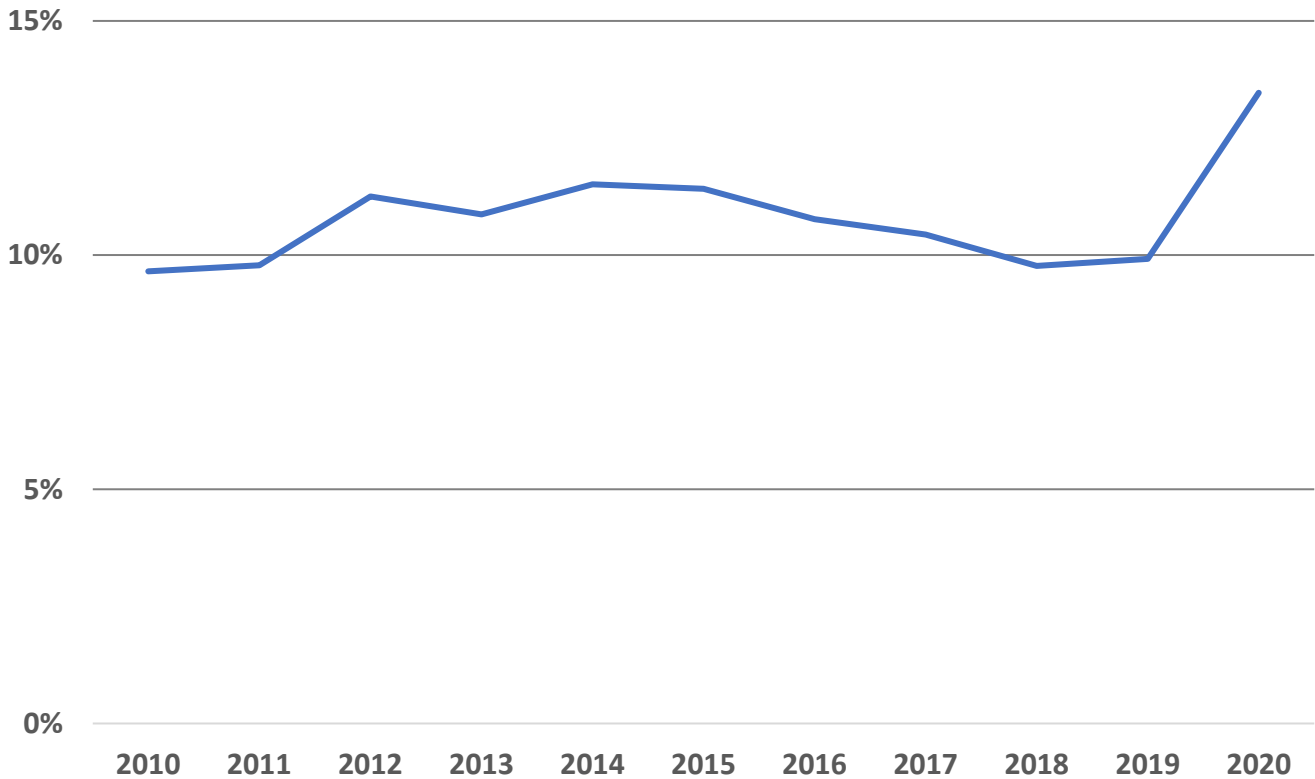


## **DEBT STRUCTURE INDICATORS**

## CURRENT LIABILITIES

(As a % of Net Operating Revenues)



Current liabilities include short-term debt, the current debt service payments of long-term debt, accounts payable and other liabilities due within one year of the balance sheet date. A major component of current liabilities may be short-term debt in the form of tax or bond anticipation notes. Use of short-term borrowing is option for handling erratic flows of revenues, but an increasing amount of short-term debt outstanding at the end of successive years can indicate liquidity problems, deficit spending, or both.

As mentioned in the previous analysis regarding liquidity, **current liabilities increased in FY2020 due to debt issuances in FY2019 and FY2020** that are realizing their first debt service payments containing principal. As the debt service payment increased to accommodate these higher payments, so too did current liabilities, reaching levels not seen since FY2009. Still, the higher current liabilities are **only a cause for concern if it is a reoccurring trend in subsequent fiscal years.**

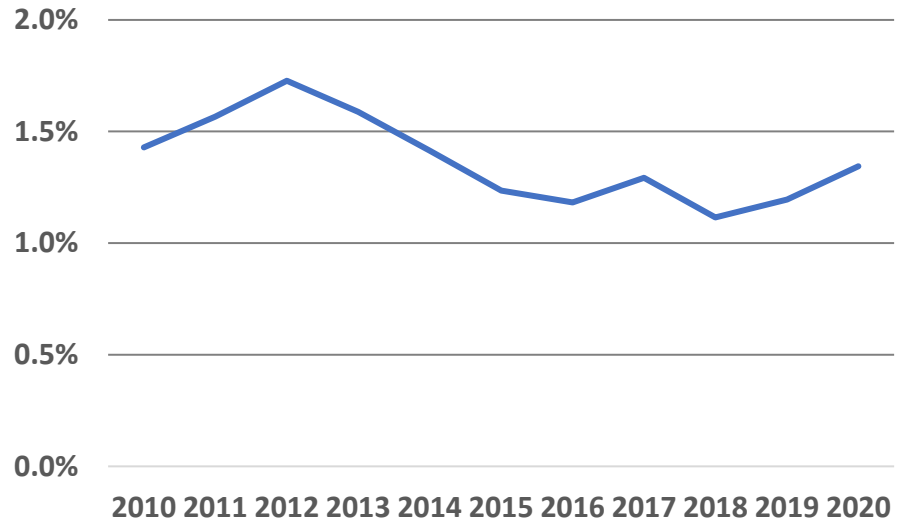
## LONG TERM DEBT

(As a % of Assessed Valuation of Real Property)

A locality's ability to repay its debt is determined by comparing net direct long-term debt (paid directly with general tax revenues) to assessed valuations. An increase in net direct long-term debt as a percentage of real property valuation can indicate that a locality's ability to repay its obligations is diminishing. The concern is that long-term debt should not exceed the locality's resources for paying the debt.

**Long-term debt has been increasing the past two fiscal years to levels similar to FY2014.**

Like previous analyses have noted, recent bonds issuances seeking to take advantage of low interest rates have played a part in this increase. **The FY2020 level is still below that of FY2013 and the 35-year average of 1.5%.**

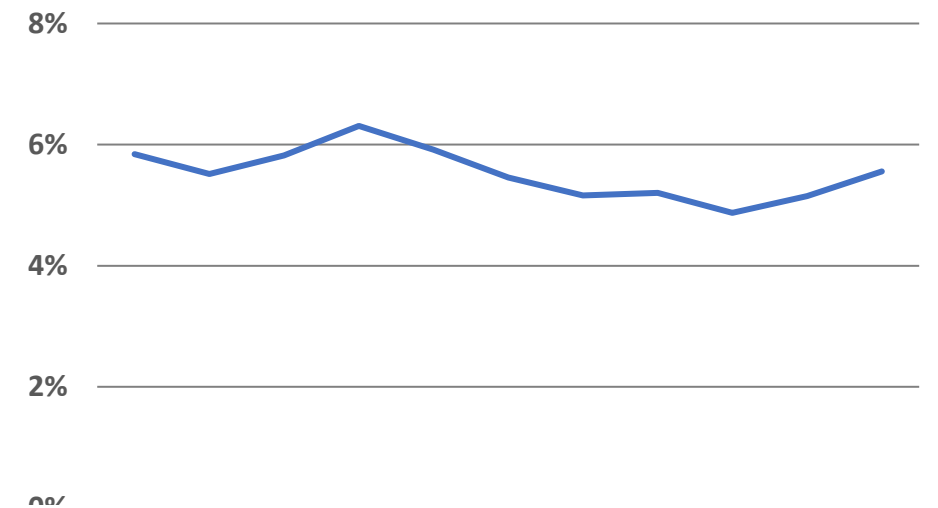


## DEBT SERVICE

(As a % of Net Operating Revenues)

Debt service is the amount of principal and interest that a locality must pay each year on direct long-term debt, plus the interest it must pay on direct short-term debt. As debt service increases, it adds to a locality's obligations and reduces the locality's expenditure flexibility which may be an indication of fiscal strain. Debt service for this indicator includes

principal and interest payments for General Obligation bonds, Virginia Public School Authority (VPSA) debt, Literary Loan debt, and Lease Revenue bonds. The indicator does not include Enterprise Fund debt.



*Note: "Net Operating Revenues" includes only the General, Special Revenue, and Debt Services Funds.*

As previously discussed in the analyses of Current Liabilities and Long-Term Debt, **increases in FY2019 and FY2020 are related to the recent issuance of debt. Current levels at 5.6 percent are similar to levels experienced in FY2013 and FY2014 but are marginally higher than the 35-year average of 5.3 percent.**

