

# A REPORT TO THE CITIZENS OF THE COMMONWEALTH

Popular Annual Financial Report for the Fiscal Year Ended June 30, 2022

# Commonwealth of Virginia



# FINANCIAL PERSPECTIVE

December 15, 2022

**Stephen E. Cummings**  
Secretary of Finance

**Glenn Youngkin**  
Governor

**Lewis R. McCabe**  
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 2022 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.

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Sunrise over Cape Charles Beach on the Eastern Shore, Photo by Kaveh Komaee

All photos courtesy of Virginia Tourism Corp.



## Virginia's Economy

During the fiscal year, Virginia's economy continued to rebound from the negative effects of the COVID-19 pandemic. Because of prior pandemic federal fiscal stimulus and relief policies, accommodative Federal Reserve actions, supply chain disruptions, labor shortages, and commodity supply shocks, the inflation rate climbed to levels last seen nearly 40 years ago. Many measures of state economic activity such as Gross Domestic Product, employment, and taxable sales showed significant improvement. Unemployment rates dropped to near pre-pandemic levels, but this change partly reflected the fact that labor force participation had failed to fully recover from the pandemic. Continued tightening of monetary policy in an effort by the Federal Reserve to quell inflation is expected to substantially slow economic growth in the next fiscal year with either a "soft landing" or a shallow recession representing the most likely outcomes.

Figure 1  
**Virginia Economic Indicators**

	FY 2021	FY 2022
Real Gross Domestic Product	2.2%	3.7%
Personal Income	4.3%	-2.7%
Nonfarm employment	-2.2%	3.1%
Average Unemployment Rate	5.3%	3.1%

**3.7%**

### 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 3.7 percent in fiscal year 2022, which was an improvement over the 2.2 percent growth achieved in fiscal year 2021.

**-2.7%**

### State Personal Income

State personal income growth dropped 2.7 percent in fiscal year 2022 compared to 4.3 percent increases in fiscal years 2020 and 2021. This decline is the result of a sharp decrease in personal current transfer receipts due to the expiration of COVID-19 relief programs.

**3.1%**

### State Non-farm Payroll Employment

During fiscal year 2022, Virginia's changes in non-farm employment generally mirrored those of the U.S., with gains in almost all sectors. Leisure/hospitality had the largest gain of 55,100 jobs. Several sectors added significant jobs during the fiscal year, including professional and business services, education and health services, state and local government, and retail trade.

**4.6%**

### Taxable Sales Rate

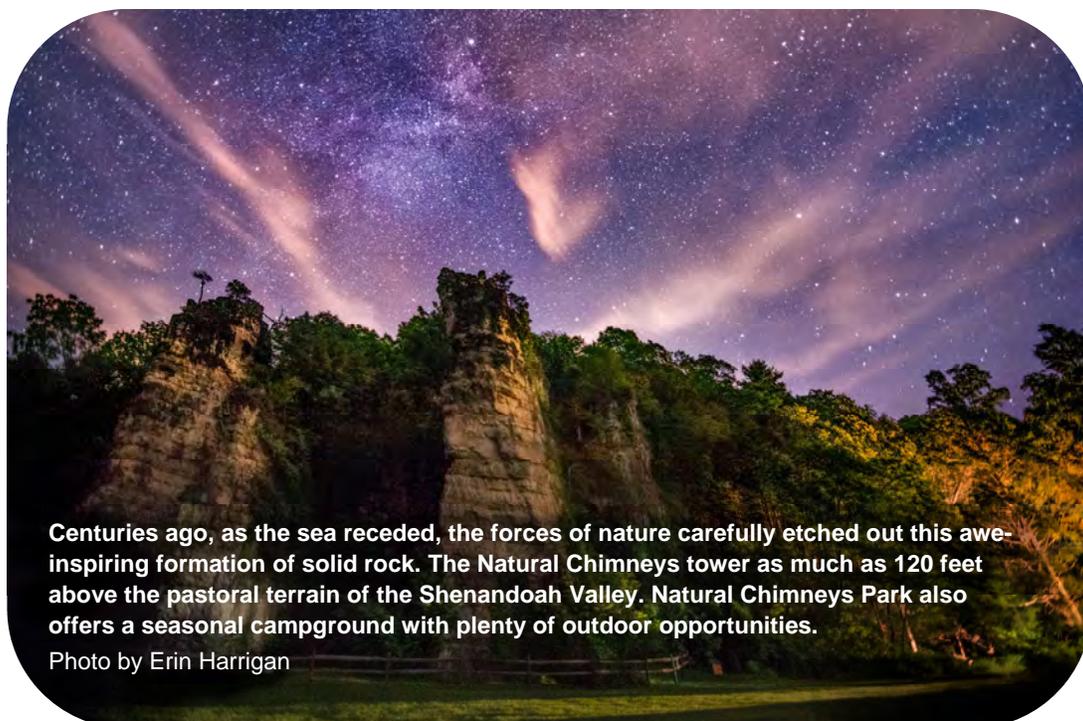
Taxable sales data are used as a proxy for retail sales, even though they do not include motor vehicle or motor fuel sales, yet do include sales at restaurants and lodging places. During fiscal year 2022, taxable sales increased by 4.6 percent, up from 3.4 percent in fiscal year 2021, and the largest increase in real taxable sales in 15 years.

### Virginia's Economy, continued

Virginia's economy continued to rebound from the effects of the COVID-19 pandemic in fiscal year 2022. However, the effects of the pandemic could still be felt during the fiscal year in the form of depressed labor force participation, supply chain bottlenecks, consumer spending reallocation from goods to services, and the residual effects of fiscal and monetary stimulus policies introduced during the pandemic. These factors contributed to a more inflationary environment, with inflation measured by the Consumer Price Index (CPI) reaching nearly 9.0 percent by the end of the fiscal year. The pace of state Gross Domestic Product growth picked up further from the year before. While personal incomes decreased due to the expiration of pandemic relief programs, wages and salaries continued to grow at a steady rate. Moreover, savings accumulated due to pandemic restrictions and federal relief programs resulted in improved household balance sheets that supported robust consumer spending. The Virginia housing market showed mixed performance. Existing home sales decreased, and the growth rate of building permit issuance slowed. However, housing prices increased more rapidly than the previous year due to continued builder challenges in securing labor and materials and low housing inventories.

By the end of fiscal year 2022, the nation's economy was growing, but was on more uncertain footing due to inflationary conditions, more restrictive Federal Reserve monetary policy, and unfavorable global economic developments. Economic activity is expected to slow or even decrease in the next fiscal year, as interest rates ratchet upward and consumer spending plateaus due to erosion in real household incomes from inflation and the gradual depletion of accumulated excess savings. Global economic conditions may exert an additional drag. The European Union economy has been hampered by an energy crisis resulting from the Russian-Ukrainian conflict, while China's growth has significantly slowed due to its Zero-Covid policy and housing market turmoil.

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



Centuries ago, as the sea receded, the forces of nature carefully etched out this awe-inspiring formation of solid rock. The Natural Chimneys tower as much as 120 feet above the pastoral terrain of the Shenandoah Valley. Natural Chimneys Park also offers a seasonal campground with plenty of outdoor opportunities.

Photo by Erin Harrigan



## Financial Statement Information

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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 2022 (FY 2022), which began on July 1, 2021, and ended on June 30, 2022.

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 2022 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, 2022, by \$42.2 billion. Net position of governmental activities (i.e., general fund, special revenue funds) increased by \$7.5 billion and net position of business-type activities (enterprise funds) increased by \$1.1 billion.

### Fund Highlights:

- At the end of the fiscal year, the Commonwealth's governmental funds reported a combined ending fund balance of \$20.9 billion, an increase of \$6.6 billion in comparison with the prior year. Of this total fund balance, \$472.7 million represents nonspendable fund balance, \$6.3 billion represents restricted fund balance, \$10.9 billion represents committed fund balance, and \$3.2 billion represents assigned fund balance.
- The Enterprise Funds reported net position at June 30, 2022, of \$3.0 billion, an increase of \$1.1 billion during the year which is primarily attributable to an increase for the Unemployment Compensation Fund for COVID-19 grant receipts, offset by a decrease for the Virginia College Saving Plan for investment losses.
- The General Fund recognized higher total fund assets, total fund liabilities, revenues, and expenditures when compared to fiscal year 2021.

### Long-term Debt:

- The Commonwealth's total debt rose during the fiscal year to \$53.7 billion, an increase of \$1.1 billion, or 2.1 percent. During the fiscal year, the Commonwealth issued new debt in the amount of \$2.7 billion and \$3.5 billion for the primary government and component units. However, for the primary government, the new issuances, coupled with debt retirements, decreased the total debt balance to \$17.4 billion. Debt balances for the component units increased to \$36.3 billion.

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/2022-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 2022, Virginia had *assets and deferred outflows of resources* (i.e., cash, investments, property, receivables, and consumption of assets applicable to future reporting periods) of \$84.7 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 \$42.5 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 \$42.2 billion, an increase of 25.5 percent over fiscal year 2021. The increase was primarily due to increases in cash, investments, and capital assets.

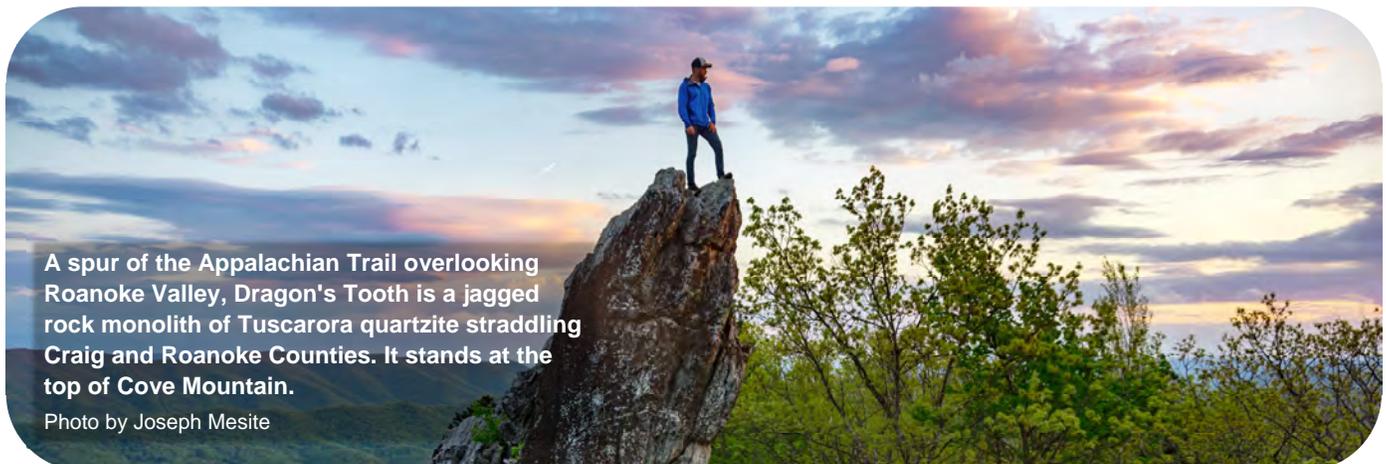
Figure 2 is a condensed Statement of Net Position for the Commonwealth as of June 30, 2022.

### Figure 2 Statement of Net Position

As of June 30, 2022

Dollars in Millions

	Primary Government			FY 2021 Total as restated (Informational Only)
	Governmental Activities	Business-type Activities	FY 2022 Total	
Assets and Deferred Outflows of Resources	\$ 78,887	\$ 5,859	\$ 84,746	\$ 73,637
Liabilities and Deferred Inflows of Resources	39,704	2,807	42,511	39,984
Net Position	\$ 39,183	\$ 3,052	\$ 42,235	\$ 33,653



A spur of the Appalachian Trail overlooking Roanoke Valley, Dragon's Tooth is a jagged rock monolith of Tuscarora quartzite straddling Craig and Roanoke Counties. It stands at the top of Cove Mountain.

Photo by Joseph Mesite

**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 \$8.6 billion. The net position of the governmental activities increased \$7.5 billion, or 23.5 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 \$1.1 billion, or 58.0 percent.
- Virginia recognized \$37.4 billion in program revenues and \$36.1 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, 2022  
*Dollars in Millions*

	Primary Government			FY 2021 Total as restated (Informational Only)
	Governmental Activities	Business-type Activities	FY 2022 Total	
Program Revenues:				
Charges for Services	\$ 3,435	\$ 5,948	\$ 9,383	\$ 9,020
Operating Grants and Contributions	25,387	1,054	26,441	27,209
Capital Grants and Contributions	1,574	4	1,578	1,467
Total Program Revenues	30,396	7,006	37,402	37,696
Expenses	60,087	4,835	64,922	64,934
Net (Expenses) Revenues	(29,691)	2,171	(27,520)	(27,238)
General Revenues	36,077	25	36,102	31,800
Transfers and Other Items	1,076	(1,076)	-	-
Change in Net Position	7,462	1,120	8,582	4,562
Net Position - July 1, as restated	31,721	1,932	33,653	29,091
Net Position - June 30	\$ 39,183	\$ 3,052	\$ 42,235	\$ 33,653

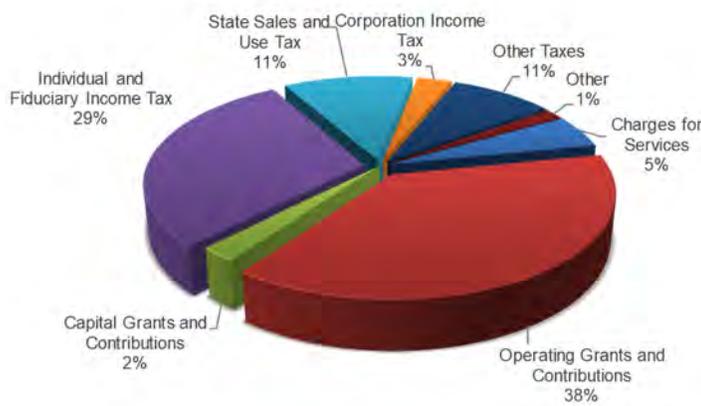
**Commonwealth Statement of Net Position and Statement of Activities - continued**

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 2022



**Governmental Activities Expenses**

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

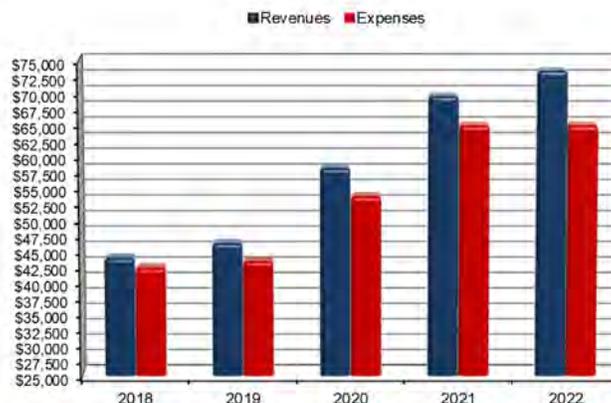
**Figure 5**  
**Expenses by Type – Governmental Activities**  
FY 2022



**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 2018– FY 2022



### 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 from the prior fiscal year are primarily due to the receipt and disbursement of federal monies received for individual and family services and general government related to the COVID-19 pandemic. Education expenses increased due to increases in spending approved by the legislature, along with an increased contribution for public school teacher retirement funds. Individual and fiduciary income taxes increased due to the economic recovery from the pandemic. For the Business-type Activities, the Unemployment Compensation Fund had a significant increase in operating grants for COVID-19 receipts.

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022/2021 Variance</u> <u>Positive (Negative)</u>
<b>Expenses</b>				
<b>Governmental Activities:</b>				
General Government	\$ 4,018	\$ 5,127	\$ 3,881	\$ 1,246
Education	11,535	12,765	14,982	(2,217)
Transportation	5,555	6,115	6,580	(465)
Resources and Economic Development	1,158	1,435	1,633	(198)
Individual and Family Services	24,120	30,580	29,511	1,069
Administration of Justice	3,169	3,257	3,212	45
Interest and Charges on Long-term Debt	262	272	288	(16)
<b>Total Governmental Activities Expenses</b>	<b>49,817</b>	<b>59,551</b>	<b>60,087</b>	<b>(536)</b>
<b>Business-type Activities:</b>				
Virginia Lottery	1,542	2,484	2,950	(466)
Virginia College Savings Plan	56	124	123	1
Unemployment Compensation	1,246	1,199	170	1,029
Alcoholic Beverage Control	792	904	928	(24)
All Other Enterprise	606	672	663	9
<b>Total Business-type Activities Expenses</b>	<b>4,242</b>	<b>5,383</b>	<b>4,834</b>	<b>549</b>
<b>Total Primary Government Expenses</b>	<b>\$ 54,059</b>	<b>\$ 64,934</b>	<b>\$ 64,921</b>	<b>\$ 13</b>
<b>Program Revenues</b>				
<b>Governmental Activities:</b>				
Charges for Services	\$ 2,697	\$ 2,790	\$ 3,435	\$ 645
Operating Grants and Contributions	19,170	26,952	25,387	(1,565)
Capital Grants and Contributions	1,463	1,390	1,574	184
<b>Total Governmental Activities Program Revenues</b>	<b>23,330</b>	<b>31,132</b>	<b>30,396</b>	<b>(736)</b>
<b>Business-type Activities:</b>				
Charges for Services	4,315	6,230	5,948	(282)
Operating Grants and Contributions	67	257	1,054	797
Capital Contributions	10	77	4	(73)
<b>Total Business-type Activities Program Revenue</b>	<b>4,392</b>	<b>6,564</b>	<b>7,006</b>	<b>442</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 27,722</b>	<b>\$ 37,696</b>	<b>\$ 37,402</b>	<b>\$ (294)</b>
<b>General Revenues</b>				
<b>Governmental Activities:</b>				
Taxes:				
Individual and Fiduciary Income	\$ 15,666	\$ 17,067	\$ 19,564	\$ 2,497
Sales and Use	5,721	6,527	7,448	921
Corporation Income	1,074	1,579	2,000	421
Motor Fuel Related	2,053	2,541	2,987	446
Other Taxes	2,831	3,554	3,803	249
Investment Earnings	247	37	(538)	(575)
Miscellaneous	525	483	813	330
<b>Total Governmental Activities</b>	<b>28,117</b>	<b>31,788</b>	<b>36,077</b>	<b>4,289</b>
<b>Business-type Activities:</b>				
Other Taxes	9	9	9	-
Investment Earnings	2	1	-	(1)
Miscellaneous	-	2	16	14
<b>Total Business-type Activities</b>	<b>11</b>	<b>12</b>	<b>25</b>	<b>13</b>
<b>Total Primary Government General Revenues</b>	<b>\$ 28,128</b>	<b>\$ 31,800</b>	<b>\$ 36,102</b>	<b>\$ 4,302</b>

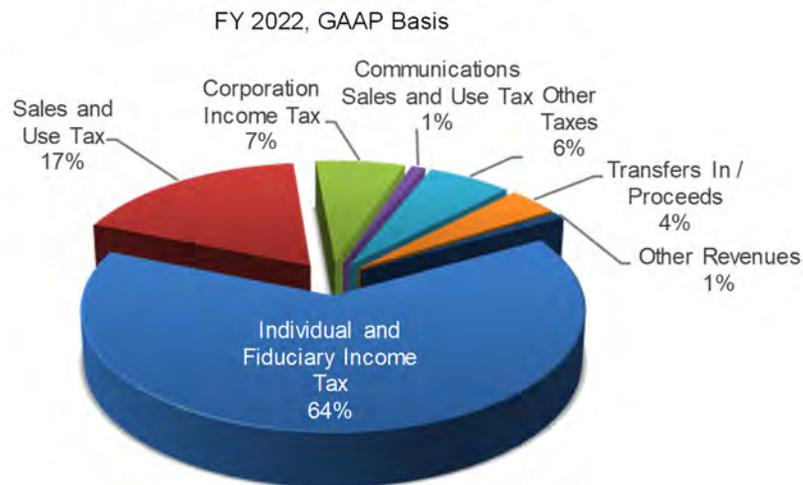


## General Fund

During FY 2022, the General Fund received \$30.4 billion in resources. **Figure 8** illustrates the various revenue sources.

- Individual and fiduciary income taxes accounted for 64.0 percent of the resources, while sales and use taxes made up 17.0 percent. These revenues plus other revenues totaled \$29.2 billion, or 96.2 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 \$3.1 billion from FY 2021. This revenue change results from increases of \$3.7 billion primarily attributable to income taxes, sales and use taxes, and corporate income taxes related to the economic rebound from the COVID-19 pandemic.
- These increases were offset by decreases of \$614.6 million primarily attributable to interest and dividends.

**Figure 8**  
**General Fund Resources**

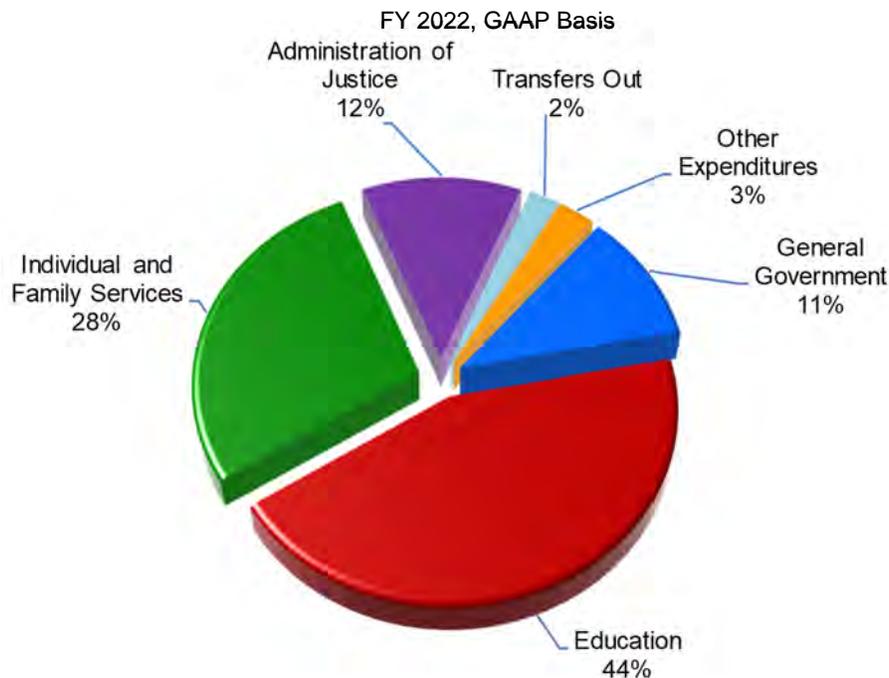


A scenic apple orchard in Winchester, Virginia.  
Photo by Bradley Reid

**General Fund**, *continued*

- General Fund disbursements, including transfers, for FY 2022 (**Figure 9**) totaled \$25.8 billion.
- Expenditures totaled \$25.2 billion and transfers to other funds were \$573.8 million. Education, including direct aid for primary and secondary schools as well as support for public college and universities, accounted for 44.0 percent.
- Support for social services, Medicaid, public health, and mental health consumed 28.0 percent of the General Fund. Disbursements for public safety were 12.0 percent, while only 11.0 percent was used to support the administration of general governmental operations.
- Expenditures (not including transfers) increased by \$2.2 billion over the prior year. This was primarily attributable to increases in education, general government, and individual and family services expenditures of \$1.3 billion, \$333.9 million, and \$234.0 million, respectively.
- Net other financing sources and uses decreased by \$124.1 million, which is primarily due to higher transfers out to nongeneral funds.

**Figure 9**  
**General Fund Disbursements**



The Capitol building was built in 1788 and is the eighth building to serve as the Virginia's state house. It houses the oldest legislative body in the United States, the Virginia General Assembly.  
Photo by Sarah Hauser

**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 2022 and paid during the months of July and August following year-end close of \$1.5 billion.
- Another is estimated *Medicaid claims payable* of \$479.8 million, which represents medical services rendered in prior years that will not be paid for until FY 2023. 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, 2022 and 2021

*Dollars in Millions*

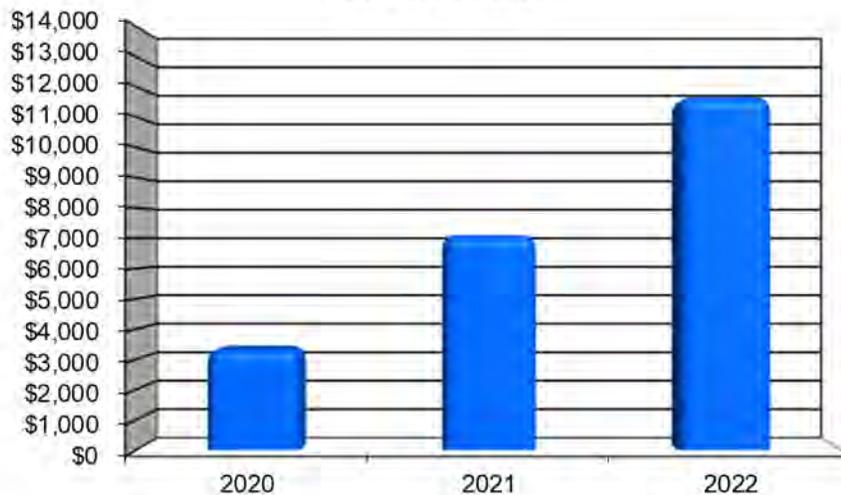
	FY 2022	FY 2021
<b>Fund Balance, Cash Basis</b>	\$ 13,375.0	\$ 7,505.1
ADD:		
Sales Taxes Receivable	519.6	292.0
Other Taxes Receivable	922.0	844.0
Other Receivables	1,474.1	1,266.4
Inventory/Prepaid Items	187.8	147.1
Other Accrued Items	(512.6)	117.7
Nonexchange Transactions Not Meeting Time Requirements	0.2	0.2
Total to be Added	2,591.1	2,667.4
LESS:		
Tax Refunds Payable	1,478.9	481.5
Medicaid Claims Payable	479.8	472.2
Sales Taxes Due to Localities	375.9	344.0
Other Accrued Items	709.3	679.0
Revenues Considered Unavailable	1,242.6	1,086.8
Total to be Subtracted	4,286.5	3,063.5
Difference	(1,695.4)	(396.1)
<b>Fund Balance, GAAP Basis</b>	\$ 11,679.6	\$ 7,109.0

**General Fund, continued**

- Fund balance increased to \$11.7 billion, compared to a balance of \$7.1 billion in FY 2021. **(Figure 11).**
- The increase in the General Fund balance from FY 2021 to FY 2022 is primarily due to increases in individual income taxes, sales and use taxes, and corporate income taxes offset by increases in education expenditures. Overall tax receipts increased due to improved economic conditions due to recovering from the COVID-19 pandemic.

**Figure 11**  
**General Fund Balance**

*(Dollars in Millions)*



Whether you've already treated your palate to a legendary Lynnhaven Oyster or have yet to take your first slurp, Pleasure House Oysters will delight your senses as you set out on the Lynnhaven River for an on-the-water experience unlike any other. See how Lynnhaven Oysters are harvested, all while enjoying their legendary flavor and the beautiful scenery of Lynnhaven. Photo by Virginia Tourism Corporation



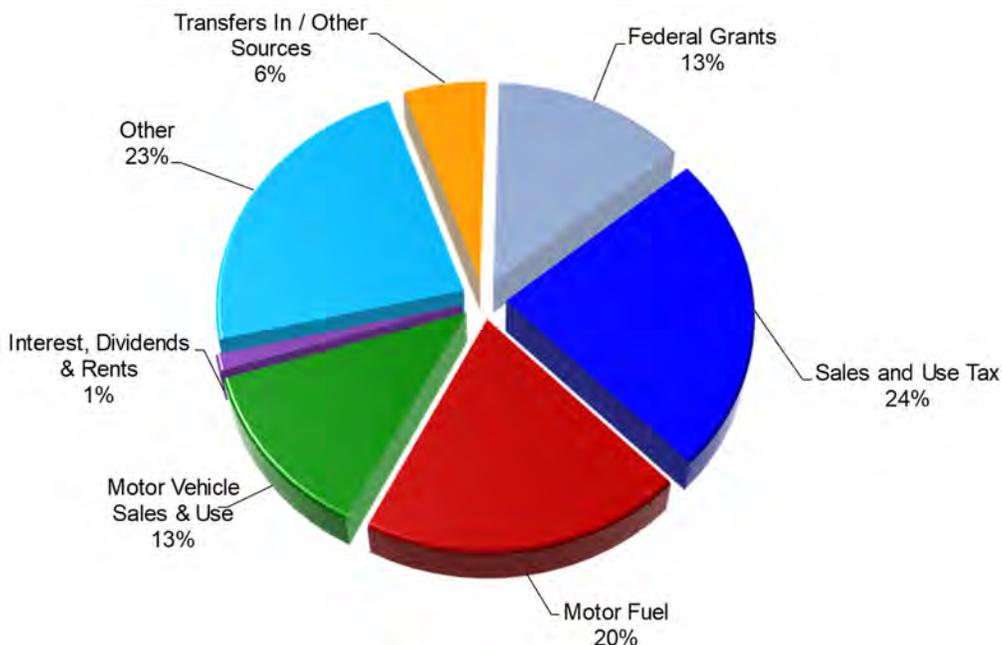
## Commonwealth Transportation Fund

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 72,998 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 2022, the Commonwealth Transportation Fund had revenues and other sources of \$8.9 billion and expenditures and other uses of \$8.0 billion. At the end of FY 2022, the fund had a balance of \$4.5 billion.
- Highway construction projects often require several years to complete. State revenues contribute approximately 66.6 percent of the funding for these projects. The federal government provides 13.6 percent, and 19.8 percent comes from bond proceeds. Local governments also contribute to the cost of highway construction.

**Figure 12**  
**Commonwealth Transportation Fund Revenue Resources**  
FY 2022





## Alcoholic Beverage Control Fund

- The ABC fund accounts for the receipts and disbursements from the sale of alcoholic beverages.
- In FY 2022, ABC transferred \$252.7 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 2022 was \$241.3 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 \$227.1 million plus noncurrent assets such as investments and receivables of \$2.9 billion. These assets were held to satisfy current liabilities of \$298.7 million and noncurrent liabilities of \$1.4 billion.
- Net investment in capital assets was \$649,000, Restricted for Net Other Postemployment Benefit – Virginia Sickness and Disability Program was \$558,000 and total unrestricted net position was \$1.5 billion as of June 30, 2022.

### 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 \$6.7 billion, and the net position held in trust as of June 30, 2022, was \$7.0 billion.
- For FY 2022, VCSP reported contributions from plan participants of \$1.0 billion. Deductions for FY 2022 totaled \$569.1 million, including \$527.1 million in educational expense benefits paid and \$42.1 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 2022, the Virginia Lottery had operating revenues of \$3.8 billion and expenses, including lottery prize payments, of \$3.0 billion. Nonoperating revenue and expenses for the year, including interest earnings, netted to \$970,090.
- During FY 2022, \$796.9 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, 2022  
*Dollars in Thousands*

<b>Operating Revenues:</b>	
Charges for Sales and Services	\$ 3,752,416
Total Operating Revenue	<u>3,752,416</u>
<b>Operating Expenses:</b>	
Personal Services	31,984
Contractual Services	42,901
Supplies and Materials	646
Depreciation and Amortization	6,433
Prizes and Claims	2,659,596
Cost of Sales and Services	209,397
Other Expenses	421
Total Operating Expenses	<u>2,951,378</u>
Operating Income	<u>801,038</u>
<b>Nonoperating Revenues:</b>	
Interest, Dividends, and Rents	449
Other	521
Total Nonoperating Revenues (Expenses)	<u>970</u>
Income Before Transfers and Changes	802,008
Transfers In	-
Transfers Out	<u>(796,898)</u>
Change in Net Position	5,110
<b>Total Net Position, July 1</b>	<u>(32,707)</u>
<b>Total Net Position, June 30</b>	<u>\$ (27,597)</u>

## 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 2022 was \$53.7 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 \$1.1 billion, or 2.1 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 long-term leases and installment purchase contracts entered into by state agencies and institutions of higher education. A total of \$21.2 billion of this type of tax supported debt was outstanding at the end of FY 2022. This is 39.4 percent of all debt on the books of the Commonwealth.



The Paddle Your Glass Off Kayak Tour begins on the banks of Nassawadox Creek at a working watermen's wharf in the tiny bayside village of Bayford on the Eastern Shore. Participants tour the marshy banks of the creek and view wildlife before pulling up on the shores of Chatham Vineyards for a wine tasting.

Photo by Sam Dean

**Debt Administration, continued**

- Non-tax Supported Debt makes up 60.6 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 2022 was \$32.5 billion.
- The largest of the authorities is the Virginia Housing Development Authority, which has \$4.7 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, \$929.9 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, 2022  
 Dollars in Thousands

<b>Tax-Supported Debt/Obligations</b>		
<b>General Obligation Bonds</b>		
Public Facilities Bonds	\$ 225,600	0.4%
Parking Facilities Bonds	5,664	0.1%
Higher Education Bonds	912,817	1.6%
Total General Obligation Bonds	<u>1,144,081</u>	<u>2.1%</u>
<b>Other Tax-Supported Debt/Obligations</b>		
Transportation	2,737,497	5.1%
Virginia Port Authority	210,246	0.4%
Virginia Public Building Authority	3,780,877	7.0%
Virginia College Building Authority	5,389,998	10.0%
Long-term Lease Liabilities	555,071	1.0%
Compensated Absences Obligations	713,185	1.4%
Net Pension Liability	4,369,154	8.2%
Net OPEB Liability	1,474,595	2.7%
Total OPEB Liability	439,039	0.8%
Installment Purchases	339,548	0.6%
Other Long-term Debt/Obligations	37,096	0.1%
Total Other	<u>20,046,306</u>	<u>37.3%</u>
Total Tax-Supported Debt/Obligations	<u>21,190,387</u>	<u>39.4%</u>
<b>Non-Tax Supported Debt/Obligations</b>		
Higher Education	4,449,563	8.3%
Virginia Housing Development Authority	4,679,799	8.7%
Virginia Public School Authority	3,993,860	7.4%
Virginia Resources Authority	3,375,038	6.3%
Other Long-term Debt/Obligations	16,031,562	29.9%
Total Non-Tax Supported Debt/Obligations	<u>32,529,822</u>	<u>60.6%</u>
<b>Total Commonwealth Debt/Obligations</b>	<u>\$ 53,720,209</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)

<b>For the Fiscal Year Ended June 30,</b>	<b>Population (1)</b>	<b>General Obligation Debt (2)</b>	<b>General Long-term Debt Per Capita</b>
2022	8,667	\$ 1,144,081	\$ 132
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

- (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)

<b>For the Fiscal Year Ended June 30,</b>	<b>Debt Service (1)</b>	<b>Total Noncapital Expenditures (2)</b>	<b>Percentage</b>
2022	\$ 864,376	\$ 60,118,624	1.44
2021	797,114	57,989,541	1.37
2020	812,422	47,551,964	1.71

- (1) Includes principal and interest payments related to general bonded debt reflected in the governmental activities column of the Government-wide Statement of Net Position. The principle outstanding at June 30, 2022, was \$10.6 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, 2021.

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 27 consecutive years (fiscal years 1995-2021).

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



Government Finance Officers Association

## Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

### Commonwealth of Virginia

For its Annual Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

**All photos courtesy of Virginia Tourism Corp.**

**This page:** The scenic Blue Ridge Parkway, Photo by Kristina Love

**On the cover:** New River Stand-Up Paddle Boarding on the fifth oldest river in the world with Tangent Outfitters in Pembroke. The river, lined with cliffs, rock outcrops and train tracks, is truly stunning! The occasional beaches allow for great picnic and camping spots. Photo by Sarah Hauser

# Organization of Government

## Selected Government Officials - Executive Branch



For more information on Virginia's government, please visit [www.virginia.gov](http://www.virginia.gov)

To view an electronic copy of Virginia's Annual Comprehensive Financial Report  
Please visit <https://www.doa.virginia.gov/reports/ACFReport/2022-ACFReport.shtml>.

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

Photographs courtesy of Virginia Tourism Corp. [www.virginia.org](http://www.virginia.org)

Cascade Falls, a spectacular 66-foot waterfall is part of the Cascades National Recreation Trail, a highly scenic, 4 mile round trip trail within Jefferson National Forest in the Blue Ridge Highlands. Photo by Randall Rose