

**A REPORT TO THE CITIZENS OF THE COMMONWEALTH**

Popular Annual Financial Report for the Fiscal Year Ended June 30, 2023

*Commonwealth of  
Virginia*



**FINANCIAL  
PERSPECTIVE**

December 15, 2023

**Stephen E. Cummings**  
Secretary of Finance

**Glenn Youngkin**  
Governor

**Lewis R. McCabe**  
Comptroller



# EXECUTIVE SUMMARY

The Commonwealth and its component units provide a wide range of services and funding to its citizens, including elementary, secondary and higher education; health and human services; economic development; environmental and natural resources; public safety, corrections, and regulation; transportation; agriculture; and general government services. The financial activities associated with these services are reflected in summary throughout 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 2023 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*

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**On the Cover:** Located in the Central region and started by Andrew and Patricia Hodson in 1999, Veritas Vineyard invited visitors to visit, see how they grow grapes, how they make wine, and relax on their sun-drenched deck to enjoy the vistas and scenic Blue Ridge Mountains. Photo by Sarah Hauser

**Current Page:** Located in the West Central region, Lake Moomaw is among the most popular developed recreation areas in the George Washington National Forest and provides an endless array of activities including boating, fishing, hiking, biking and camping. Lake Moomaw is renowned for its excellent fishing, yielding citation size brown and rainbow trout.

Photo by Alina Zubanova

All photos courtesy of Virginia Tourism Corp.



## Virginia's Economy

Virginia's economy continued its path of employment growth in fiscal year 2023. Although real personal income increased, due in large part to the role of the increase in real wages and salaries, changes in other economic metrics were not as favorable. The state's nonfarm employment continued to grow despite a modest slowdown from the previous year. Real taxable sales decreased, likely a result of spending adjustments made by consumers to make up for the results of the pandemic. The state unemployment rate decreased only slightly because of a surge in the labor force, reflecting the return of 'missing workers' to the labor market. Economic activity is expected to slow or even decrease in the next fiscal year as the Federal Reserve possibly raises rates further and/or extends the duration of higher rates to bring inflation under control.

Figure 1  
Virginia Economic Indicators

|                           | FY 2022 | FY 2023 |
|---------------------------|---------|---------|
| Personal Income           | -1.6%   | 0.8%    |
| Nonfarm Employment        | 3.3%    | 2.7%    |
| Average Unemployment Rate | 3.0%    | 2.9%    |
| Real Taxable Sales        | 4.6%    | -0.5%   |

**0.8%**

### State Personal Income

Personal income provides an important gauge of the health of Virginia's economy and is a key determinant of consumer spending. The state personal income rate rose to 0.8 percent in fiscal year 2023, compared to a 1.6 percent decrease in fiscal year 2022. Real wages and salaries, which make up most of personal income, grew 1.9 percent.

**2.7%**

### State Non-farm Payroll Employment

During fiscal year 2023, Virginia gained 107,300 jobs, bringing the total employment level to over 4.1 million, the highest in state history. Leisure/hospitality had the largest gain of 25,100 jobs. Several sectors added significant jobs during the fiscal year, including education/health services and professional/business services. Retail trade was the only sector that lost jobs.

**2.9%**

### Average Unemployment

Virginia inched downward from 3.0 percent in fiscal year 2022 to 2.9 percent in fiscal year 2023, matching the pre-pandemic rate in 2019. The improvement in the unemployment rate was small because the labor force grew at a similar rate as jobseekers flowed back into the labor market.

**-0.5%**

### Taxable Sales Rate

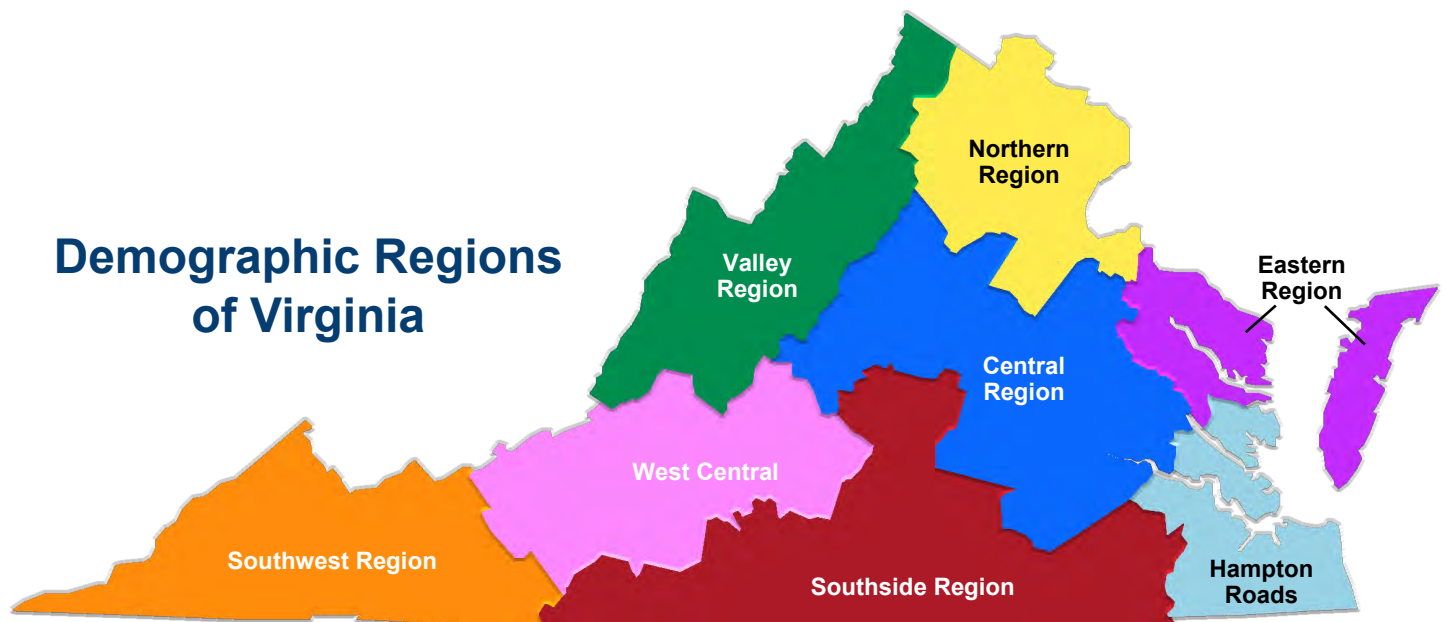
Taxable sales data is a useful proxy for retail sales, even though they do not include motor vehicle or motor fuel sales, yet do include sales at restaurants and lodging sales. During fiscal year 2023, taxable sales decreased by 0.5 percent, a sharp decline from 4.6 percent in fiscal year 2022, likely reflecting the shift of consumer purchases from goods to services due to post-pandemic spending pattern changes.

## Virginia's Economy, *continued*

Virginia's economy experienced its second year of employment growth in fiscal year 2023, although the rate of increase at 2.7 percent represented a slowing from the 3.3 percent the year before. Real personal incomes increased by 0.8 percent, largely due to the role of rising real wages and salaries. Some other economic metrics were not as favorable. Real taxable sales decreased by 0.5 percent, perhaps reflecting consumer spending adjustments to make up for dining, travel, and other service-related spending experiences that were prevented by the pandemic. Virginia housing market activity reflected the effects of rising mortgage interest rates. Existing home sales plunged, and residential building permit issuance decreased. Although housing price appreciation slowed, prices were still higher because of limited housing inventories caused by many homeowners' reluctance to put their homes up for sale when prospects for finding affordable homes elsewhere were bleak.

By the end of fiscal year 2023, the nation's economy had largely met or exceeded pre-pandemic levels on many economic indicators. Continued inflationary pressures required the Federal Reserve to maintain restrictive monetary policy. Federal Reserve monetary tightening had the effect of slowing employment growth and reducing inflation. However, the inflation rate remained above the Federal Reserve's target rate of approximately 2.0 percent.

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



Source: Weldon Cooper Center for Public Service at the University of Virginia

## 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 2023 (FY 2023), which began on July 1, 2022, and ended on June 30, 2023.

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 2023 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, 2023, by \$45.5 billion. Net position of governmental activities (i.e., general fund, special revenue funds) increased by \$2.8 billion and net position of business-type activities (enterprise funds) increased by \$318.5 million.

### Fund Highlights:

- At the end of the fiscal year, the Commonwealth's governmental funds reported a combined ending fund balance of \$22.2 billion, an increase of \$1.3 billion in comparison with the prior year. Of this total fund balance, \$438.7 million represents nonspendable fund balance, \$6.0 billion represents restricted fund balance, \$13.9 billion represents committed fund balance, and \$1.9 billion represents assigned fund balance.
- The Enterprise Funds reported net position at June 30, 2023, of \$3.4 billion, an increase of \$330.0 million during the year which is primarily attributable to increases for the Virginia College Savings Plan and the Unemployment Compensation Fund.
- The General Fund recognized higher total fund assets, total fund liabilities, and expenditures as well as lower revenues when compared to fiscal year 2022.

### Long-term Debt:

- The Commonwealth's total debt rose during the fiscal year to \$55.4 billion, an increase of \$1.7 billion, or 3.2 percent. During the fiscal year, the Commonwealth issued new debt in the amount of \$1.6 billion and \$3.1 billion for the primary government and component units. Debt balances for the primary government increased to \$17.6 billion. Debt balances for the component units increased to \$37.8 billion.

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/2023-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 2023, Virginia had *assets and deferred outflows of resources* (i.e., cash, investments, property, receivables, and consumption of assets applicable to future reporting periods) of \$90.1 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 \$44.6 billion.
- This left the 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 \$45.5 billion, an increase of 7.3 percent over fiscal year 2022. The increase was primarily due to increases in cash, investments, and capital assets, which were offset by increases in long-term liabilities outstanding.

Figure 2 is a condensed Statement of Net Position for the Commonwealth as of June 30, 2023.

### Figure 2 Statement of Net Position

As of June 30, 2023

Dollars in Millions

|   | Primary Government         |                             |                  | FY 2022 Total<br>as restated<br>(Informational<br>Only) | FY 2021 Total<br>as restated<br>(Informational<br>Only) |
|---|----------------------------|-----------------------------|------------------|---|---|
|   | Governmental<br>Activities | Business-type<br>Activities | FY 2023<br>Total |   |   |
| Assets and Deferred Outflows of Resources     | \$ 83,801                  | \$ 6,274                    | \$ 90,075        | \$ 84,987   | \$ 73,637   |
| Liabilities and Deferred Inflows of Resources | 41,683                     | 2,904                       | 44,587           | 42,592  | 39,984  |
| Net Position                                  | \$ 42,118                  | \$ 3,370                    | \$ 45,488        | \$ 42,395   | \$ 33,653   |



### 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 \$3.1 billion. The net position of the governmental activities increased \$2.8 billion, or 7.1 percent, primarily due to increases in cash and investments in the General Fund and increases in capital assets offset by increases in total liabilities. Business-type activities had an increase of \$318.5 million, or 10.4 percent.
- Virginia recognized \$36.7 billion in program revenues and \$35.7 billion in general revenues, which was used to pay for \$69.3 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, 2023  
*Dollars in Millions*

|                                       | Primary Government         |                             |                  | FY 2022 Total<br>as restated<br>(Informational<br>Only) | FY 2021 Total<br>as restated<br>(Informational<br>Only) |
|---------------------------------------|----------------------------|-----------------------------|------------------|---|---|
|                                       | Governmental<br>Activities | Business-type<br>Activities | FY 2023<br>Total |   |   |
| Program Revenues:                     |                            |                             |                  |   |   |
| Charges for Services                  | \$ 3,303                   | \$ 7,295                    | \$ 10,598        | \$ 9,383  | \$ 9,020  |
| Operating Grants<br>and Contributions | 24,071                     | 6                           | 24,077           | 26,442  | 27,209  |
| Capital Grants<br>and Contributions   | 1,977                      | -                           | 1,977            | 1,588   | 1,467   |
| Total Program Revenues                | 29,351                     | 7,301                       | 36,652           | 37,413  | 37,696  |
| Expenses                              | 63,407                     | 5,874                       | 69,281           | 64,774  | 64,934  |
| Net (Expenses) Revenues               | (34,056)                   | 1,427                       | (32,629)         | (27,361)  | (27,238)  |
| General Revenues                      | 35,709                     | 13                          | 35,722           | 36,103  | 31,800  |
| Transfers and Other Items             | 1,122                      | (1,122)                     | -                | -   | -   |
| Change in Net Position                | 2,775                      | 318                         | 3,093            | 8,742   | 4,562   |
| Net Position - July 1, as restated    | 39,343                     | 3,052                       | 42,395           | 33,653  | 29,091  |
| Net Position - June 30                | \$ 42,118                  | \$ 3,370                    | \$ 45,488        | \$ 42,395   | \$ 33,653   |

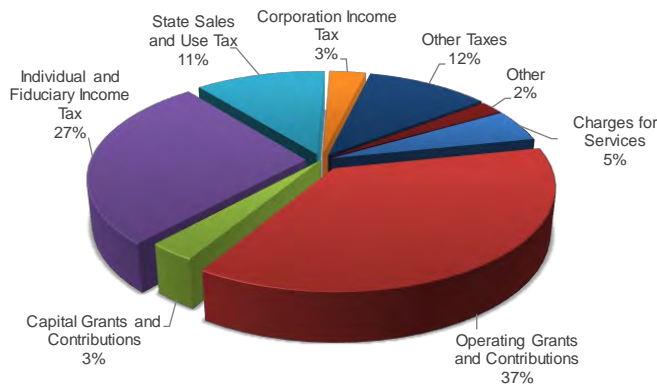
## Commonwealth Statement of Net Position and Statement of Activities - continued

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.

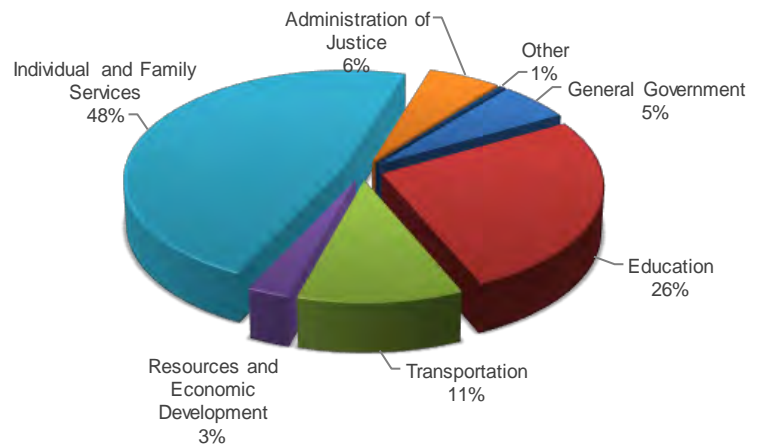
**Figure 4**  
**Revenues by Source – Governmental Activities**  
FY 2023



### Governmental Activities Expenses

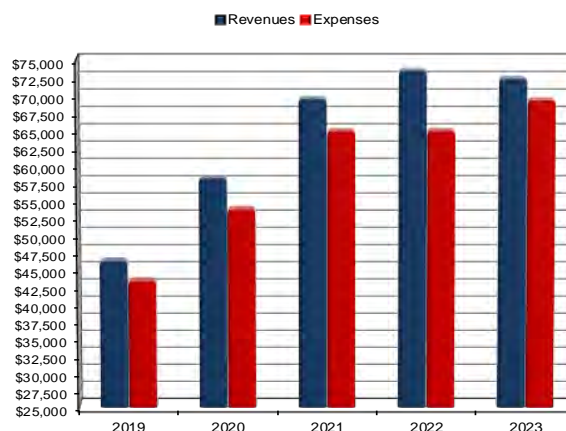
The following is a graphical representation of the Statement of Activities (**Figure 5**) expenses for governmental activities.

**Figure 5**  
**Expenses by Type – Governmental Activities**  
FY 2023



**Figure 6** represents financial trend information for the 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 2019 – FY 2023





## 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 a decrease in 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 decreased due to a dramatic decline of realizations of capital gains. For the Business-type Activities, the Unemployment Compensation Fund had a significant decrease in operating grants due to reduced COVID-19 funding, which was offset by an increase in Charges for Services primarily associated with Lottery due to increase of non-scratch game sales.

Figure 7

## Three Year Comparison of Revenues and Expenses

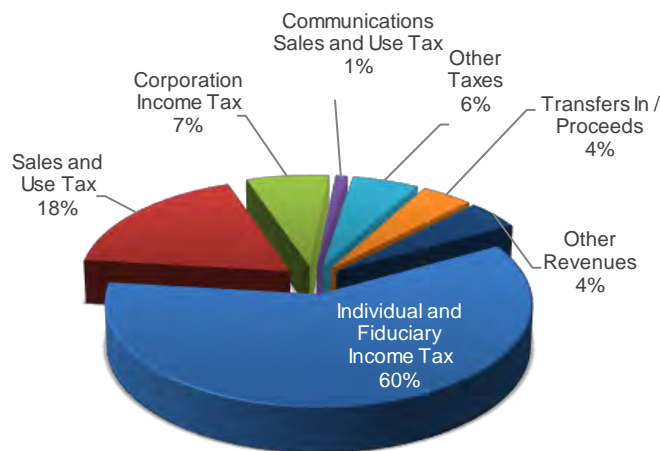
|   | 2021<br>as restated | 2022<br>as restated | 2023             | Variance<br>Positive<br>(Negative) |
|---|---------------------|---------------------|------------------|------------------------------------|
| <b>Expenses</b>                                       |                     |                     |                  |                                    |
| <b>Governmental Activities:</b>                       |                     |                     |                  |                                    |
| General Government                                    | \$ 5,127            | \$ 3,747            | \$ 3,674         | \$ 73                              |
| Education   | 12,765              | 14,982              | 16,865           | (1,883)                            |
| Transportation  | 6,115               | 6,569               | 6,916            | (347)                              |
| Resources and Economic Development                    | 1,435               | 1,634               | 1,749            | (115)                              |
| Individual and Family Services                        | 30,580              | 29,496              | 30,182           | (686)                              |
| Administration of Justice                             | 3,257               | 3,222               | 3,711            | (489)                              |
| Interest and Charges on Long-term Debt                | 272                 | 288                 | 310              | (22)                               |
| <b>Total Governmental Activities Expenses</b>         | <b>59,551</b>       | <b>59,938</b>       | <b>63,407</b>    | <b>(3,469)</b>                     |
| <b>Business-type Activities:</b>                      |                     |                     |                  |                                    |
| Virginia Lottery                                      | 2,484               | 2,951               | 3,737            | (786)                              |
| Virginia College Savings Plan                         | 124                 | 123                 | 221              | (98)                               |
| Unemployment Compensation                             | 1,199               | 170                 | 191              | (21)                               |
| Alcoholic Beverage Control                            | 904                 | 928                 | 1,022            | (94)                               |
| All Other Enterprise                                  | 672                 | 664                 | 703              | (39)                               |
| <b>Total Business-type Activities Expenses</b>        | <b>5,383</b>        | <b>4,836</b>        | <b>5,874</b>     | <b>(1,038)</b>                     |
| <b>Total Primary Government Expenses</b>              | <b>\$ 64,934</b>    | <b>\$ 64,774</b>    | <b>\$ 69,281</b> | <b>\$ (4,507)</b>                  |
| <b>Program Revenues</b>                               |                     |                     |                  |                                    |
| <b>Governmental Activities:</b>                       |                     |                     |                  |                                    |
| Charges for Services                                  | \$ 2,790            | \$ 3,435            | \$ 3,303         | \$ (132)                           |
| Operating Grants and Contributions                    | 26,952              | 25,387              | 24,071           | (1,316)                            |
| Capital Grants and Contributions                      | 1,390               | 1,585               | 1,977            | 392                                |
| <b>Total Governmental Activities Program Revenues</b> | <b>31,132</b>       | <b>30,407</b>       | <b>29,351</b>    | <b>(1,056)</b>                     |
| <b>Business-type Activities:</b>                      |                     |                     |                  |                                    |
| Charges for Services                                  | 6,230               | 5,948               | 7,295            | 1,347                              |
| Operating Grants and Contributions                    | 257                 | 1,054               | 6                | (1,048)                            |
| Capital Contributions                                 | 77                  | 4                   | -                | (4)                                |
| <b>Total Business-type Activities Program Revenue</b> | <b>6,564</b>        | <b>7,006</b>        | <b>7,301</b>     | <b>295</b>                         |
| <b>Total Primary Government Program Revenues</b>      | <b>\$ 37,696</b>    | <b>\$ 37,413</b>    | <b>\$ 36,652</b> | <b>\$ (761)</b>                    |
| <b>General Revenues</b>                               |                     |                     |                  |                                    |
| <b>Governmental Activities:</b>                       |                     |                     |                  |                                    |
| Taxes:  |                     |                     |                  |                                    |
| Individual and Fiduciary Income                       | \$ 17,067           | \$ 19,564           | \$ 17,846        | \$ (1,718)                         |
| Sales and Use   | 6,527               | 7,448               | 7,417            | (31)                               |
| Corporation Income                                    | 1,579               | 2,000               | 2,072            | 72                                 |
| Motor Fuel Related                                    | 2,541               | 2,987               | 3,101            | 114                                |
| Other Taxes   | 3,554               | 3,803               | 3,921            | 118                                |
| Investment Earnings                                   | 37                  | (538)               | 735              | 1,273                              |
| Miscellaneous   | 483                 | 813                 | 616              | (197)                              |
| <b>Total Governmental Activities</b>                  | <b>31,788</b>       | <b>36,077</b>       | <b>35,708</b>    | <b>(369)</b>                       |
| <b>Business-type Activities:</b>                      |                     |                     |                  |                                    |
| Other Taxes   | 9                   | 9                   | 9                | -                                  |
| Investment Earnings                                   | 1                   | -                   | 4                | 4                                  |
| Miscellaneous   | 2                   | 16                  | 1                | (15)                               |
| <b>Total Business-type Activities</b>                 | <b>12</b>           | <b>25</b>           | <b>14</b>        | <b>(11)</b>                        |
| <b>Total Primary Government General Revenues</b>      | <b>\$ 31,800</b>    | <b>\$ 36,102</b>    | <b>\$ 35,722</b> | <b>\$ (380)</b>                    |

## General Fund

During FY 2023, the General Fund received \$29.7 billion in resources. **Figure 8** illustrates the various revenue sources.

- Individual and fiduciary income taxes accounted for 60.0 percent of the resources, while sales and use taxes made up 18.0 percent. These revenues plus other revenues totaled \$28.4 billion, or 95.7 percent.
- The remaining monies totaling \$1.3 billion came from other sources, such as transfers from other funds, including alcoholic beverage sales.
- Revenues (not including transfers) decreased by \$799.9 million from FY 2022. This revenue change results from decreases of \$1.9 billion primarily attributable to the dramatic decrease of realizations of capital gains reported within individual and fiduciary income taxes.
- This decrease was offset by an increase of \$1.0 billion primarily attributable to interest and dividends due to overall market interest rates.

**Figure 8**  
**General Fund Resources**  
FY 2023, GAAP Basis



Located in Giles County in the West Central Region, Cascade Falls offers two basic hiking trails, a road-style trail and an advanced hands-on trail. With a length of 4 miles round trip, hikers can view Cascade Falls, one of the most beautiful waterfalls in Virginia.

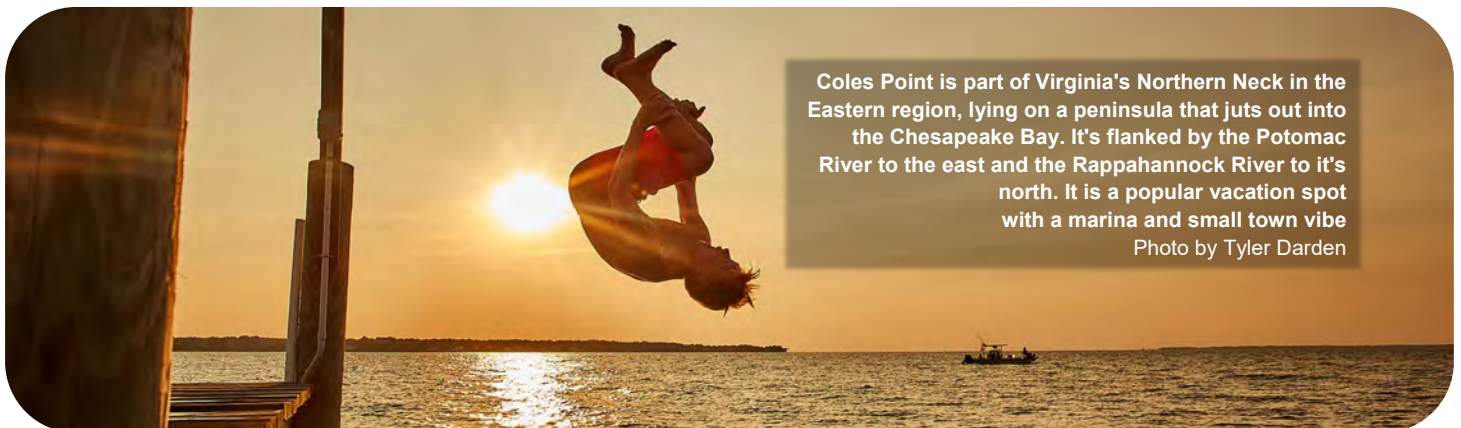
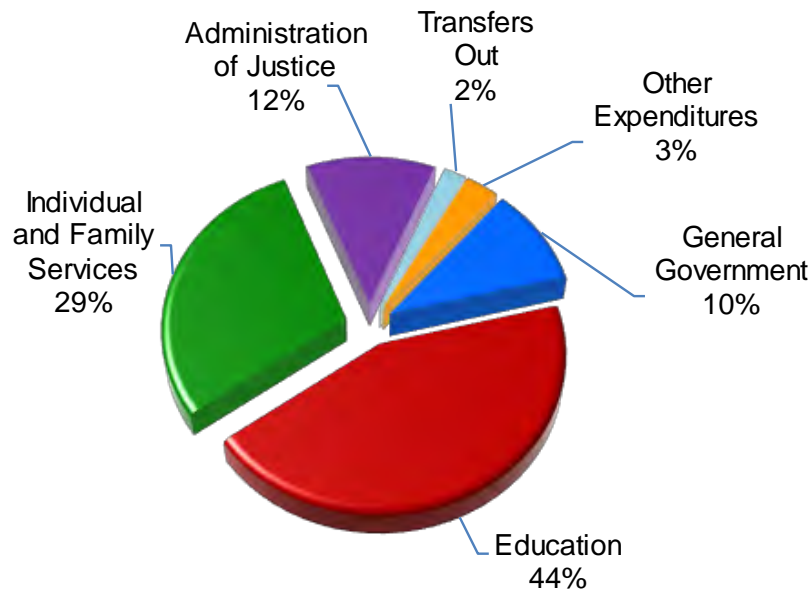
Photo by Divergent Travelers



## General Fund, *continued*

- General Fund disbursements, including transfers, for FY 2023 (**Figure 9**) totaled \$28.8 billion.
- Expenditures totaled \$28.3 billion and transfers to other funds were \$493.9 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 29.0 percent of the General Fund. Disbursements for public safety were 12.0 percent, while only 10.0 percent was used to support the administration of general governmental operations.
- Expenditures (not including transfers) increased by \$3.1 billion over the prior year. This was primarily attributable to increases in education and individual and family services expenditures of \$1.3 billion and \$1.1 billion, respectively.
- Other financing uses decreased by \$79.9 million, which is primarily due to lower transfers out to nongeneral funds.

**Figure 9**  
**General Fund Disbursements**  
FY 2023, GAAP Basis



Coles Point is part of Virginia's Northern Neck in the Eastern region, lying on a peninsula that juts out into the Chesapeake Bay. It's flanked by the Potomac River to the east and the Rappahannock River to its north. It is a popular vacation spot with a marina and small town vibe  
Photo by Tyler Darden

### 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 2023 and paid during the months of July and August following year-end close of \$2.5 billion.
- Another is estimated *Medicaid claims payable* of \$215.3 million, which represents medical services rendered in prior years that will not be paid for until FY 2024. 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, 2023 and 2022

*Dollars in Millions*

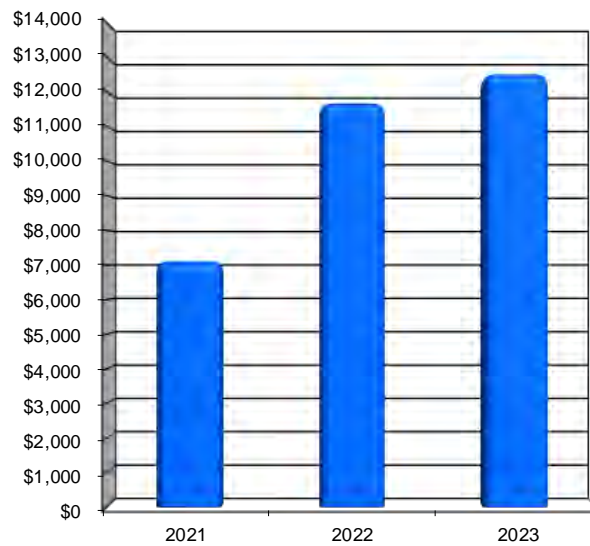
|  | <u>FY 2023</u>     | <u>FY 2022</u>     |
|--|--------------------|--------------------|
| <b>Fund Balance, Cash Basis</b>                        | <b>\$ 15,092.7</b> | <b>\$ 13,375.0</b> |
| ADD:   |                    |                    |
| Sales Taxes Receivable                                 | 518.1              | 519.6              |
| Other Taxes Receivable                                 | 1,061.0            | 922.0              |
| Other Receivables                                      | 1,787.5            | 1,474.1            |
| Inventory/Prepaid Items                                | 163.0              | 187.8              |
| Other Accrued Items                                    | (424.0)            | (512.6)            |
| Nonexchange Transactions Not Meeting Time Requirements | 0.2                | 0.2                |
| Total to be Added                                      | <u>3,105.8</u>     | <u>2,591.1</u>     |
| LESS:  |                    |                    |
| Tax Refunds Payable                                    | 2,539.3            | 1,478.9            |
| Estimated Tax Refunds Due                              | 238.9              | -                  |
| Medicaid Claims Payable                                | 215.3              | 479.8              |
| Sales Taxes Due to Localities                          | 362.5              | 375.9              |
| Other Accrued Items                                    | 866.5              | 709.3              |
| Revenues Considered Unavailable                        | <u>1,458.3</u>     | <u>1,242.6</u>     |
| Total to be Subtracted                                 | <u>5,680.8</u>     | <u>4,286.5</u>     |
| Difference   | <u>(2,575.0)</u>   | <u>(1,695.4)</u>   |
| <b>Fund Balance, GAAP Basis</b>                        | <b>\$ 12,517.7</b> | <b>\$ 11,679.6</b> |



**General Fund, continued**

- Fund balance increased to \$12.5 billion, compared to a balance of \$11.7 billion in FY 2022. (Figure 11).
- The increase in the General Fund balance from FY 2022 to FY 2023 is primarily due to increases in interest, dividends, and rents offset by increases in education and individual and family services expenditures.

**Figure 11**  
**General Fund Balance**  
(Dollars in Millions)



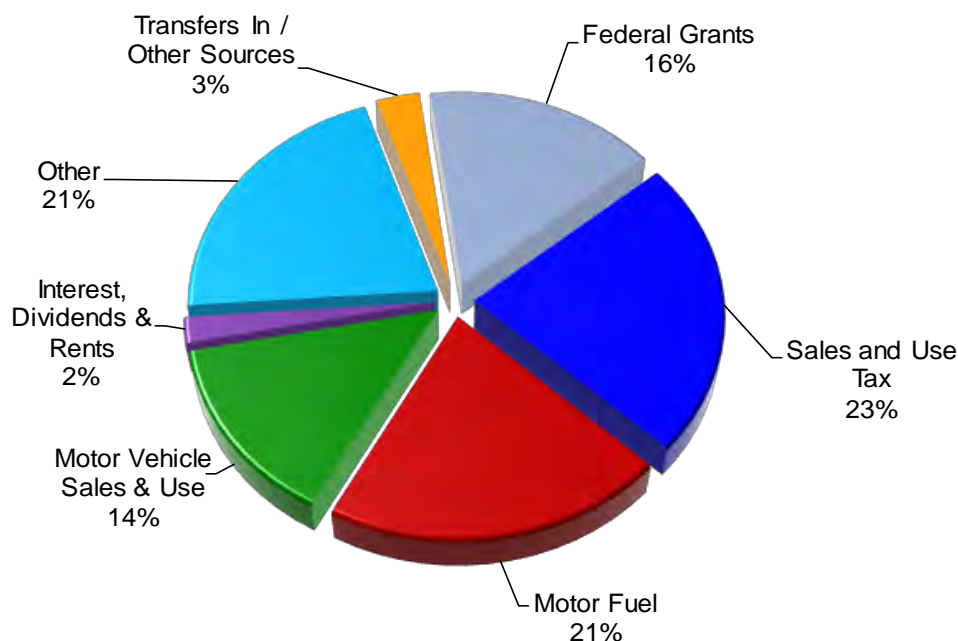
## Commonwealth Transportation Fund

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 73,149 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 2023, the Commonwealth Transportation Fund had revenues and other sources of \$8.9 billion and expenditures and other uses of \$8.1 billion. At the end of FY 2023, the fund had a balance of \$5.3 billion.
- Highway construction projects often require several years to complete. The funding for these projects are comprised approximately of the following: state revenues (58.3 percent), federal government funding (16.7 percent), and bond proceeds (25.0 percent). Local governments also contribute to the cost of highway construction.

**Figure 12**  
**Commonwealth Transportation Fund Revenue Resources**  
FY 2023





## Alcoholic Beverage Control Fund

- The ABC fund accounts for the receipts and disbursements from the sale of alcoholic beverages.
- In FY 2023, ABC transferred \$229.7 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 2023 was \$227.1 million on \$1.2 billion in total sales.

## Virginia College Savings Plan (VA529)

### 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 \$198.8 million plus noncurrent assets such as investments and receivables of \$2.9 billion. These assets were held to satisfy current liabilities of \$225.7 million and noncurrent liabilities of \$1.2 billion.
- Net investment in capital assets of \$1.0 million, Restricted for Net Other Postemployment Benefit – Virginia Sickness and Disability Program was \$642,000 and total unrestricted net position was \$1.7 billion as of June 30, 2023.

### 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 \$7.6 billion, and the net position held in trust as of June 30, 2023, was \$8.0 billion.
- For FY 2023, VCSP reported contributions from plan participants of \$943.2 million. Deductions for FY 2023 totaled \$605.2 million, including \$579.9 million in educational expense benefits paid and \$25.3 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 2023, the Virginia Lottery had operating revenues of \$4.6 billion and expenses, including lottery prize payments, of \$3.7 billion. Nonoperating revenue and expenses for the year, including interest earnings, were \$5.1 million.
- During FY 2023, \$878.4 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**

#### Operating Revenues:

|                                |                  |
|--------------------------------|------------------|
| Charges for Sales and Services | \$ 4,611,856     |
| Other Revenues                 | -                |
| <b>Total Operating Revenue</b> | <b>4,611,856</b> |

#### Operating Expenses:

|                                 |                  |
|---------------------------------|------------------|
| Personal Services               | 36,086           |
| Contractual Services            | 47,487           |
| Supplies and Materials          | 519              |
| Depreciation and Amortization   | 10,071           |
| Prizes and Claims               | 3,405,341        |
| Cost of Sales and Services      | 233,032          |
| Other Expenses                  | 1,849            |
| <b>Total Operating Expenses</b> | <b>3,734,385</b> |

#### Operating Income

877,471

#### Nonoperating Revenues:

|                                    |              |
|------------------------------------|--------------|
| Interest, Dividends, and Rents     | 4,957        |
| Other                              | 132          |
| <b>Total Nonoperating Revenues</b> | <b>5,089</b> |

#### Income Before Transfers and Changes

882,560

#### Transfers In

-

#### Transfers Out

(878,384)

#### Change in Net Position

4,176

#### Total Net Position, July 1

(27,597)

#### Total Net Position, June 30

\$ (23,421)

## 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 2023 was \$55.4 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 2.0 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, long-term subscription-based information technology arrangements and installment purchase contracts entered into by state agencies and institutions of higher education. A total of \$22.6 billion of this type of tax supported debt was outstanding at the end of FY 2023. This is 40.7 percent of all debt on the books of the Commonwealth.





## Debt Administration, continued

- Non-tax Supported Debt makes up 59.2 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 2023 was \$32.8 billion.
- The largest of the authorities is the Virginia Housing Development Authority, which has \$4.8 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, \$906.8 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, 2023  
*Dollars in Thousands*

|   | Total         | Percent of<br>Total |
|---|---------------|---------------------|
| <b>Tax-Supported Debt/Obligations</b>       |               |                     |
| <b>General Obligation Bonds</b>             |               |                     |
| Public Facilities Bonds                     | \$ 173,122    | 0.3%                |
| Parking Facilities Bonds                    | 4,646         | 0.1%                |
| Higher Education Bonds                      | 940,849       | 1.6%                |
| Total General Obligation Bonds              | 1,118,617     | 2.0%                |
| <b>Other Tax-Supported Debt/Obligations</b> |               |                     |
| Transportation                              | 2,802,412     | 5.1%                |
| Virginia Port Authority                     | 368,903       | 0.7%                |
| Virginia Public Building Authority          | 3,519,630     | 6.3%                |
| Virginia College Building Authority         | 5,636,772     | 10.2%               |
| Long-term Lease Liabilities                 | 604,124       | 1.1%                |
| Long-term SBITA Liabilities                 | 183,467       | 0.3%                |
| Compensated Absences Obligations            | 790,099       | 1.4%                |
| Net Pension Liability                       | 5,466,431     | 9.9%                |
| Net OPEB Liability                          | 1,422,284     | 2.5%                |
| Total OPEB Liability                        | 354,843       | 0.6%                |
| Installment Purchases                       | 313,824       | 0.5%                |
| Other Long-term Debt/Obligations            | 31,274        | 0.1%                |
| Total Other                                 | 21,494,063    | 38.7%               |
| Total Tax-Supported Debt/Obligations        | 22,612,680    | 40.7%               |
| <b>Non-Tax Supported Debt/Obligations</b>   |               |                     |
| Higher Education                            | 4,425,416     | 8.0%                |
| Virginia Housing Development Authority      | 4,763,715     | 8.6%                |
| Virginia Public School Authority            | 4,048,594     | 7.3%                |
| Virginia Resources Authority                | 3,292,504     | 6.0%                |
| Other Long-term Debt/Obligations            | 16,288,800    | 29.4%               |
| Total Non-Tax Supported Debt/Obligations    | 32,819,029    | 59.3%               |
| <b>Total Commonwealth Debt/Obligations</b>  | \$ 55,431,709 | 100.0%              |

**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<br/>Year Ended<br/>June 30,</b> | <b>Population (1)</b> | <b>General<br/>Obligation<br/>Debt (2)</b> | <b>General<br/>Long-term<br/>Debt Per<br/>Capita</b> |
|---|-----------------------|--|--|
| 2023  | 8,705                 | \$ 1,118,617                               | \$ 129   |
| 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  |

(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

**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<br/>Ended June 30,</b> | <b>Debt Service (1)</b> | <b>Total Noncapital<br/>Expenditures (2)</b> | <b>Percentage</b> |
|---|-------------------------|--|-------------------|
| 2023  | \$ 1,348,338            | \$ 59,665,412                                | 2.26              |
| 2022  | 864,376                 | 60,118,624                                   | 1.44              |
| 2021  | 797,114                 | 57,989,541                                   | 1.37              |

(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, 2023, was \$10.0 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, 2022.

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 28 consecutive years (fiscal years 1995-2022).

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, 2022

*Christopher P. Morill*

Executive Director/CEO

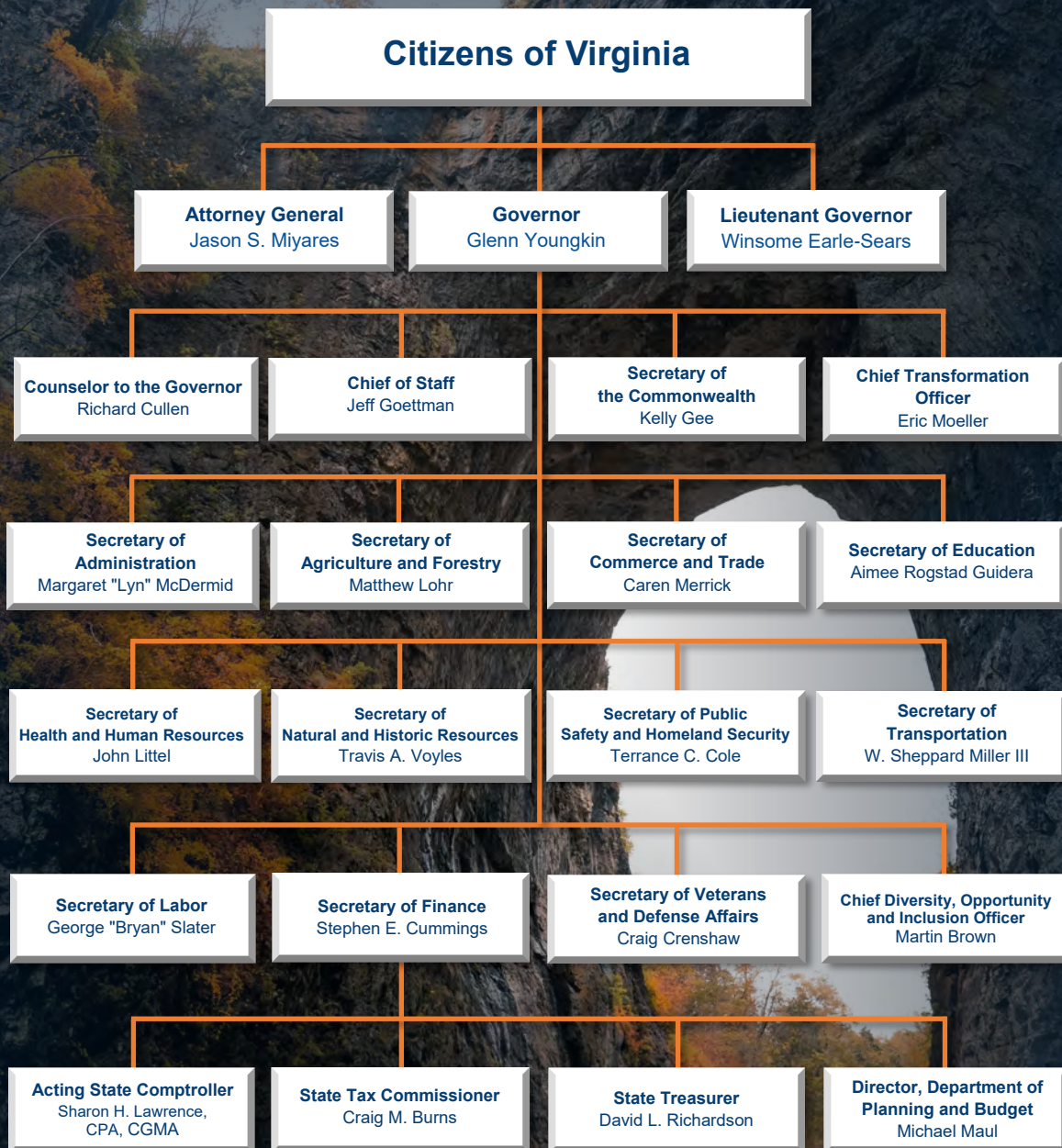
Located in the West Central region, Sharp Top was long thought to be Virginia's tallest mountain, when in fact, it's not even the tallest of the Peaks of Otter. A three mile hike, or bus-ride, leads visitors to a 360 degree overlook. Photo by Sarah Hauser

All photos courtesy of Virginia Tourism Corp.



# 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/2023-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)

Once among our nation's most visited natural wonders and known as One of the Seven Natural Wonders of the Modern World, the Natural Bridge inspired the Monacan Indians to worship it, young George Washington to survey it, Thomas Jefferson to purchase it, and famous artists to paint and illustrate it. Located in the Valley region, it stands tall as a National Historic Landmark and the gateway to the historic Cedar Creek Trail, and the Monacan Indian Living History Village. Photo by Virginia Tourism Corp.