received this award for the last 26 consecutive years (fiscal years 1995-2020).

It is expected that the current report continues to conform to the Popular Annual Financial Reporting requirements.



Government Finance Officers Association

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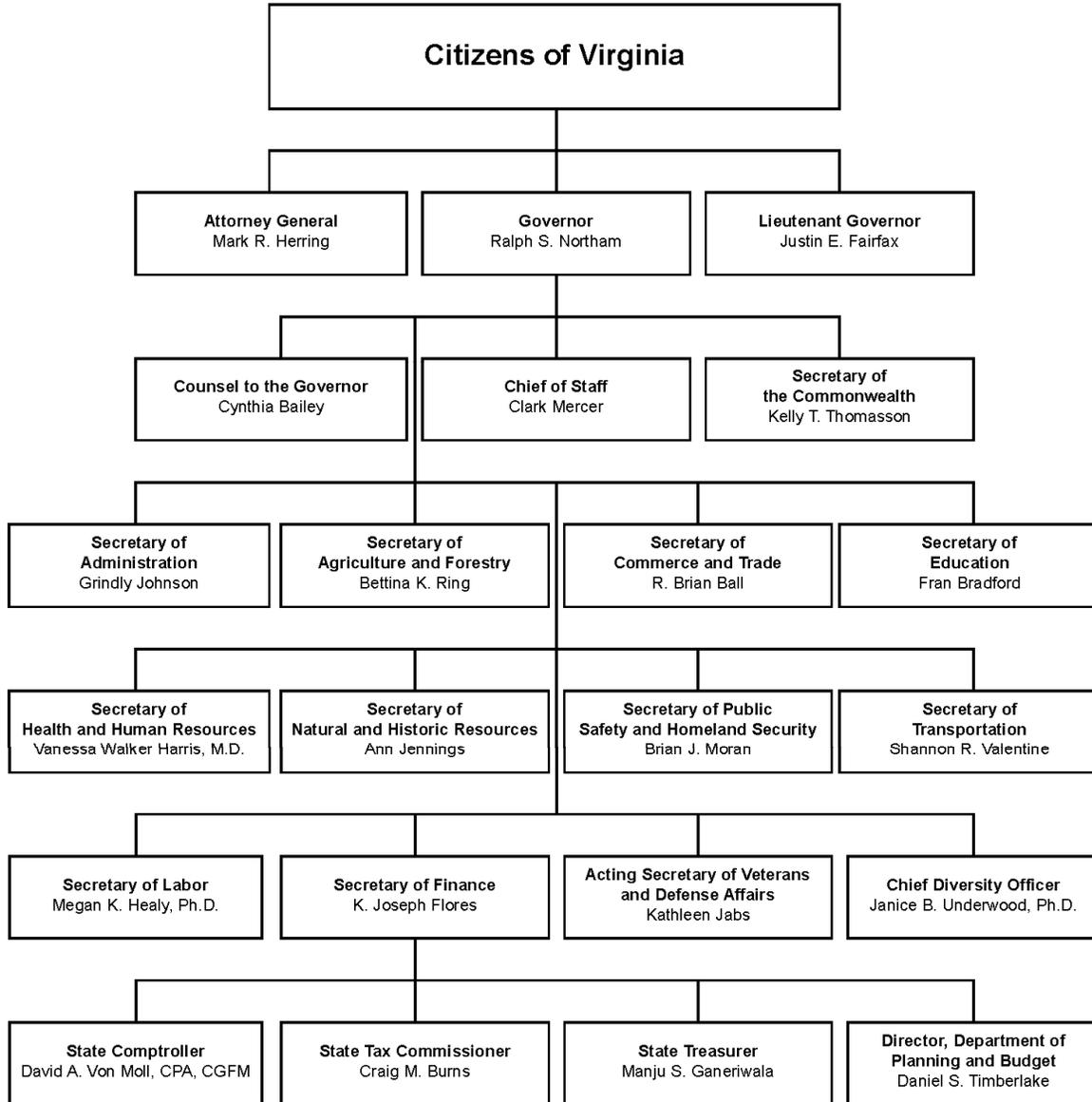
2020

Christopher P. Morrill

Executive Director/CEO

Organization of Government

Selected Government Officials - Executive Branch



For more information on Virginia's government, please visit www.virginia.gov

To view an electronic copy of Virginia's Annual Comprehensive Financial Report
Please visit <https://www.doa.virginia.gov/reports/ACFReport/2021-ACFReport.shtml>.

This report was prepared by staff of the Virginia Department of Accounts.

Photographs courtesy of Virginia Tourism Corp. www.virginia.org