

A Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014



Terence R. McAuliffe  
Governor

Richard D. Brown  
Secretary of Finance

David A. Von Moll  
Comptroller

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Certificate of Achievement for Excellence in Financial Reporting  
Organization of Executive Branch of Government  
Organization of Government – Selected Government Officials – Executive Branch  
Organization of the Department of Accounts



# COMMONWEALTH of VIRGINIA

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COMPTROLLER

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December 15, 2014

The Honorable Terence R. McAuliffe  
Governor of the Commonwealth of Virginia  
State Capitol  
Richmond, Virginia 23219

Dear Governor McAuliffe:

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014, in accordance with Section 2.2-813 of the *Code of Virginia*. This report consists of management's representations concerning the Commonwealth of Virginia's finances. Management assumes full responsibility for the completeness and reliability of all information presented. This report reflects my commitment to you, to the citizens of the Commonwealth, and to the financial community to maintain our financial statements in conformance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). Data presented in this report is believed to be accurate in all material respects, and all disclosures that are necessary to enable the reader to obtain a thorough understanding of the Commonwealth's financial activities have been included.

The 2014 CAFR is presented in three sections. The Introductory Section includes this transmittal letter and organization charts for state government. The Financial Section includes the State Auditor's Report, management's discussion and analysis (MD&A), audited government-wide and fund financial statements and notes thereto, required supplementary information other than MD&A, and the underlying combining and individual fund financial statements and supporting schedules. The Statistical Section sets forth selected unaudited economic, financial trend, and demographic information for the Commonwealth on a multi-year basis.

The Commonwealth's management is responsible for the establishment and maintenance of internal accounting controls that ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. To ensure that the costs of controls do not exceed the benefits obtained, management is required to use cost estimates and judgments to attain reasonable assurance as to the adequacy of such controls. The Commonwealth's established internal controls fulfill these requirements and provide reasonable, but not absolute assurance, that the accompanying financial statements are free of material misstatement.

In accordance with Section 30-133 of the *Code of Virginia*, the Auditor of Public Accounts has audited the Commonwealth's financial statements for the year ended June 30, 2014. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. The auditor's opinion is included in the Financial Section of this report. Audit testing for compliance with the Federal Single Audit Act Amendments of 1996 and the related OMB Circular A-133 is performed at the statewide level. The Commonwealth's Single Audit Report will be issued at a later date. I would like to acknowledge the Auditor of Public Accounts' staff for their many contributions to the preparation of this report.

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. In addition to the financial analysis addressing the Commonwealth's governmental and business-type activities, the MD&A focuses on the Commonwealth's major funds: General, Commonwealth Transportation Special Revenue, Federal Trust Special Revenue, Literary Special Revenue, Virginia Lottery, Virginia College Savings Plan, and Unemployment Compensation. The Commonwealth's MD&A can be found on page 27 immediately following the independent auditor's report.

## **PROFILE OF THE GOVERNMENT**

### **Reporting Entity**

For financial reporting purposes, the Commonwealth's reporting entity consists of (1) the primary government, (2) component unit organizations for which the primary government is financially accountable (blended component units), and (3) other component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete (discrete component units). The funds and accounts of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or a component unit have been included. Further information can be found in Note 1.B. to the Financial Statements.

Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards* describes the criteria for determining which organizations, functions, and activities should be considered part of the Commonwealth for financial reporting purposes. The basic criteria include appointing a voting majority of an organization's governing body, as well as the Commonwealth's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Commonwealth. The Commonwealth's discretely presented major component units are the Virginia Housing Development Authority, Virginia Public School Authority, Virginia Resources Authority, and Virginia College Building Authority.

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; environment and natural resources; public safety, corrections, and regulation; transportation; agriculture; and general government services. The financial activities associated with these services are reflected in both summary and detail throughout the CAFR.

### **Budgetary Control**

In addition to the internal controls previously discussed, the Commonwealth maintains budgetary controls to ensure compliance with the legal provisions of the Commonwealth's Appropriation Act, which reflects the General Assembly's approval of a biennial budget. The financial transaction process begins with development and approval of the budget, after which budgetary control is maintained through a formal appropriation and allotment system. The budgeted amounts reflected in the accompanying financial statements represent summaries of agency budgets.

The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly on a biennial basis at the program level. The Commonwealth monitors spending activity to ensure the expenditures do not exceed the appropriated amounts at the agency level. The State Comptroller maintains a central general ledger that records total appropriations and related expenditures for all agencies and institutions included in the approved budget. Systemic controls are in place to prevent disbursements that exceed authorized appropriations. Additional information regarding the Commonwealth's budgetary process can be found in Note 1.E. to the Financial Statements.

# ECONOMIC REVIEW

## Local Economy

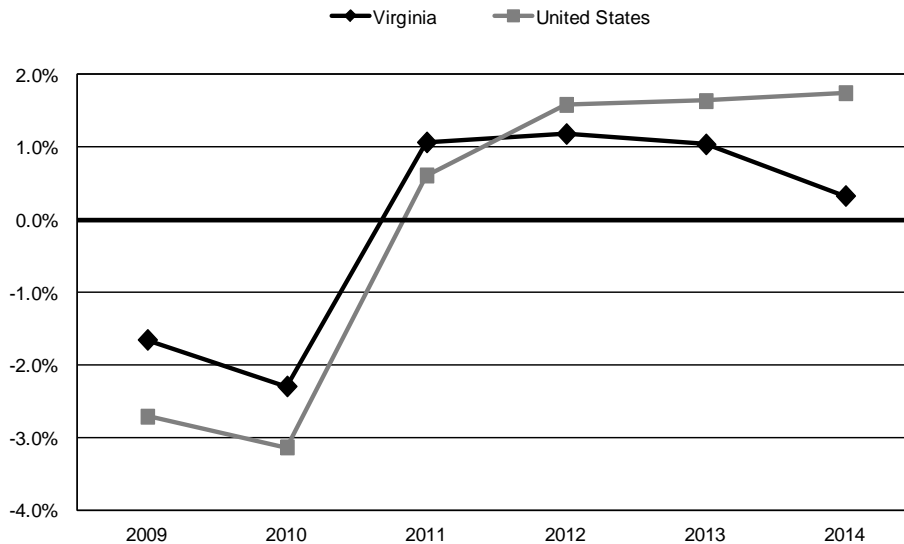
### Introduction

This overview of the economy of the Commonwealth of Virginia was prepared by the Center for Urban and Regional Analysis (CURA) at Virginia Commonwealth University. In fiscal year 2014, Virginia's economy continued its recovery from the recession of 2008-10. Yet the pace of recovery, which began to slow in fiscal year 2013, slowed further still in fiscal year 2014. Indicators such as jobs and new housing units, in particular, show that the current expansion, which looked very promising in fiscal years 2011 and 2012, has tapered off and this is cause for concern.

### Employment

While the recession experienced between 2008 and 2010 – and the loss of almost 150,000 jobs – is now in the past, the steady increase of around 1.0 percent in employment observed between 2011 and 2013 seems to have slowed down in this past fiscal year. In fiscal year 2014, in fact, Virginia's employment grew only by 0.3 percent, increasing the gap with the national level, where nonfarm payroll employment has increased by 1.7 percent (see **Figure 1**). While this is the fourth consecutive year of job growth in Virginia, it must be noted how in fiscal year 2014 only 12,400 jobs have been added to the economy (compared to nearly 40,000 during fiscal year 2013). This slowdown is troubling, especially when compared with the nation's more robust economic performance over this period. Moreover, uncertainty in the global economy, caused principally by the weakness of the Euro zone and by crises in the Middle East and in West Africa, may portend more trouble ahead for Virginia's economy.

**Figure 1**  
**Annual Percentage Change in Nonfarm Payroll Employment**  
Fiscal Years 2009 - 2014



Source: U. S. Bureau of Labor Statistics



Virginia's lackluster economic performance in fiscal year 2014 is due mostly to employment declines in the Professional and Business Services and the Federal Government sectors, which lost a combined total of roughly 18,000 jobs. **Figure 2** shows changes in Virginia's nonfarm employment by industry for fiscal years 2009 through 2014, along with the employment change between fiscal years 2013 and 2014 for Virginia and the U.S. While it is important that Virginia continued on the trend initiated in fiscal year 2011, and reaffirmed in fiscal years 2012 and 2013, it is undeniable that some economic sectors had a poor performance during fiscal year 2014. Six NAICS industries out of the 15 considered, have lost jobs. This creates uncertainty for the future, especially in traditionally important sectors like Professional and Business Services and Manufacturing. On the other end of the spectrum, some good news came from Wholesale Trade, which continued the employment gains posted in fiscal year 2013, and Educational and Health Services, which added nearly 14,000 jobs on top of the 13,000 added in the previous year.

**Figure 2**  
**Nonfarm Payroll Employment**  
Fiscal Years 2009 - 2014

NAICS Industry*	Virginia Employment (000)						Change, Fiscal Year 2014 over Fiscal Year 2013		
	2009	2010	2011	2012	2013	2014	Virginia		U. S.
							Number (000)	Percent	Percent
Mining and Logging	10.9	10.1	10.7	11.1	10.4	9.9	(0.5)	(4.8)	3.9
Construction	206.2	184.1	181.5	177.3	176.9	178.3	1.4	0.8	3.2
Manufacturing	252.5	233.1	230.0	231.5	231.3	229.9	(1.4)	(0.6)	0.6
Wholesale Trade	116.6	110.0	111.2	111.2	111.5	111.6	0.1	0.1	1.8
Retail Trade	409.3	396.9	400.1	404.6	406.8	412.5	5.7	1.4	2.1
Transportation and Utilities	116.2	112.0	114.2	115.4	116.2	116.0	(0.2)	(0.2)	1.7
Information Services	84.5	77.9	75.0	72.5	71.4	70.6	(0.8)	(1.1)	(0.5)
Financial Activities	184.5	178.1	180.6	185.3	190.8	193.5	2.7	1.4	1.0
Professional and Business Services	649.9	641.3	660.0	673.3	682.3	669.0	(13.3)	(1.9)	3.7
Educational and Health Services	456.9	462.6	472.7	478.9	491.6	505.5	13.9	2.8	1.8
Leisure and Hospitality	345.1	339.6	345.5	354.1	362.8	366.6	3.8	1.0	3.2
Other Services	187.8	184.9	185.8	190.0	193.4	195.6	2.2	1.1	0.6
Federal Government	163.2	171.0	174.6	173.9	175.2	170.9	(4.3)	(2.5)	(2.6)
State Government	153.5	153.1	154.8	157.9	159.4	160.7	1.3	0.8	0.1
Local Government	382.3	379.4	376.3	379.5	375.2	377.0	1.8	0.5	0.3
<b>Total</b>	<b>3,719.4</b>	<b>3,634.1</b>	<b>3,673.0</b>	<b>3,716.5</b>	<b>3,755.2</b>	<b>3,767.6</b>	<b>12.4</b>	<b>0.3</b>	<b>1.7</b>

Source: U. S. Bureau of Labor Statistics; some prior year numbers have been revised to reflect the incorporation of newly available and revised source data

\* North American Industry Classification System

**Figure 3** shows the annual percentage change in nonfarm employment for 10 of the 11 Metropolitan Statistical Areas (MSAs) in Virginia. The Kingston-Bristol MSA is not included in this table because most of it is located in Tennessee and data for this indicator are not reported separately for the Virginia portion of the MSA. Except for Danville and Lynchburg, all other MSAs added jobs in fiscal year 2014, following on the recovery path that started in fiscal year 2011. Danville's employment losses are disappointing, since the region had grown by 1.1 percent in fiscal year 2011 and by 2.0 percent in fiscal year 2012, but by only 0.3 percent in fiscal year 2013. Following the long-term trend, the Richmond MSA, Northern Virginia MSA and Virginia Beach-Norfolk-Newport News MSA maintain their prominent roles in the economy, accounting for more than 82.0 percent of Virginia's nonfarm payroll employment. All three MSAs experienced growth in fiscal year 2014, adding a total of more than 16,000 jobs (although this increase is much less than the 39,000 jobs added in fiscal year 2013).

**Figure 3**  
**Nonfarm Payroll Employment in Virginia's MSAs**  
Fiscal Years 2009 - 2014

Area	Percent Change					
	2009	2010	2011	2012	2013	2014
<b>Virginia</b>	(1.4)	(2.3)	1.1	1.2	1.0	0.3
<b>Metropolitan areas<sup>(a)</sup></b>						
Blacksburg-Christiansburg-Radford	(0.6)	(3.7)	0.9	2.5	1.8	1.8
Charlottesville	(1.6)	(1.9)	0.7	2.0	1.4	0.5
Danville	(1.4)	(4.0)	1.1	2.0	0.3	(1.8)
Harrisonburg	(1.7)	(1.7)	1.9	0.8	0.9	0.7
Lynchburg	(1.5)	(4.1)	(0.6)	(0.8)	0.3	(0.5)
Northern Virginia	(0.8)	(0.7)	2.0	1.9	1.4	0.4
Richmond	(1.9)	(3.1)	0.8	1.9	1.8	1.5
Roanoke	(2.2)	(2.8)	0.3	1.0	0.9	0.1
Virginia Beach-Norfolk-New port New s <sup>(b)</sup>	(2.3)	(2.5)	0.1	0.6	1.1	0.2
Winchester <sup>(c)</sup>	(3.5)	(2.6)	3.1	2.7	1.9	2.2

Source: U. S. Bureau of Labor Statistics; some prior year numbers have been revised to reflect the incorporation of newly available and revised source data

(a) Excludes Kingsport-Bristol MSA, most of which is located in Tennessee

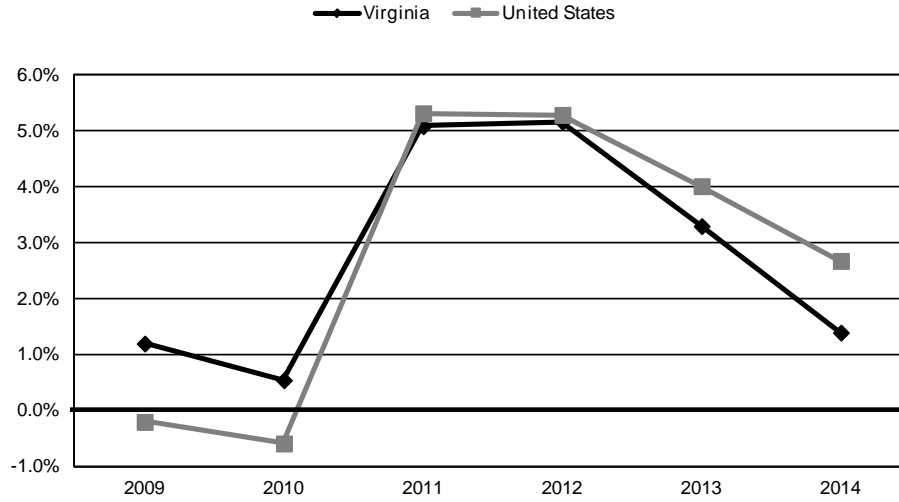
(b) Includes portion in North Carolina

(c) Includes portion in West Virginia

## Personal Income

Personal income is an important indicator of the health of Virginia's economy because most state government revenues – income taxes and retail sales taxes in particular – are directly or indirectly related to personal income. As shown in **Figure 4**, the remarkable post-recession growth of fiscal years 2011, 2012 and, to a lesser extent, 2013, has moderated significantly in fiscal year 2014. Although the growth rate has slowed down both at the state and national level, the gap between Virginia and the rest of the country is widening – while average personal income in the U.S. has grown by 2.7 percent, Virginia residents have experienced an increase of just 1.4 percent.

**Figure 4**  
**Percentage Change in Personal Income**  
 Fiscal Years 2009 - 2014

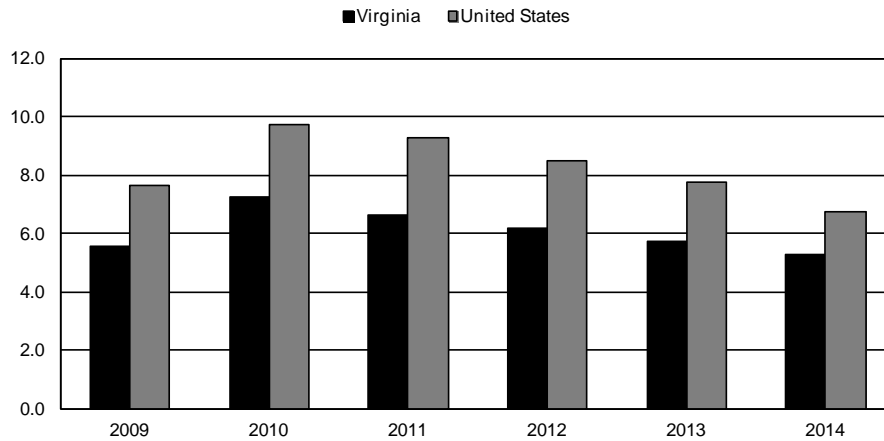


Source: U.S. Bureau of Economic Analysis, Regional Economic Information System

### Unemployment

The unemployment rate, both at the state and national levels, continues its post-recession decline of 0.5 percentage points each year for fiscal years 2011 to 2013. In fiscal year 2014, the unemployment rate in Virginia declined to 5.2 percent, significantly lower than the 6.8 percent observed nationally. Although these values are still far from the low unemployment rates of the pre-recession period (in fiscal year 2007, the rates were 3.0 percent in Virginia and 4.5 percent in the U.S. overall), this decline seems consistent with a generally recovering economy. (Note, however, that we did not analyze labor force participation rates, which might complicate this generally positive picture.)

**Figure 5**  
**Civilian Unemployment Rate**  
 Fiscal Years 2009 - 2014



Source: U.S. Bureau of Labor Statistics

**Figure 6** shows unemployment rates for each of Virginia's MSAs over the last six fiscal years. Each MSA has posted steady decreases in unemployment since 2011, with Northern Virginia (4.3 percent) and Charlottesville (4.4 percent) currently performing the best.

**Figure 6**  
**Civilian Unemployment Rate for Virginia's MSAs**  
 Fiscal years 2009 – 2014

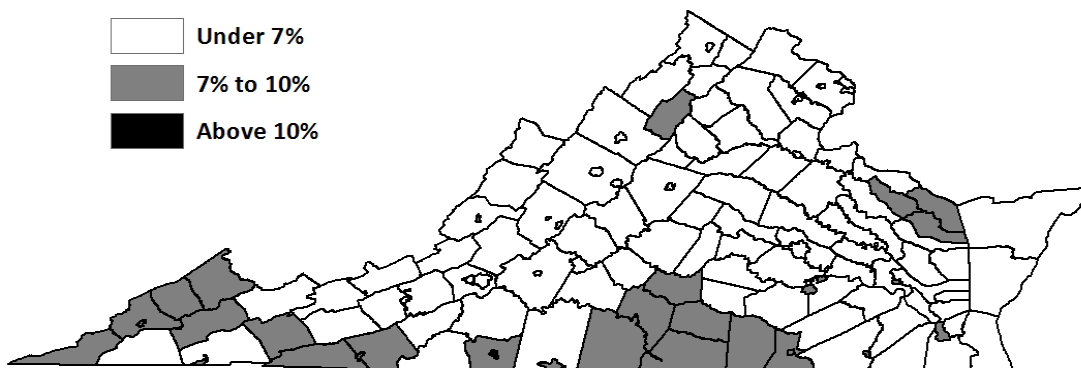
Area	Unemployment Rate (Percent)					
	2009	2010	2011	2012	2013	2014
Virginia	5.6	7.3	6.7	6.2	5.8	5.2
<b>Metropolitan areas</b>						
Blacksburg-Christiansburg-Radford	7.0	8.8	7.6	6.7	6.5	5.6
Charlottesville	4.7	6.2	5.6	5.3	4.8	4.4
Danville	10.4	12.3	10.7	9.1	8.3	7.4
Harrisonburg	5.2	6.9	6.6	6.2	5.7	5.1
Kingsport-Bristol*	7.2	9.5	8.8	7.9	7.4	6.7
Lynchburg	6.1	8.1	7.6	7.1	6.6	5.9
Northern Virginia*	4.2	5.5	5.0	4.7	4.5	4.3
Richmond	6.1	8.2	7.5	6.8	6.2	5.6
Roanoke	5.7	7.9	7.1	6.4	6.0	5.5
Virginia Beach-Norfolk-Newport News*	5.7	7.5	7.2	6.9	6.3	5.8
Winchester*	6.4	7.8	6.8	6.2	5.4	4.8

Source: U.S. Bureau of Labor Statistics; some prior year numbers have been revised to reflect the incorporation of newly available and revised source data

\* Includes only the portion of the MSA located in Virginia

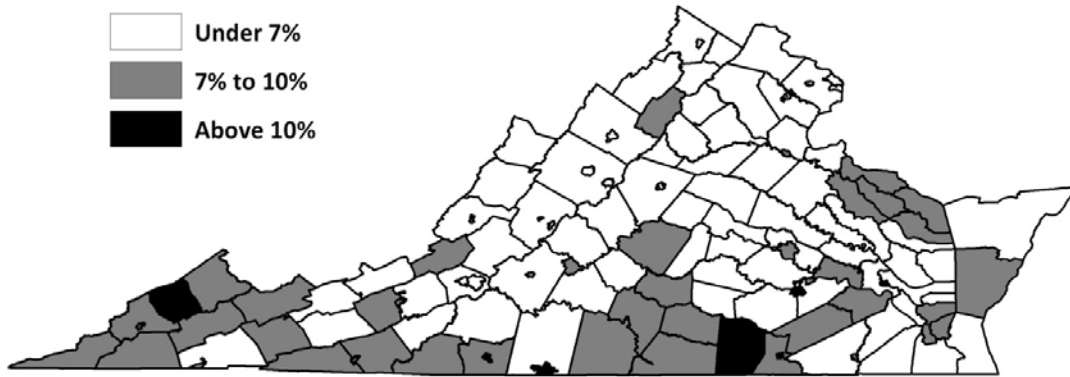
In **Figure 7a**, each of Virginia's localities (95 counties and 39 independent cities) is color coded according to its unemployment rate. Three categories are represented on the map: unemployment rates that are under 7.0 percent, 7.0 to 10.0 percent, and above 10.0 percent. For fiscal year 2014 almost all jurisdictions with an employment rate above the state average (5.2 percent) are located in the South Central and Southwestern parts of the Commonwealth. However, a comparison of fiscal year 2014 with fiscal year 2013 (shown in **Figure 7b**), indicates that several localities improved their performance over the course of the year. (Note, again, that we did not analyze changes in labor force participation rates.)

**Figure 7a**  
**Unemployment Rate by Locality**  
 Fiscal Year 2014



Source: Virginia Employment Commission

**Figure 7b**  
**Unemployment Rate by Locality**  
 Fiscal Year 2013

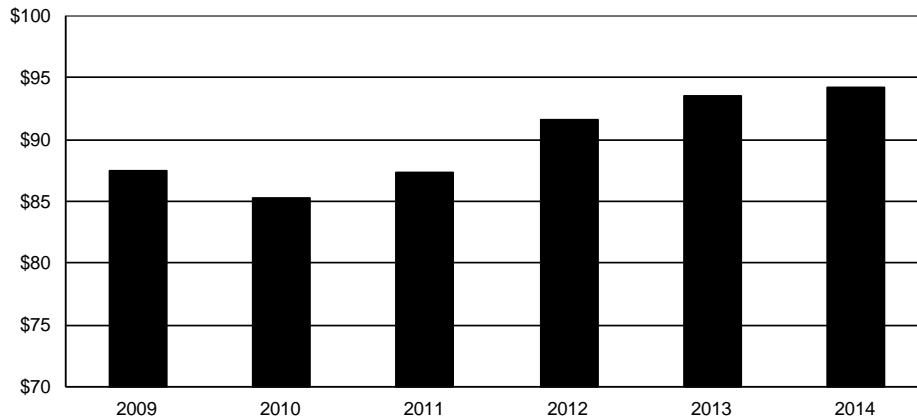


Source: Virginia Employment Commission

**Taxable Sales**

Since current data on retail sales are not produced for states, this report follows the approach used in previous reports and presents information on taxable sales. These data are used as a proxy for retail sales, even though they do not include motor vehicle and motor fuel sales. (Unlike the Census Bureau's data on retail sales, however, taxable sales data includes sales at restaurants and lodging places.) **Figure 8** shows that in fiscal year 2014, taxable sales in Virginia continued to increase, albeit at a slower pace than what was observed for the period 2011 through 2013. During fiscal year 2014, Virginia had taxable sales of more than \$94.0 billion.

**Figure 8**  
**Taxable Sales in Virginia**  
 Fiscal Years 2009 - 2014  
 (Billions of Dollars)

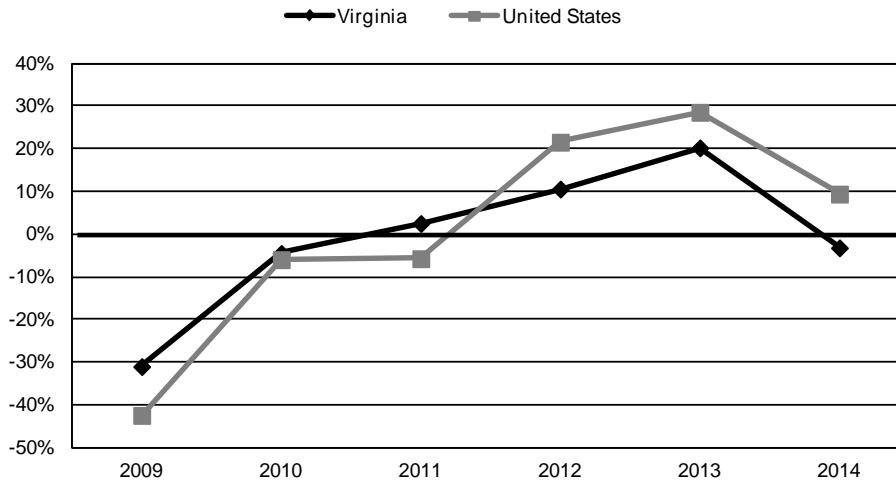


Source: Weldon Cooper Center for Public Service, University of Virginia. Originally from the Virginia Department of Taxation.

## Housing Market

After three fiscal years of annual increases in new housing construction – from 2.5 percent in 2011 to 20.3 percent in 2013 – Virginia suffered a decline of 3.1 percent in new housing units authorized for construction in fiscal year 2014 (see **Figure 9**). At the national level, by contrast, building permits increased by almost 10.0 percent during the same period; this is also a decrease since fiscal year 2013, but less severe than that experienced in Virginia.

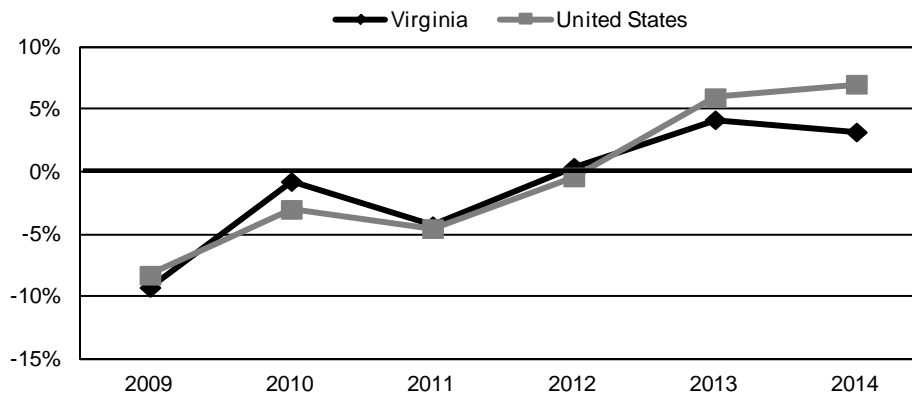
**Figure 9**  
**New Privately Owned Housing Units Authorized**  
**Annual Percentage Change**  
Fiscal Years 2009 - 2014



Source: U.S. Census Bureau

Another indicator for understanding Virginia's housing market is the percentage change in housing prices published by the Federal Housing Finance Agency. Consistent with the national data, **Figure 10** shows a positive change for this indicator in Virginia for fiscal year 2014, with an increase of 3.2 percent (almost one percentage point less than the previous fiscal year's increase). This result is consistent with a recovery trend that began in fiscal year 2011.

**Figure 10**  
**Percentage Change in Housing Prices**  
Fiscal Years 2009 – 2014



Source: Federal Housing Finance Agency

## **Conclusion**

Fiscal year 2014, overall, can be considered as a year of ambivalent results. While there is an overall consolidation of the post-recession recovery that started in fiscal year 2010 and gathered some momentum in fiscal year 2011, some indicators show an alarming slowdown. This appears to be largely the result of spending reductions at the federal government level, but it may also be the result of some lingering effects of the recession, as well as global economic uncertainty marked by the weakness of the Euro zone and crises in the Middle East and in parts of Africa. Virginia's recovery from the recession has slowed, and this is reflected especially in the employment and personal income indicators. Thus, the optimism expressed in the fiscal year 2013 overview has given way to moderate concern.

## **MAJOR INITIATIVES**

The CAFR has received unqualified audit opinions from fiscal year 1986 through fiscal year 2013. During this period, the Commonwealth has also received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. While we are very proud of these unqualified audit opinions and awards, we must be mindful of the fact that they are not automatic. The successes of the State Comptroller's office are directly attributable not only to the professionalism, experience and integrity of the State Comptroller's technical and accounting personnel, but also to the professionalism, experience and integrity of the financial and accounting personnel throughout the Commonwealth. These major initiatives will support efforts to continue our legacy of quality financial management.

## **Long-term Financial Planning**

In 1992, an amendment to the Constitution of Virginia required the establishment of a Revenue Stabilization Fund. Annually, revenue collections are evaluated to determine whether deposits are required to the Fund. Withdrawals can only occur if the general fund revenues appropriated exceed the revised general fund revenue forecast by more than 2.0 percent of the certified tax revenues collected in the most recently ended fiscal year. Additionally, a withdrawal from the Fund cannot compensate for more than one-half of the difference between the general fund appropriations and revised estimate nor can it exceed more than one-half of the Fund balance. Further, pursuant to the constitutional amendment of Article X, Section 8, effective January 1, 2011, the amount on deposit cannot exceed 15.0 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. This is an increase of the previous limit of 10.0 percent.

## **Enterprise Application Project**

The Cardinal Project represents a shared vision between the offices of the Secretary of Transportation, Secretary of Finance and the Virginia Information Technologies Agency to replace the Commonwealth's financial system (CARS) and the Virginia Department of Transportation's (VDOT) financial system with a modern, enterprise-wide financial system (base financial system). The base financial system will provide a solid foundation for the Commonwealth to expand system functionality and facilitate better integration of key administrative systems across the state. This foundation will enable the Commonwealth to re-engineer activities to include taking advantage of shared services, increasing functionality for better fiscal management, and reducing redundant agency financial systems and related cost. The Cardinal project will implement the base financial system in three phases. The first phase implemented VDOT's planned functionality on December 5, 2011, and the second phase implemented the Commonwealth's base financial system at the Department of Accounts (DOA) on October 1, 2012. The current phase of the project includes rolling Cardinal out to all other state agencies, at which time CARS will be retired. The remaining agencies have been divided into two waves, and the first wave was successfully implemented on October 1, 2014. The second wave is currently planned for February 1, 2016, with CARS being retired effective July 1, 2016. I, as State Comptroller, chair the Cardinal Steering Committee, and DOA has assigned full-time resources to this project.

## **AWARDS AND ACKNOWLEDGMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth for its CAFR for the fiscal year ended June 30, 2013. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and all applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. The Commonwealth has received a Certificate of Achievement for the last 28 consecutive years (fiscal years 1986-2013). I believe that this year's report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

This report could not have been prepared without the full cooperation of all state agencies within the Executive Branch, the Legislature, the Judiciary, the Component Units, and especially the dedication and professionalism of the financial reporting staff in the Department of Accounts.

Respectfully submitted,

David A. Von Moll  
Comptroller of the Commonwealth of Virginia





Government Finance Officers Association

**Certificate of  
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Presented to

**Commonwealth of Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

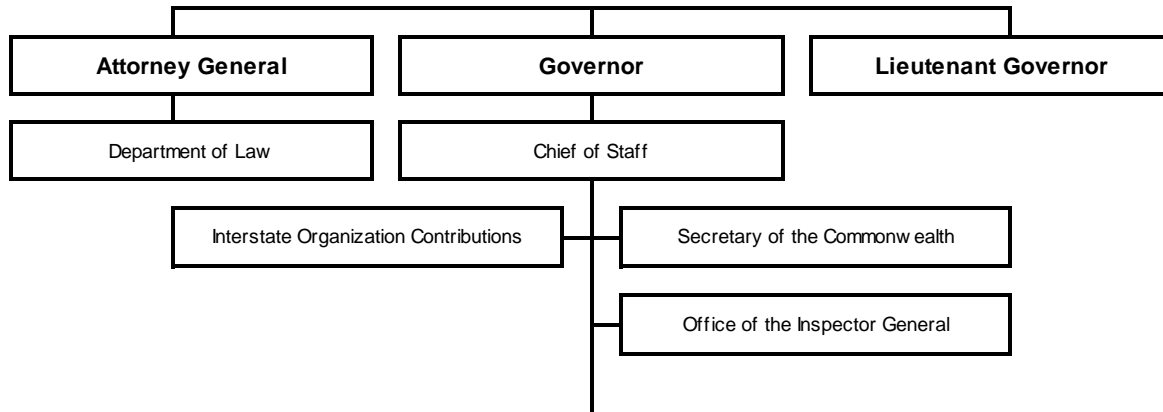
Executive Director/CEO



# Organization Charts

# Organization of Executive Branch of Government

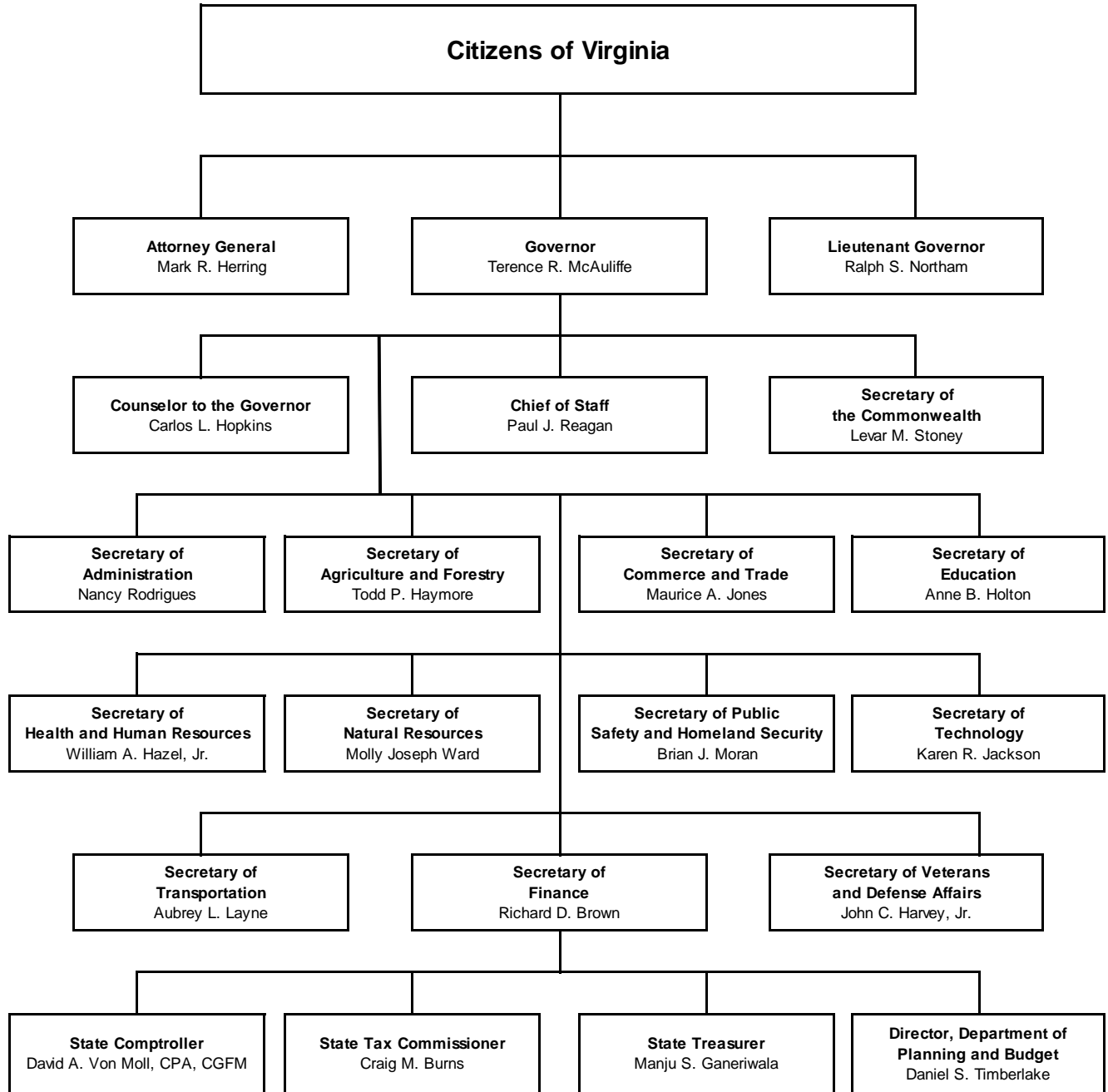
As of June 30, 2014



<p><b>Secretary of Administration</b>            Compensation Board            Department of General Services            Department of Human Resource Management            State Board of Elections</p>	<p><b>Secretary of Education</b>            Christopher Newport University            Department of Education            Frontier Culture Museum of Virginia            George Mason University            Gunston Hall            Higher Education Tuition Moderation Incentive Fund            Institute for Advanced Learning and Research            James Madison University            Jamestown-Yorktown Foundation            Longwood University            New College Institute            Norfolk State University            Old Dominion University            Radford University            Richard Bland College            Roanoke Higher Education Authority            Southern Virginia Higher Education Center            Southwest Virginia Higher Education Center            State Council of Higher Education for Virginia            The College of William and Mary            The Library of Virginia            The Science Museum of Virginia            University of Mary Washington            University of Virginia            Virginia College Building Authority            Virginia Commission for the Arts            Virginia Commonwealth University            Virginia Community College System            Virginia Institute of Marine Science            Virginia Military Institute            Virginia Museum of Fine Arts            Virginia Polytechnic Institute and State University            Virginia School for the Deaf and the Blind            Virginia State University</p>	<p><b>Secretary of Natural Resources</b>            Department of Conservation and Recreation            Department of Environmental Quality            Department of Game and Inland Fisheries            Department of Historic Resources            Marine Resources Commission            Virginia Museum of Natural History</p>
<p><b>Secretary of Agriculture and Forestry</b>            Virginia Agricultural Council            Department of Agriculture and Consumer Services            Department of Forestry            Virginia Racing Commission</p>		<p><b>Secretary of Public Safety and Homeland Security</b>            Commonwealth's Attorneys' Services Council            Department of Alcoholic Beverage Control            Department of Corrections            Department of Criminal Justice Services            Department of Emergency Management            Department of Fire Programs            Department of Forensic Science            Department of Juvenile Justice            Department of Military Affairs            Department of State Police            Virginia Correctional Enterprises            Virginia Parole Board</p>
<p><b>Secretary of Commerce and Trade</b>            Board of Accountancy            Department of Housing and Community Development            Department of Labor and Industry            Department of Mines, Minerals and Energy            Department of Professional and Occupational Regulation            Department of Small Business and Supplier Diversity            The Tobacco Indemnification and Community Revitalization Commission            Virginia Economic Development Partnership            Virginia Employment Commission            Virginia Tourism Authority</p>		<p><b>Secretary of Technology</b>            Innovation and Entrepreneurship Investment Authority            Virginia Information Technologies Agency</p>
<p><b>Secretary of Health and Human Resources</b>            Comprehensive Services for At-Risk Youth and Families            Department for Aging and Rehabilitative Services            Department for the Blind and Vision Impaired            Department for the Deaf and Hard-of-Hearing            Department of Behavioral Health and Developmental Services            Department of Health            Department of Health Professions            Department of Medical Assistance Services            Department of Social Services            Virginia Board for People with Disabilities            Virginia Foundation for Healthy Youth</p>	<p><b>Secretary of Finance</b>            Department of Accounts            Department of Planning and Budget            Department of Taxation            Department of the Treasury            Treasury Board</p>	<p><b>Secretary of Transportation</b>            Department of Aviation            Department of Motor Vehicles            Department of Rail and Public Transportation            Department of Transportation            Motor Vehicle Dealer Board            Virginia Port Authority</p>
		<p><b>Secretary of Veterans and Defense Affairs</b>            Department of Veterans Services</p>

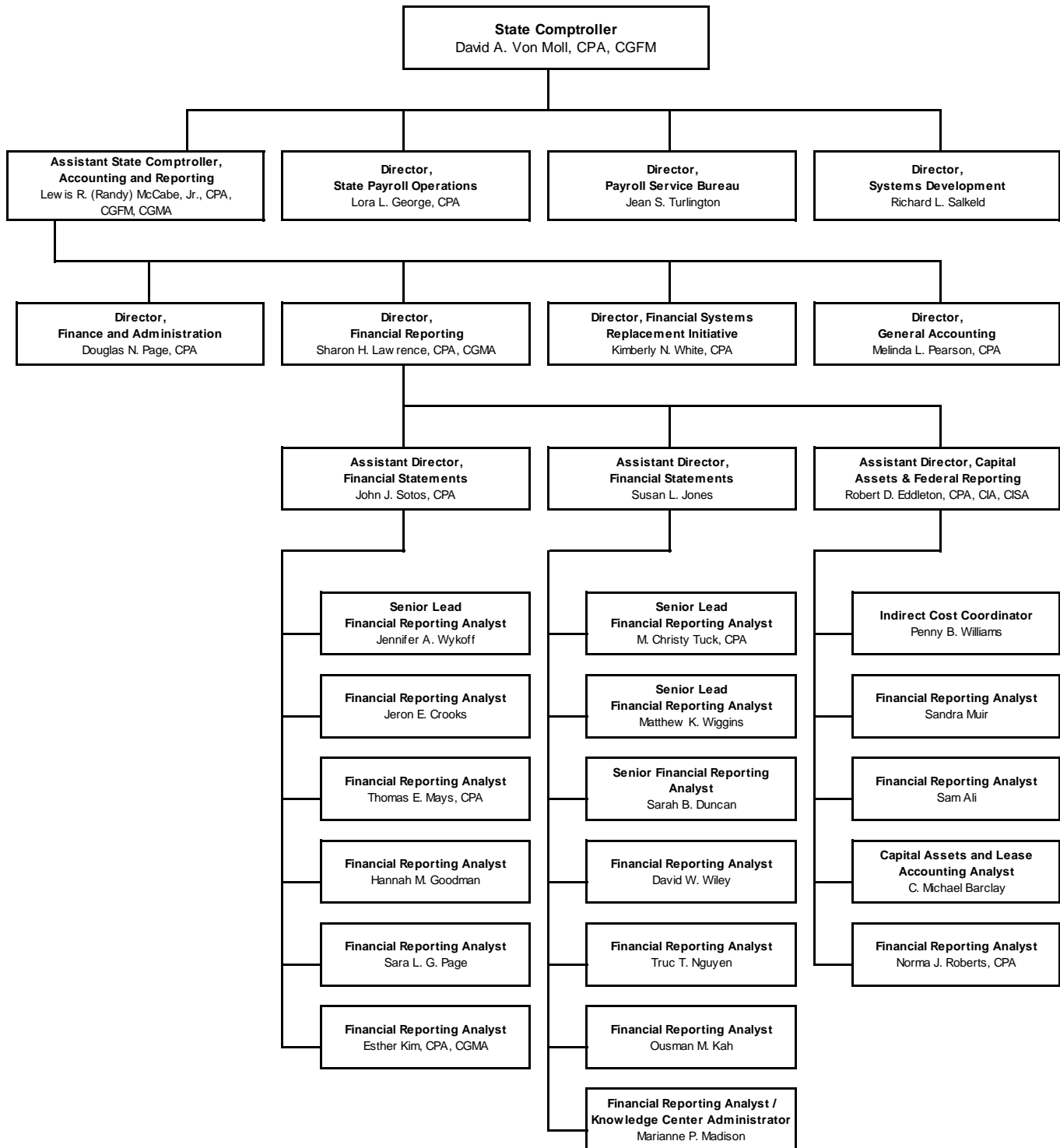
# Organization of Government Selected Government Officials - Executive Branch

As of December 15, 2014



# Organization of the Department of Accounts

As of December 15, 2014



# FINANCIAL SECTION

Independent Auditor's Report  
Management's Discussion and Analysis  
Basic Financial Statements  
Required Supplementary Information  
Combining and Individual Fund Statements and Schedules



# Commonwealth of Virginia

## Auditor of Public Accounts

Martha S. Mavredes, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

December 15, 2014

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable John C. Watkins  
Chairman, Joint Legislative Audit  
And Review Commission

### **INDEPENDENT AUDITOR'S REPORT**

#### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain blended and aggregate discretely presented components units of the Commonwealth, which are discussed in Note 1.B. The blended component unit represents 7.31 percent of total assets and deferred outflows and 1.81 percent of net position of the business-type activities. In addition, the blended component unit represents 0.37 percent of total assets and deferred outflows and 0.03 percent of net position of the aggregate remaining fund information. The aggregate discretely presented component units collectively represent 29.63 percent of total assets and deferred outflows, 22.46 percent of net position, and 9.84 percent of revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for certain component units discussed in Note 1.B. are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Hampton Roads Sanitation District Commission, Science Museum of Virginia Foundation, Virginia Museum of Fine Arts Foundation, Library of Virginia Foundation, and Danville Science Center, Inc., which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

#### *Opinion*

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### *Emphasis of Matter*

##### Change in Accounting Principle

The Commonwealth of Virginia's basic financial statements for the year ended June 30, 2014, reflect the provisions of the Governmental Accounting Standards Board's (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The Commonwealth of Virginia implemented the requirements of GASB Statements No. 65 and 70 in accordance with their required effective date. See Notes 2, 13 and 26 in the accompanying financial statements for the impact of the standard's implementation. Our opinion is not modified with respect to this matter.

##### Correction of 2013 Financial Statements

As discussed in Note 2 of the accompanying financial statements, the fiscal year 2013 governmental activities, component units, Commonwealth Transportation major special revenue fund, and Agency Fund financial statements have been restated to correct misstatements. Our opinion is not modified with respect to these matters.

#### *Other Matters*

##### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, the funding progress for defined benefit pension plans, schedule of employer contributions for defined benefit pension plans, funding progress for other post-employment benefit plans, schedule of employer contributions for other post-employment benefit plans, change in discount rate, schedule of changes in employers' net pension liability, and claims development information on pages 27 through 37 and 177 through 194 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth of Virginia's basic financial statements. The accompanying supplementary information, such as the combining and individual fund statements and schedules, and other information such as the introductory and statistical sections, are presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, our report dated December 15, 2014, on our consideration of the Commonwealth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters is issued in the Commonwealth of Virginia Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commonwealth's internal control over financial reporting and compliance.

MARTHA S. MAVREDES  
AUDITOR OF PUBLIC ACCOUNTS

# Management's Discussion and Analysis

## (Unaudited)

The following is a discussion and analysis of the Commonwealth of Virginia's (the Commonwealth) financial performance, including an overview and analysis of the financial activities of the Commonwealth for the fiscal year ended June 30, 2014. Readers should consider this information in conjunction with the transmittal letter, which is located in the Introductory Section of this report, and the Commonwealth's financial statements, including the notes to the financial statements, which are located after this analysis.

### Financial Highlights

#### Government-wide Highlights

The primary government's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2014, by \$22.1 billion. Net position of governmental activities increased by \$753.0 million and net position of business-type activities increased by \$502.1 million. Component units reported an increase in net position of \$1.9 billion from June 30, 2013.

#### Fund Highlights

At the end of the fiscal year, the Commonwealth's governmental funds reported a combined ending fund balance of \$3.9 billion, a decrease of \$275.7 million in comparison with the prior year. Of this total fund balance, \$248.9 million represents nonspendable fund balance, \$1.9 billion represents restricted fund balance, \$2.5 billion represents committed fund balance, and \$16.8 million represents assigned fund balance. These amounts are offset by a negative \$781.5 million unassigned fund balance. The Enterprise Funds reported net position at June 30, 2014, of \$1.2 billion, an increase of \$499.7 million during the year which is primarily attributable to the Unemployment Compensation Fund and the Virginia College Savings Plan. See page 33 for additional information.

The General Fund recognized higher fund revenues and expenditures, as well as lower assets and liabilities when compared to fiscal year 2013. Deferred outflows and deferred inflows of resources were reported for the first time in fiscal year 2014. See page 34 for additional information.

#### Long-term Debt

The Commonwealth's total debt rose during the fiscal year to \$37.6 billion, an increase of \$383.7 million, or 1.0 percent. During the fiscal year, the Commonwealth issued new debt in the amount of \$646.2 million for the primary government and \$3.4 billion for the component units. These debt issuances increased the debt balances to \$12.3 billion for the primary government and \$25.3 billion for component units.

### Overview of the Financial Statements

This discussion and analysis is an introduction to the Commonwealth's basic financial statements, which include three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The report also contains additional required supplementary information and other information.

#### Government-wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Commonwealth's finances in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Commonwealth's financial position which helps readers determine whether the Commonwealth's financial position has improved or deteriorated during the fiscal year. These statements include all non-fiduciary financial activity on the full accrual basis of accounting. This means that all revenue and expenditures are reflected in the financial statements even if the related cash has not been received or paid as of June 30.

The Statement of Net Position (pages 40 and 41) presents information on all of the Commonwealth's assets and deferred outflows of resources, and liabilities and deferred inflows of resources; net position represents the difference between all other elements in a statement of financial position and is displayed in three components – net investment in capital assets; restricted; and unrestricted. Over time, increases or decreases in net position may indicate whether the financial position of the Commonwealth is improving or deteriorating.

The Statement of Activities (pages 42 through 44) presents information showing how the Commonwealth's net position changed during fiscal year 2014. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the Statement of Net Position and Statement of Activities report three separate activities. These activities are described as follows:

**Governmental Activities** – account for functions of the Commonwealth that are primarily supported by taxes and intergovernmental revenues. The majority of the Commonwealth’s basic services, such as education, individual and family services, transportation, resources and economic development, administration of justice, and general government, fall within this category.

**Business-type Activities** – account for functions that are intended to recover all or a significant portion of their costs through user fees and charges. The major business-type activities of the Commonwealth include the Virginia Lottery, Virginia College Savings Plan, and Unemployment Compensation Fund.

**Discretely Presented Component Units** – account for functions of legally separate entities for which the Commonwealth is financially accountable. The Commonwealth has 27 non-higher education component units and 22 higher education institutions that are reported as discretely presented component units. Information regarding the individual financial statements of the component units is presented in the notes to the financial statements.

This report includes two schedules (pages 48 and 52) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities on the appropriate government-wide statements (full accrual accounting). The following indicates some of the reporting differences between the government-wide financial statements and the fund financial statements.

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Long-term liabilities, unless due and payable, are not included in the fund financial statements. These liabilities are only included in the government-wide statements.
- Internal service funds are reported as governmental activities in the government-wide statements, but are reported as proprietary funds in the fund financial statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in the governmental fund statements, but not deferred in the government-wide statements.
- Capital outlay spending in capital assets on the government-wide statements, but is reported as expenditures in the fund financial statements.
- Bond proceeds provide current financial resources on the fund financial statements, but are recorded as long-term liabilities in the government-wide financial statements.

## Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commonwealth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Commonwealth’s funds can be divided into three categories: governmental, proprietary, and fiduciary. Each of these categories uses different accounting approaches. Fund financial statements begin on page 46 and provide detailed information about the major individual funds.

- **Governmental funds** – Most of the basic services provided by the Commonwealth are reported in the governmental funds. These statements provide a detailed, short-term view of the functions reported as governmental activities in the government-wide financial statements. The government-wide financial statements are reported using the full accrual basis of accounting, but the governmental fund financial statements are reported using the modified accrual basis of accounting. This allows the reader to focus on assets that can be readily converted to cash and determine whether there are adequate resources to meet the Commonwealth’s current needs.

Because the focus of governmental funds is more limited than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison can help readers better understand the long-term impact of the Commonwealth’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Commonwealth reports 12 individual governmental funds. Information is presented separately in the governmental fund statements for the General, Commonwealth Transportation, Federal Trust, and Literary funds, which are all considered major funds. Data from the other 8 governmental funds are aggregated into a single column on the fund statements. Individual fund data for these nonmajor governmental funds is provided in the combining financial statements immediately following the required supplementary information.

- **Proprietary funds** – The Commonwealth maintains two different types of proprietary funds, enterprise and internal service. These funds report activities that operate more like those of private-sector business and use the full accrual basis of accounting. Enterprise funds report activities that charge fees for supplies or services to the general public like the Virginia Lottery. Enterprise funds are reported as business-type activities on the government-wide financial statements.

The enterprise funds use the full accrual basis of accounting and the only differences between amounts reported on the government-wide statements and the enterprise fund statements are due to internal service fund activity (see reconciliations on pages 54 and 56). Internal service funds report activities that charge fees for supplies and services to other Commonwealth agencies, like Fleet Management. Internal service funds are reported as governmental activities in the government-wide statements because these types of services predominantly benefit governments rather than business-type functions.

The Commonwealth reports 24 individual proprietary funds. Information is presented separately in the proprietary fund statements for the Virginia Lottery, Virginia College Savings Plan, and Unemployment Compensation Funds, all of which are considered major funds. Data from the other enterprise funds are aggregated into a single column on the fund statements. All internal service funds are aggregated into a single column on the fund statements. Individual fund data for all nonmajor proprietary funds is provided in the combining financial statements immediately following the required supplementary information.

- **Fiduciary funds** – These funds are used to account for resources held for the benefit of parties outside the government and use the full accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because the resources of these funds are restricted and cannot be used to finance the Commonwealth's operations. The Commonwealth's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position beginning on page 64.

The Commonwealth's fiduciary funds are the:

- Private Purpose Trusts, which reports the activities for 7 separate funds and accounts for transactions of trust arrangements in which the principal and income benefit individuals, private organizations, or other governments;
- Pension and Other Employee Benefit Trusts, which reports the activities of 13 separate pension and other employment retirement plans for employees;
- Investment Trust, which accounts for the activities of the external investment pool; and,
- Agency, which accounts for assets held on behalf of others in 20 separate funds.

Individual fund data for all fiduciary funds is provided in the combining financial statements immediately following the required supplementary information.

- **Component Units** – The government-wide financial statements report information for all component units aggregated in a single column. Information is provided separately in the component unit fund statements for the Virginia Housing Development Authority, Virginia Public School Authority, Virginia Resources Authority, and Virginia College Building Authority, all of which are considered major component units. Data from the other component units are aggregated into a single column on the fund statements. Individual fund data for all nonmajor component units is provided in the combining financial statements immediately following the required supplementary information.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the component unit fund financial statements.

## Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes budgetary comparison schedules reconciling the statutory and generally accepted accounting principles fund balances at June 30. It also includes information concerning the Commonwealth's funding progress and employer contributions for pension and other postemployment benefits, change in discount rate, and changes in employers' net pension liability, as well as trend information for Commonwealth-managed risk pools.

## Other Information

The combining statements referred to earlier in connection with nonmajor funds and component units can be found beginning on page 195 of this report. The individual fund information is aggregated into a single total on the combining financial statements, which carries forward to the fund financial statements.

## Government-wide Financial Analysis

The primary government's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$22.1 billion during the fiscal year. The net position of the governmental activities increased \$753.0 million, or 3.7 percent, primarily due to increases in capital assets and decreases in total liabilities and deferred inflows of resources. Capital assets are discussed further on page 35, the long-term liabilities are discussed further on page 36, and deferred inflows of resources are discussed in Note 13. Business-type activities had an increase of \$502.1 million, or 76.1 percent, primarily due to an increase for the Unemployment Compensation Fund and Virginia College Savings Plan as discussed on page 33. The government-wide beginning balance was restated for the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and the correction of prior year errors to arrive at a restated beginning balance of \$20.9 billion.

**Figure 11**  
**Net Position as of June 30, 2014 and 2013**  
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2013		2013		2013	
	2014	as restated	2014	as restated	2014	as restated
Current and other assets	\$ 8,966,466	\$ 9,502,616	\$ 4,042,573	\$ 3,796,505	\$ 13,009,039	\$ 13,299,121
Capital assets	27,898,540	26,846,700	168,539	95,305	28,067,079	26,942,005
Deferred outflow s of resources	53,940	-	-	-	53,940	-
Total assets and deferred outflow s of resources	36,918,946	36,349,316	4,211,112	3,891,810	41,130,058	40,241,126
Long-term liabilities outstanding	9,586,711	9,389,896	2,702,711	2,756,881	12,289,422	12,146,777
Other liabilities	4,807,694	5,168,201	346,579	475,222	5,154,273	5,643,423
Deferred inflow s of resources	1,562,385	1,582,014	-	-	1,562,385	1,582,014
Total liabilities and deferred inflow s of resources	15,956,790	16,140,111	3,049,290	3,232,103	19,006,080	19,372,214
Net position:						
Net investment in capital						
assets	22,316,758	20,294,314	12,312	29,773	22,329,070	20,324,087
Restricted	1,465,891	1,455,712	586,073	371,600	2,051,964	1,827,312
Unrestricted	(2,820,493)	(1,540,821)	563,437	258,334	(2,257,056)	(1,282,487)
Total net position	\$ 20,962,156	\$ 20,209,205	\$ 1,161,822	\$ 659,707	\$ 22,123,978	\$ 20,868,912

The largest portion of the primary government's net position reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure, construction-in-progress, and intangible assets including water rights, easements and software), less any related outstanding debt and deferred inflows of resources used to acquire those assets. These assets are recorded net of depreciation in the financial statements. The primary government uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the primary government's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (**Figure 11**). The governmental activities net investment in capital assets amount exceeds total net position due to a negative unrestricted net position amount unrelated to capital assets.

An additional portion of the primary government's net position represents restricted net position. These resources are subject to external restrictions or constitutional provisions specifying how they may be used. The remaining balance of negative \$2.3 billion is unrestricted net position (**Figure 11**).

Approximately 54.2 percent of the primary government's total revenue came from taxes. While the primary government's expenses cover many services, the largest expenses are for education and individual and family services. General revenues normally fund governmental activities. For fiscal year 2014, governmental program and general revenues exceeded governmental expenses by \$29.3 million. Program revenues exceeded expenses from business-type activities by \$1.2 billion. The following condensed financial information (**Figure 12**) was derived from the Government-wide Statement of Activities and provides detail regarding the change in net position (see page 42).

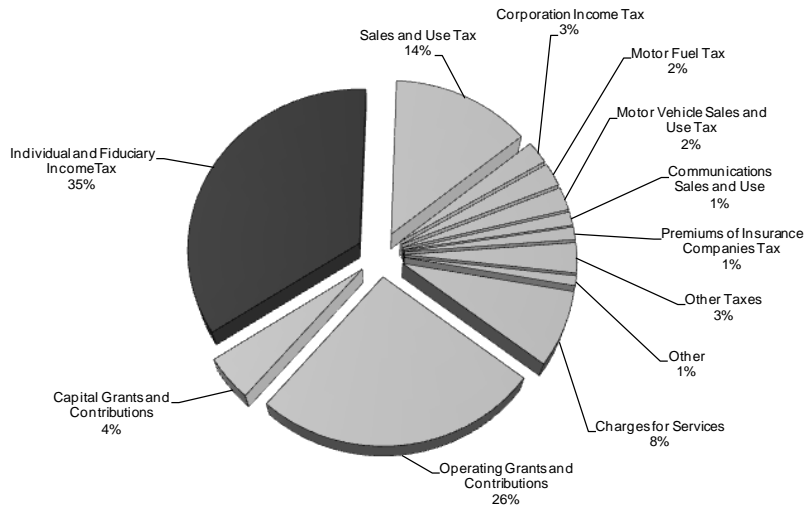
**Figure 12**  
**Changes in Net Position for the Fiscal Years Ended June 30, 2014 and 2013**  
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2013		2013		2013	
	2014	as restated	2014	as restated	2014	as restated
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,560,863	\$ 2,459,370	\$ 4,131,281	\$ 3,866,556	\$ 6,692,144	\$ 6,325,926
Operating Grants and Contributions	8,731,809	8,819,681	264	337	8,732,073	8,820,018
Capital Grants and Contributions	1,508,880	1,753,789	69,595	61,104	1,578,475	1,814,893
General Revenues:						
Taxes:						
Individual and Fiduciary Income	11,681,808	11,399,891	-	-	11,681,808	11,399,891
Sales and Use	4,597,105	3,941,074	-	-	4,597,105	3,941,074
Corporation Income	769,832	805,474	-	-	769,832	805,474
Motor Fuel	791,944	966,616	-	-	791,944	966,616
Motor Vehicle Sales and Use	780,817	581,693	-	-	780,817	581,693
Communications Sales and Use	420,371	423,639	-	-	420,371	423,639
Deeds, Contracts, Wills, and Suits	394,834	435,619	-	-	394,834	435,619
Premiums of Insurance Companies	459,933	406,506	-	-	459,933	406,506
Alcoholic Beverage Sales	132,044	126,801	-	-	132,044	126,801
Tobacco Products	182,110	182,430	-	-	182,110	182,430
Estate	149	-	-	-	149	-
Public Service Corporations	119,074	115,973	-	-	119,074	115,973
Beer and Beverage Excise	43,050	42,813	-	-	43,050	42,813
Wine and Spirits/ABC Liter	25,620	25,436	-	-	25,620	25,436
Bank Stock	22,581	20,321	-	-	22,581	20,321
Other Taxes	95,415	75,641	9,142	9,142	104,557	84,783
Unrestricted Grants and Contributions	48,730	74,134	-	-	48,730	74,134
Investment Earnings	44,571	6,349	1,735	1,183	46,306	7,532
Miscellaneous	233,716	306,172	358	448	234,074	306,620
<b>Total Revenues</b>	<b>33,645,256</b>	<b>32,969,422</b>	<b>4,212,375</b>	<b>3,938,770</b>	<b>37,857,631</b>	<b>36,908,192</b>
Expenses:						
General Government	3,362,086	3,097,364	-	-	3,362,086	3,097,364
Education	9,430,802	9,280,657	-	-	9,430,802	9,280,657
Transportation	3,602,208	3,253,600	-	-	3,602,208	3,253,600
Resources and Economic Development	940,376	946,709	-	-	940,376	946,709
Individual and Family Services	13,115,503	12,941,609	-	-	13,115,503	12,941,609
Administration of Justice	2,927,249	2,760,486	-	-	2,927,249	2,760,486
Interest and Charges on Long-term Debt	237,782	254,964	-	-	237,782	254,964
Virginia Lottery	-	-	1,265,839	1,194,247	1,265,839	1,194,247
Virginia College Savings Plan	-	-	104,354	155,889	104,354	155,889
Unemployment Compensation	-	-	535,715	584,433	535,715	584,433
Alcoholic Beverage Control	-	-	554,812	532,835	554,812	532,835
Risk Management	-	-	13,471	12,265	13,471	12,265
Local Choice Health Care	-	-	308,295	296,237	308,295	296,237
Route 460 Funding Corporation of Virginia	-	-	82,257	70,082	82,257	70,082
Virginia Industries for the Blind	-	-	37,521	31,058	37,521	31,058
Consolidated Laboratory	-	-	8,724	7,469	8,724	7,469
eVA Procurement System	-	-	19,827	19,693	19,827	19,693
Department of Environmental Quality Title V	-	-	11,786	10,724	11,786	10,724
Wireless E-911	-	-	37,315	42,449	37,315	42,449
Museum and Library Gift Shops	-	-	6,201	6,810	6,201	6,810
Behavioral Health Canteen and Work Activity	-	-	442	468	442	468
<b>Total Expenses</b>	<b>33,616,006</b>	<b>32,535,389</b>	<b>2,986,559</b>	<b>2,964,659</b>	<b>36,602,565</b>	<b>35,500,048</b>
Excess before transfers	29,250	434,033	1,225,816	974,111	1,255,066	1,408,144
Transfers	723,701	670,348	(723,701)	(670,348)	-	-
Increase in net position	752,951	1,104,381	502,115	303,763	1,255,066	1,408,144
Net position, July 1, as restated	20,209,205	19,104,824	659,707	355,944	20,868,912	19,460,768
<b>Net position, June 30</b>	<b>\$ 20,962,156</b>	<b>\$ 20,209,205</b>	<b>\$ 1,161,822</b>	<b>\$ 659,707</b>	<b>\$ 22,123,978</b>	<b>\$ 20,868,912</b>

**Governmental Activities Revenues**

**Figure 13** is a graphical representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by \$675.8 million, or 2.0 percent. The net increase is mainly attributable to increases in the General Fund, which are discussed on page 34.

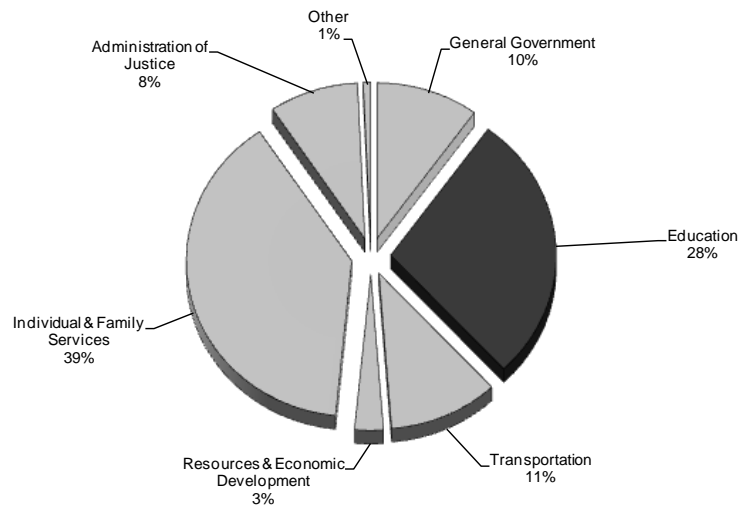
**Figure 13**  
**Revenues by Source – Governmental Activities**  
 Fiscal Year 2014



**Governmental Activities Expenses**

**Figure 14** is a graphical representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses increased by \$1.1 billion, or 3.3 percent. This change is primarily attributable to increases in all expense types with the exception of Resources and Economic Development and Interest and Charges on Long-term Debt. See pages 34 and 35 for additional information.

**Figure 14**  
**Expenses by Type – Governmental Activities**  
 Fiscal Year 2014





## Net Position of Business-type Activities

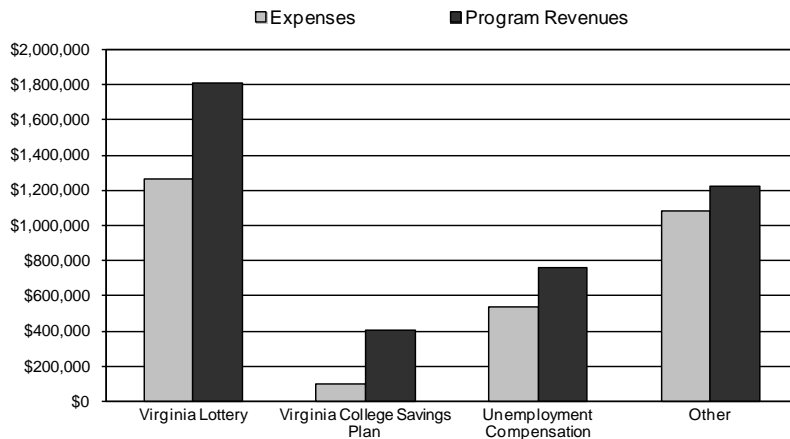
Net position of business-type activities increased by \$502.1 million during the fiscal year. As shown in **Figure 15**, highlights of the changes in net position for the major enterprise funds were as follows:

- Lottery sales were \$1.8 billion, an increase of \$121.6 million over the prior year. Net income was \$546.1 million, an increase of \$49.4 million (9.9 percent) from fiscal year 2013. Sales of scratch games increased by \$101.5 million (11.4 percent) and online sales increased by \$20.1 million (2.5 percent). This is offset by an increase of \$72.1 million (6.0 percent) in total expenses, primarily attributable to the cost of prizes and claims.
- Virginia College Savings Plan's net position increased by \$303.0 million (140.8 percent) during the fiscal year. This change is primarily attributable to an increase in investment income and a decrease in tuition benefits expense.
- Unemployment Compensation Fund net position increased by \$214.5 million during fiscal year 2014, primarily as a result of a decrease in benefit claims and an increase in the Employer Contribution schedule designed to recoup fund losses following recessionary periods. Operating expenses decreased by \$48.7 million. These factors combined give the Trust Fund the large increase.

The Trust Fund became insolvent in October 2009, which required obtaining Federal repayable advances under Title XII of the Social Security Act totaling \$938.3 million during fiscal years 2010, 2011, 2012 and 2013. No advances were required during fiscal year 2014.

Over the one year period July 1, 2013, to June 30, 2014, the unemployment rate declined from 5.6 percent to 5.2 percent. Additionally, there were approximately 30,912 fewer initial unemployment claims filed than in the previous year. These declines were offset by increases in the average weekly benefit amounts from approximately \$286 to \$290 in fiscal year 2014 and increases in the average benefit duration from 15.9 weeks to 16.3 weeks in fiscal year 2014. These multiple influences led to a decrease in the total benefit payments of \$48.7 million over the prior year.

**Figure 15**  
**Business-type Activities**  
**Program Revenues and Expenses**  
 For the Fiscal Year Ended June 30, 2014  
 (Dollars in Thousands)



## **Fund Statements Financial Analysis**

As of the end of the fiscal year, the primary government's governmental funds reported combined ending fund balances of \$3.9 billion, including a negative unassigned fund balance of \$781.5 million indicating that restricted and committed amounts exceed the available modified accrual basis fund balance. The remainder of fund balance is nonspendable, restricted or committed to indicate that it is not available for new spending.

### **General Fund Highlights**

At the end of the fiscal year, the General Fund reported a combined ending fund balance of \$629.6 million, a decrease of \$8.3 million in comparison with the prior year. Of this total fund balance, \$110.5 million represents nonspendable fund balance, \$970.5 million represents restricted fund balance, and \$330.1 million represents committed fund balance. These amounts are offset by a negative \$781.5 million unassigned fund balance.

Fiscal year 2014 General Fund revenues were 1.5 percent, or \$260.3 million, higher than fiscal year 2013 revenues. This revenue change results from increases of \$426.8 million primarily attributable to individual and fiduciary income taxes (\$280.7 million), interest, dividends, rents, and other investment income (\$65.3 million), and premiums of insurance companies taxes (\$52.0 million) offset by decreases of \$166.5 million primarily attributable to deeds, contracts, wills and suits taxes (\$69.7 million), other revenue primarily relating to expenditure recoveries from prior years (\$47.4 million), and tobacco master settlement revenue (\$25.3 million).

Fiscal year 2014 expenditures increased by 2.8 percent, or \$507.0 million, when compared to fiscal year 2013. This was primarily attributable to increases in education, individual and family services, and administration of justice expenditures of \$181.5 million, \$152.1 million, and \$95.2 million, respectively. Net other financing sources and uses increased by \$112.8 million, which is primarily due to lower transfers out to and higher transfers in from nongeneral funds.

### **Budget Highlights**

The General Fund began the year with an original revenue budget that was \$629.8 million, or 3.6 percent, higher than the final fiscal year 2013 revenue budget. Additionally, the final revenue budget was slightly lower (\$69.1 million or 0.4 percent) than the original budget. The change between the original and final budget was primarily attributable to decreases in the final budget for sales and use taxes of \$118.9 million and corporation income of \$69.9 million due to revised economic forecasts. This was offset by increases in the final budget for individual and fiduciary income taxes of \$44.5 million and deeds, contracts, wills and suits of \$41.1 million. Total actual General Fund revenues were lower than final budgeted revenues by \$453.4 million due to weaker than anticipated collections.

Total final budget expenditures were higher than original budget expenditures by \$110.7 million, or 0.6 percent. This increase was primarily attributable to budgeted expenditures for education of \$111.6 million, administration of justice of \$108.8 million, and resources and economic development of \$78.6 million, offset in part by a decrease in general government of \$192.0 million.

The Commonwealth spent less than planned so actual expenditures were \$342.4 million, or 1.8 percent, lower than final budget expenditures.

### **Budget Outlook**

In order to mitigate the effects of difficult economic conditions over the past several years, the Commonwealth adopted temporary budget solutions such as accelerated sales taxes.

While some of the conditions left by the financial and economic downturn experienced between 2008 and 2010 are still visible in certain sectors, Virginia's economy continued to recover, however at a slower rate than in prior years. Data regarding the primary economic indicators – jobs and new housing units that looked promising in prior fiscal years has tapered off. During fiscal year 2014, the two General Fund revenue sources most closely tied to current economic activity – individual income taxes and retail sales taxes – experienced a reduction when compared to the 2013 collections by \$86.6 million (0.8 percent) and \$153.3 million (4.8 percent), respectively. The individual income tax collections were less than the estimated revenue by \$415.8 million (3.6 percent) while the retail sales taxes were slightly less than the estimated revenue by \$12.9 million (0.4 percent). These declines were due, at least in part, to declines in federal contractors and the restraint Virginia consumers have demonstrated in response to the federal government cutbacks.

Although the fiscal year 2014 revenue collections compared to the estimate required a re-estimate for fiscal year 2015, there is planned growth in the adopted budget for the 2015-2016 biennium (fiscal years 2015 and 2016). Based on the most recent General Fund revenue estimate, fiscal year 2015 revenue is projected to increase 2.8 percent over the fiscal year 2014 revenue collections. While there is anticipated revenue growth, the Governor has instructed Cabinet Secretaries to prepare and submit plans for 5.0 percent and 7.0 percent reductions in General Fund spending for fiscal years 2015 and 2016, respectively. The Governor will release his amendments to the 2015-2016 biennial budget on December 17, 2014.

## Major Special Revenue Fund Highlights

The Commonwealth Transportation Fund ended the fiscal year with a fund balance of \$2.3 billion, a decrease of \$138.2 million from the prior year. Approximately \$4.6 billion is contractually committed for various highway, public transportation, and rail preservation projects (see Note 20). The decrease in fund balance was primarily due to transportation expenditures exceeding revenues. Additionally, revenues and expenditures increased \$681.9 million, or 15.8 percent, and \$520.9 million, or 11.2 percent, respectively. This increased activity is primarily due to expenditures for highway maintenance, acquisition and construction.

The Federal Trust Fund balance increased by \$27.4 million, or 25.4 percent. This was primarily due to an increase in fines and forfeitures (reported as Other Revenue) of \$84.5 million, or 781.9 percent, and a net decrease in the Federal Grants and Contracts revenue of approximately \$103.4 million, or 1.2 percent. This change in the Federal Grants and Contracts revenue was primarily attributable to an increase in Medicaid funding of \$265.7 million, offset by the following decreases: lower American Recovery and Reinvestment Act revenue (\$92.6 million), unemployment insurance (\$152.6 million), food and home energy assistance programs (\$101.3 million), and education grants (\$29.3 million). Additionally, total expenditures decreased approximately \$26.5 million, or 0.3 percent. Net other financing sources and uses increased by \$7.3 million, or 37.3 percent.

The Literary Fund experienced a fund balance decrease of \$50.3 million, or 78.9 percent, in fiscal year 2014 when compared to fiscal year 2013. The decrease is the result of net disbursements exceeding net receipts by \$60.2 million, offset by a cash transfer in of \$9.8 million from the Virginia Lottery representing unclaimed prizes.

## Capital Asset and Long-term Debt

**Capital Assets.** The primary government's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$28.1 billion (net of accumulated depreciation totaling \$15.4 billion). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, construction-in-progress, and intangible assets including water rights, easements, and software. Infrastructure assets are items that are normally immovable such as roads, bridges, drainage systems, and other similar assets. As noted on page 30, increases in capital assets and decreases in total liabilities and deferred inflows of resources resulted in an increase in net position of the governmental activities of \$753.0 million, or 3.7 percent. The increase in the primary government's net investment in capital assets was primarily attributable to increases in infrastructure and construction-in-progress of \$771.6 million and \$295.9 million, respectively. These increases are primarily attributable to transportation. The primary government reports equipment with a value of \$50,000 or greater and an expected useful life of two or more years. The primary government capitalizes all land, buildings, infrastructure, and intangible assets that have a cost or value greater than \$100,000 and an expected useful life of two or more years. Additional information on the primary government's capital assets can be found in Note 12, "Capital Assets."

**Figure 16**  
**Capital Assets as of June 30, 2014**  
**(Net of Depreciation)**  
(Dollars in Thousands)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$ 2,821,220	\$ 1,977	\$ 2,823,197
Buildings	2,509,680	18,053	2,527,733
Equipment	482,538	13,661	496,199
Water Rights/Easements	64,870	-	64,870
Infrastructure	17,782,546	-	17,782,546
Software	253,556	2,683	256,239
Construction-in-Progress	3,984,130	132,165	4,116,295
<b>Total</b>	<b>\$ 27,898,540</b>	<b>\$ 168,539</b>	<b>\$ 28,067,079</b>

**Long-term Debt.** The Commonwealth is prohibited from issuing general obligation bonds for operating purposes. At the end of the current fiscal year, the Commonwealth had total debt outstanding of \$37.6 billion, including total tax-supported debt of \$15.4 billion and total debt not supported by taxes of \$22.2 billion. Bonds backed by the full faith and credit of the government and tax-supported total \$1.7 billion. Debt is considered tax-supported if Commonwealth tax revenues are used or pledged for debt service payments. An additional \$831.2 million is considered moral obligation debt which is not tax-supported. The Commonwealth has no direct or indirect pledge of tax revenues to fund reserve deficiencies. However, in some cases, the Commonwealth has made a moral obligation pledge to consider funding deficiencies in debt service reserves that may occur. The remainder of the Commonwealth's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

During fiscal year 2014, the Commonwealth issued \$4.0 billion of new debt for various projects. Of this new debt, \$646.2 million was for the primary government and \$3.4 billion for the component units. Additional information on the Commonwealth's outstanding debt can be found on page 147 in Note 26, "Long-Term Liabilities," as well as in the section entitled "Debt Schedules." The Commonwealth maintains a "triple A" bond rating for general obligation debt from the three rating agencies: Moody's Investors Service; Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc.; and Fitch, Inc.

State statutes limit the amount of general obligation debt the Commonwealth may issue for each specific type of debt. The 9(a) bonds, which may be issued to fund the defense of the Commonwealth; to meet casual deficits in revenue or in anticipation of the collection of revenues; or to redeem previous debt obligations, and are limited to 30.0 percent of 1.15 times the annual tax revenues for fiscal year 2014. The 9(b) bonds, which have been authorized by the citizens of Virginia through bond referenda to finance capital projects, are limited to 1.15 times the average of selected tax revenues for fiscal years 2012, 2013, and 2014. The 9(c) bonds, which have been issued to finance capital projects that will generate revenue upon their completion, are limited to 1.15 times the average of selected tax revenues for fiscal years 2012, 2013, and 2014. The current debt limitation for the Commonwealth is \$5.3 billion, \$16.8 billion, and \$16.6 billion, respectively, for the 9(a), 9(b), and 9(c) general obligation bond issues. These limits significantly exceed the Commonwealth's outstanding general obligation debt. Currently, there is no 9(a) debt outstanding.

**Figure 17**  
**Outstanding Debt as of June 30, 2014**  
**General Obligation Bonds**  
(Dollars in Thousands)

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
General obligation bonds				
9(b)	\$ 706,192	\$ -	\$ 706,192	\$ -
9(c)	36,677	-	36,677	925,086
<b>Total</b>	<b>\$ 742,869</b>	<b>\$ -</b>	<b>\$ 742,869</b>	<b>\$ 925,086</b>

## **Economic Factors and Review**

During fiscal year 2014, the Commonwealth continued a slow recovery that began in 2011 from the recession of 2008-10. However, the recovery has tapered off, which is a cause for moderate concern. The Commonwealth experienced a weaker job growth rate than at the national level (0.3 percent at the state level versus 1.7 percent nationally), widening the gap between the Commonwealth's job growth rate and that of the nation during the last fiscal year. Personal income growth continued to rise at a very modest 1.4 percent rate during fiscal year 2014, compared to 3.3 percent in fiscal year 2013. Unemployment in the Commonwealth and at the national level continued to decline during the fiscal year, reaching 5.2 percent and 6.8 percent, respectively. Total taxable sales in the Commonwealth experienced a slight increase of 0.9 percent over fiscal 2013. Economic indicators show that during fiscal year 2014, the housing market both in the Commonwealth and at the national level declined dramatically for the first time since the recession. Additionally, housing prices in the Commonwealth again showed a positive change for fiscal year 2014, with an increase of nearly 3.2 percent, compared to almost 7.0 percent at the national level. Fiscal year 2014 indicates that Virginia's recovery from the recession shows a slowdown in the employment and personal income indicators. Therefore, the positive outlook shown in fiscal year 2013 has been replaced with moderate concern.

## **Requests for Information**

This financial report is designed to provide a general overview of the Commonwealth's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State Comptroller's Office, Commonwealth of Virginia, P. O. Box 1971, Richmond, Virginia 23218. This report is also available for download at [www.doa.virginia.gov](http://www.doa.virginia.gov).

The Commonwealth's component units issue their own separate financial statements. Contact information regarding each component unit is provided in Note 1.B.



# Government-wide Financial Statements

## Statement of Net Position

June 30, 2014

(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets and Deferred Outflows of Resources</b>				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 3,440,192	\$ 988,902	\$ 4,429,094	\$ 2,640,151
Investments (Notes 1 and 6)	1,432,089	2,559,787	3,991,876	13,301,976
Receivables, Net (Notes 1 and 7)	3,109,620	496,674	3,606,294	12,611,121
Contributions Receivable, Net (Notes 1 and 8)	-	-	-	351,341
Internal Balances (Note 1)	68,126	(68,126)	-	-
Due from Primary Government (Note 9)	-	-	-	16,090
Due from Component Units (Note 9)	19,270	-	19,270	106,936
Due from External Parties (Fiduciary Funds) (Note 9)	641	-	641	-
Inventory (Note 1)	125,475	62,314	187,789	92,490
Prepaid Items (Note 1)	110,478	2,791	113,269	134,783
Other Assets (Notes 1 and 10)	4,977	231	5,208	119,641
Loans Receivable from Primary Government (Notes 1 and 9)	-	-	-	174,975
Loans Receivable from Component Units (Notes 1 and 9)	10,705	-	10,705	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	644,893	-	644,893	2,124,462
Restricted Investments (Notes 6 and 11)	-	-	-	4,645,848
Other Restricted Assets (Note 11)	-	-	-	281,011
Nondepreciable Capital Assets (Notes 1 and 12)	7,192,961	134,142	7,327,103	2,309,129
Depreciable Capital Assets, Net (Notes 1 and 12)	20,705,579	34,397	20,739,976	13,990,614
<b>Total Assets</b>	<b>36,865,006</b>	<b>4,211,112</b>	<b>41,076,118</b>	<b>52,900,568</b>
<b>Deferred Outflows of Resources (Notes 1, 13, and 14)</b>	<b>53,940</b>	<b>-</b>	<b>53,940</b>	<b>305,317</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>36,918,946</b>	<b>4,211,112</b>	<b>41,130,058</b>	<b>53,205,885</b>
<b>Liabilities and Deferred Inflows of Resources</b>				
Accounts Payable (Notes 1 and 24)	922,185	69,462	991,647	1,072,449
Amounts Due to Other Governments	736,016	7,014	743,030	104,518
Due to Primary Government (Note 9)	-	-	-	19,270
Due to Component Units (Note 9)	16,090	-	16,090	106,936
Due to External Parties (Fiduciary Funds) (Note 9)	21,624	634	22,258	24,735
Unearned Revenue (Note 1)	204,217	4,703	208,920	337,944
Obligations Under Securities Lending Program (Notes 1 and 6)	484,764	97,721	582,485	45,287
Other Liabilities (Notes 1, 14, and 25)	1,498,340	103,874	1,602,214	1,574,105
Loans Payable to Primary Government (Notes 1 and 9)	-	-	-	10,705
Loans Payable to Component Units (Notes 1 and 9)	174,975	-	174,975	-
Claims Payable (Notes 1 and 23):				
Due Within One Year	207,108	41,924	249,032	71,731
Due in More Than One Year	542,375	21,247	563,622	37,655
Long-term Liabilities (Notes 1, 21, 22, and 26):				
Due Within One Year	624,063	253,423	877,486	1,474,443
Due in More Than One Year	8,962,648	2,449,288	11,411,936	23,878,750
<b>Total Liabilities</b>	<b>14,394,405</b>	<b>3,049,290</b>	<b>17,443,695</b>	<b>28,758,528</b>
<b>Deferred Inflows of Resources (Notes 1, 13, 14, and 37)</b>	<b>1,562,385</b>	<b>-</b>	<b>1,562,385</b>	<b>21,531</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>15,956,790</b>	<b>3,049,290</b>	<b>19,006,080</b>	<b>28,780,059</b>

The accompanying notes are an integral part of this financial statement.



	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Net Position</b>				
Net Investment in Capital Assets	22,316,758	12,312	22,329,070	9,510,269
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	2,991,430
Permanent Funds	34,302	-	34,302	-
Other	-	-	-	160,585
Expendable:				
Agriculture and Forestry	1,691	-	1,691	-
Bond Indenture	-	-	-	2,509,870
Capital Projects/Construction/Capital Acquisition	1,192	-	1,192	1,645,680
Debt Service	44,074	-	44,074	121,291
Economic and Technological Development	1,291	-	1,291	-
Educational and Training Programs	9,626	-	9,626	-
Environmental Quality and Natural Resource Preservation	22,589	-	22,589	-
Gifts and Grants	236,432	-	236,432	152,386
Health and Public Safety	99,945	-	99,945	-
Higher Education	-	-	-	5,806,136
Literary Fund	31,812	-	31,812	-
Lottery Proceeds Fund	32,809	-	32,809	-
Permanent Funds	1,368	-	1,368	-
Revenue Stabilization Fund	930,699	-	930,699	-
Transportation Activities	7,471	-	7,471	-
Unemployment Compensation Trust Fund	-	586,073	586,073	-
Virginia Pooled Investment Program	-	-	-	7,727
Virginia Water Supply Assistance Grant Fund	7,020	-	7,020	-
Other	3,570	-	3,570	10,370
Unrestricted	(2,820,493)	563,437	(2,257,056)	1,510,082
Total Net Position	\$ 20,962,156	\$ 1,161,822	\$ 22,123,978	\$ 24,425,826

## Statement of Activities

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities				
General Government	\$ 3,362,086	\$ 255,383	\$ 148,526	\$ 18,810
Education	9,430,802	517,418	763,040	179
Transportation	3,602,208	652,234	55,437	1,481,414
Resources and Economic Development	940,376	358,598	176,133	7,268
Individual and Family Services	13,115,503	375,950	7,559,269	193
Administration of Justice	2,927,249	401,280	29,404	1,016
Interest and Charges on Long-term Debt	237,782	-	-	-
Total Governmental Activities	<u>33,616,006</u>	<u>2,560,863</u>	<u>8,731,809</u>	<u>1,508,880</u>
Business-type Activities				
Virginia Lottery	1,265,839	1,811,099	-	-
Virginia College Savings Plan	104,354	407,708	-	-
Unemployment Compensation	535,715	761,352	-	-
Alcoholic Beverage Control	554,812	689,423	264	-
Risk Management	13,471	8,500	-	-
Local Choice Health Care	308,295	320,678	-	-
Route 460 Funding Corporation of Virginia	82,257	-	-	69,595
Virginia Industries for the Blind	37,521	36,078	-	-
Consolidated Laboratory	8,724	9,381	-	-
eVA Procurement System	19,827	16,051	-	-
Department of Environmental Quality Title V	11,786	10,546	-	-
Wireless E-911	37,315	53,559	-	-
Museum and Library Gift Shops	6,201	6,482	-	-
Behavioral Health Canteen and Work Activity	442	424	-	-
Total Business-type Activities	<u>2,986,559</u>	<u>4,131,281</u>	<u>264</u>	<u>69,595</u>
Total Primary Government	<u>\$ 36,602,565</u>	<u>\$ 6,692,144</u>	<u>\$ 8,732,073</u>	<u>\$ 1,578,475</u>
<b>Component Units</b>				
Virginia Housing Development Authority	\$ 479,889	\$ 471,982	\$ 129,555	\$ -
Virginia Public School Authority	142,776	144,848	3,121	-
Virginia Resources Authority	153,633	146,954	-	50,768
Virginia College Building Authority	655,149	77,756	42,335	106
Nonmajor	13,095,385	8,645,407	2,872,739	511,863
Total Component Units	<u>\$ 14,526,832</u>	<u>\$ 9,486,947</u>	<u>\$ 3,047,750</u>	<u>\$ 562,737</u>

The accompanying notes are an integral part of this financial statement.

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (2,939,367)	\$ -	\$ (2,939,367)	\$ -
(8,150,165)	-	(8,150,165)	-
(1,413,123)	-	(1,413,123)	-
(398,377)	-	(398,377)	-
(5,180,091)	-	(5,180,091)	-
(2,495,549)	-	(2,495,549)	-
(237,782)	-	(237,782)	-
(20,814,454)	-	(20,814,454)	-
-	545,260	545,260	-
-	303,354	303,354	-
-	225,637	225,637	-
-	134,875	134,875	-
-	(4,971)	(4,971)	-
-	12,383	12,383	-
-	(12,662)	(12,662)	-
-	(1,443)	(1,443)	-
-	657	657	-
-	(3,776)	(3,776)	-
-	(1,240)	(1,240)	-
-	16,244	16,244	-
-	281	281	-
-	(18)	(18)	-
-	1,214,581	1,214,581	-
(20,814,454)	1,214,581	(19,599,873)	-
-	-	-	121,648
-	-	-	5,193
-	-	-	44,089
-	-	-	(534,952)
-	-	-	(1,065,376)
-	-	-	(1,429,398)

*Continued on next page*

**Statement of Activities** (Continued from previous page)

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Net (Expense) Revenue and Changes in Net Position			Component Units
	Primary Government		Total	
	Governmental Activities	Business-type Activities		
General Revenues				
Taxes				
Individual and Fiduciary Income	11,681,808	-	11,681,808	-
Sales and Use	4,597,105	-	4,597,105	-
Corporation Income	769,832	-	769,832	-
Motor Fuel	791,944	-	791,944	-
Motor Vehicle Sales and Use	780,817	-	780,817	-
Communications Sales and Use	420,371	-	420,371	-
Deeds, Contracts, Wills, and Suits	394,834	-	394,834	-
Premiums of Insurance Companies	459,933	-	459,933	-
Alcoholic Beverage Sales	132,044	-	132,044	-
Tobacco Products	182,110	-	182,110	-
Estate	149	-	149	-
Public Service Corporations	119,074	-	119,074	-
Beer and Beverage Excise	43,050	-	43,050	-
Wine and Spirits/ABC Liter	25,620	-	25,620	-
Bank Stock	22,581	-	22,581	-
Other Taxes	95,415	9,142	104,557	-
Operating Appropriations from Primary Government	-	-	-	2,064,432
Unrestricted Grants and Contributions	48,730	-	48,730	92,187
Investment Earnings	44,571	1,735	46,306	898,353
Miscellaneous	233,716	358	234,074	125,602
Transfers	723,701	(723,701)	-	-
Contributions to Permanent and Term Endowments	-	-	-	154,191
Total General Revenues, Transfers, and Contributions	21,567,405	(712,466)	20,854,939	3,334,765
Change in Net Position	752,951	502,115	1,255,066	1,905,367
Net Position, July 1, as restated (Note 2)	20,209,205	659,707	20,868,912	22,520,459
Net Position, June 30	\$ 20,962,156	\$ 1,161,822	\$ 22,123,978	\$ 24,425,826

The accompanying notes are an integral part of this financial statement.

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# Governmental Funds

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## General Fund

*The General Fund accounts for transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund.*

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## Special Revenue Funds

*Special Revenue Funds account for specific revenue sources that are restricted or committed to finance particular functions and activities of the Commonwealth.*

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

**The Federal Trust Fund** accounts for all federal dollars received by the Commonwealth except those received by the Commonwealth Transportation Fund, the Unemployment Compensation Fund, certain Medicaid reimbursements recorded in the General Fund, and institutions of higher education. The entire fund is restricted pursuant to federal regulations.

**The Literary Fund** accounts for revenues from fines, forfeitures, and proceeds from unclaimed property used primarily to support public education in the Commonwealth. This fund provides low interest loans to school divisions for construction, renovations, and expansion of school buildings. The entire fund is constitutionally restricted for public schools.

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**Nonmajor Governmental Funds** include those Special Revenue, Debt Service, Capital Projects, and Permanent Funds listed on page 197 in the Combining and Individual Fund Statements and Schedules section of this report.

## Balance Sheet – Governmental Funds

June 30, 2014

(Dollars in Thousands)

	General	Special Revenue		
		Commonwealth Transportation	Federal Trust	Literary
<b>Assets and Deferred Outflows of Resources</b>				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 284,555	\$ 1,937,955	\$ 175,718	\$ 25,595
Investments (Notes 1 and 6)	1,373,511	5,012	262	248
Receivables, Net (Notes 1 and 7)	1,811,046	330,761	693,100	188,883
Due from Other Funds (Note 9)	42,001	1,263	2,558	-
Due from Component Units (Note 9)	1,002	-	-	-
Due from External Parties (Fiduciary Funds) (Note 9)	300	-	-	-
Interfund Receivable (Note 9)	-	-	-	-
Inventory (Note 1)	31,353	60,416	11,589	-
Prepaid Items (Note 1)	79,187	12,155	1,711	-
Other Assets (Notes 1 and 10)	1,116	414	1,689	-
Loans Receivable from Component Units (Notes 1 and 9)	-	5,000	-	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	-	525,166	-	-
<b>Total Assets</b>	<b>3,624,071</b>	<b>2,878,142</b>	<b>886,627</b>	<b>214,726</b>
<b>Deferred Outflows of Resources (Notes 1 and 13)</b>	<b>33</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total Assets and Deferred Outflows of Resources	\$ 3,624,104	\$ 2,878,142	\$ 886,627	\$ 214,726
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
Accounts Payable (Notes 1 and 24)	\$ 257,490	\$ 311,344	\$ 125,380	\$ 20
Amounts Due to Other Governments	442,027	114	185,878	-
Due to Other Funds (Note 9)	31,526	19,524	10,572	-
Due to Component Units (Note 9)	403	-	4,508	-
Due to External Parties (Fiduciary Funds) (Note 9)	13,851	3,364	1,706	-
Interfund Payable (Note 9)	-	-	7,000	-
Unearned Revenue (Note 1)	-	59,603	7,662	-
Unearned Taxes (Note 1)	101,613	-	-	-
Obligations Under Securities Lending Program (Notes 1 and 6)	292,695	159,803	8,368	7,919
Other Liabilities (Notes 1 and 25)	976,226	6,869	323,015	-
Loans Payable to Component Units (Notes 1 and 9)	-	-	-	174,975
Long-term Liabilities Due Within One Year (Notes 1, 21, and 26)	1,078	168	101	-
<b>Total Liabilities</b>	<b>2,116,909</b>	<b>560,789</b>	<b>674,190</b>	<b>182,914</b>
<b>Deferred Inflows of Resources (Notes 1 and 13)</b>	<b>877,558</b>	<b>52,609</b>	<b>77,175</b>	<b>18,339</b>
Total Liabilities and Deferred Inflows of Resources	2,994,467	613,398	751,365	201,253
Fund Balances (Note 3):				
Nonspendable	110,540	72,571	13,300	-
Restricted	970,528	600,760	121,962	13,473
Committed	330,071	1,591,413	-	-
Assigned	-	-	-	-
Unassigned	(781,502)	-	-	-
<b>Total Fund Balances</b>	<b>629,637</b>	<b>2,264,744</b>	<b>135,262</b>	<b>13,473</b>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,624,104	\$ 2,878,142	\$ 886,627	\$ 214,726

The accompanying notes are an integral part of this financial statement.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 742,398	\$ 3,166,221
53,056	1,432,089
76,337	3,100,127
10,417	56,239
2	1,004
147	447
110,842	110,842
4,971	108,329
13,301	106,354
1,754	4,973
5,705	10,705
-	525,166
1,018,930	8,622,496
-	33
\$ 1,018,930	\$ 8,622,529
\$ 58,591	\$ 752,825
9,540	637,559
5,167	66,789
-	4,911
2,395	21,316
13,151	20,151
10,374	77,639
-	101,613
15,979	484,764
4,427	1,310,537
-	174,975
228	1,575
119,852	3,654,654
34,151	1,059,832
154,003	4,714,486
52,470	248,881
242,194	1,948,917
553,425	2,474,909
16,838	16,838
-	(781,502)
864,927	3,908,043
\$ 1,018,930	\$ 8,622,529

**Reconciliation of the Balance Sheet – Governmental Funds to the Government-wide Statement of Net Position**

June 30, 2014

(Dollars in Thousands)

<b>Total fund balances - governmental funds (see Balance Sheet - Governmental Funds)</b>	<b>\$ 3,908,043</b>
<p>When capital assets (land, buildings, equipment, construction-in-progress, intangible assets, and/or infrastructure) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the primary government as a whole.</p>	
Nondepreciable Capital Assets	7,158,715
Depreciable Capital Assets	20,616,455
<p>Deferred outflows associated with loss on debt refundings are long-term in nature and therefore not reported in the funds.</p>	
	53,907
<p>Long-term liabilities applicable to the primary government's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.</p>	
Pension Liability	(2,088,995)
OPEB Liability	(559,271)
Capital Leases	(46,797)
Installment Purchases	(82,002)
Compensated Absences	(314,340)
Uninsured Employer's Fund	(36,632)
Bonds	(6,298,804)
Notes	(529)
Accrued Interest Payable	(83,100)
Other Obligations	(58,851)
Pollution Remediation Liability	(13,186)
<p>Internal service funds are used by the primary government to charge costs to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position.</p>	
	(467,536)
<p>Other long-term payables are not due and payable in the current period and, therefore, are not reported in the funds.</p>	
	(221,454)
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.</p>	
	1,058,918
<p>Deferred inflows associated with Service Concession Arrangements are long-term in nature and therefore not reported in the funds.</p>	
	<u>(1,562,385)</u>
<b>Net position of governmental activities (see Government-wide Statement of Net Position)</b>	<b>\$ <u>20,962,156</u></b>

The accompanying notes are an integral part of this financial statement.





## Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

	Special Revenue			
	General	Commonwealth Transportation	Federal Trust	Literary
<b>Revenues</b>				
Taxes	\$ 17,432,190	\$ 2,978,253	\$ -	\$ -
Rights and Privileges	80,170	549,699	-	536
Institutional Revenue	36,078	-	-	-
Interest, Dividends, Rents, and Other Investment Income	92,420	21,018	689	12,442
Federal Grants and Contracts	9,456	1,301,707	8,369,398	-
Other (Note 27)	493,633	137,898	239,026	138,329
<b>Total Revenues</b>	<b>18,143,947</b>	<b>4,988,575</b>	<b>8,609,113</b>	<b>151,307</b>
<b>Expenditures</b>				
Current:				
General Government	2,229,051	84,114	147,950	20
Education	7,775,029	1,954	962,153	211,458
Transportation	774	5,034,546	16,292	-
Resources and Economic Development	406,346	13,610	170,932	-
Individual and Family Services	5,503,600	-	7,168,396	-
Administration of Justice	2,542,615	9,733	96,634	-
Capital Outlay	10,026	10,566	7,082	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
<b>Total Expenditures</b>	<b>18,467,441</b>	<b>5,154,523</b>	<b>8,569,439</b>	<b>211,478</b>
Revenues Over (Under) Expenditures	(323,494)	(165,948)	39,674	(60,171)
<b>Other Financing Sources (Uses)</b>				
Transfers In (Note 32)	777,011	81,054	13,420	9,866
Transfers Out (Note 32)	(469,899)	(365,458)	(25,752)	-
Notes Issued	3,371	-	-	-
Insurance Recoveries	123	93	3	-
Capital Leases Issued	147	153	67	-
Bonds Issued	-	273,390	-	-
Premium on Debt Issuance	-	34,488	-	-
Refunding Bonds Issued	-	-	-	-
Sale of Capital Assets	4,434	4,002	1	-
Payment to Refunded Bond Escrow Agents	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>315,187</b>	<b>27,722</b>	<b>(12,261)</b>	<b>9,866</b>
<b>Net Change in Fund Balances</b>	<b>(8,307)</b>	<b>(138,226)</b>	<b>27,413</b>	<b>(50,305)</b>
Fund Balance, July 1, as restated (Note 2)	637,944	2,402,970	107,849	63,778
<b>Fund Balance, June 30</b>	<b>\$ 629,637</b>	<b>\$ 2,264,744</b>	<b>\$ 135,262</b>	<b>\$ 13,473</b>

The accompanying notes are an integral part of this financial statement.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 88,198	\$ 20,498,641
319,656	950,061
289,591	325,669
17,896	144,465
-	9,680,561
352,585	1,361,471
<u>1,067,926</u>	<u>32,960,868</u>
76,612	2,537,747
19,819	8,970,413
5,890	5,057,502
321,213	912,101
523,841	13,195,837
74,677	2,723,659
166,093	193,767
420,835	420,835
279,270	279,270
<u>1,888,250</u>	<u>34,291,131</u>
(820,324)	(1,330,263)
779,997	1,661,348
(66,386)	(927,495)
12,329	15,700
673	892
-	367
-	273,390
40,054	74,542
276,765	276,765
7,507	15,944
(336,917)	(336,917)
<u>714,022</u>	<u>1,054,536</u>
(106,302)	(275,727)
971,229	4,183,770
<u>\$ 864,927</u>	<u>\$ 3,908,043</u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Government-wide Statement of Activities**

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

<b>Net Change in fund balances - total government funds (See Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds)</b>	<b>\$ (275,727)</b>
<p>When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.</p>	
Nondepreciable Capital Assets Constructed/Acquired	1,909,155
Nondepreciable Capital Assets Disposed	(384,840)
Depreciable Capital Assets Acquired	746,855
Depreciable Capital Assets Disposed	(265,106)
Depreciation Expense	(977,690)
<p>Debt proceeds provide current financial resources to governmental funds by issuing debt, which increases long-term debt in the Statement of Net Position.</p>	
Debt Issuance	(273,390)
Capital Lease Proceeds	(367)
Bond Premiums	(74,542)
Refunding Bonds Issued	(276,765)
Installment Purchase Proceeds	(15,700)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position.</p>	
Debt Service Fund Repayment of Debt Principal	420,835
<p>Payment to Refunded Bond Escrow Agent is an expenditure in the governmental funds, but the refunding reduces long-term debt in the Statement of Net Position.</p>	
	336,917
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	8,798
<p>Increases/decreases of expenses reported in the Statement of Activities that do not require the use of, or provide, current financial resources and, therefore, are not reported in the governmental funds.</p>	
Increase in Pension Liability	(235,670)
Increase in OPEB Liability	(73,742)
Increase in Other Long-term Liabilities	(18,666)
Increase in Compensated Absences	(3,556)
Decrease in Interest Expense, Amortization of Long-term Debt premium and discounts, and Accrued Interest Liability	55,815
Decrease in Other Liabilities	30,686
<p>Net Increase in Due to Component Units for Capital and Other Projects resulting from appropriation reductions or amounts due to Federal Governments for interest and rebate repayments, which are not reported as expenditures in the fund statements.</p>	
	(230)
<p>The net revenue (expenses) of certain activities of internal service funds is reported within governmental activities.</p>	
	99,978
<p>The amortization of deferred inflows associated with Service Concession Arrangements are not included in the funds.</p>	
	19,903
<b>Change in net position of governmental activities (See Government-wide Statement of Activities)</b>	<b>\$ 752,951</b>

The accompanying notes are an integral part of this financial statement.

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# Proprietary Funds

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*The Proprietary Funds account for operations that are financed and operated in a manner similar to private business enterprises. It is the intent that the cost of providing such goods or services will be recovered through user charges.*

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## Major Enterprise Funds

**The Virginia Lottery** accounts for all receipts and expenses from the operations of the Virginia Lottery.

**The Virginia College Savings Plan** administers the Virginia prePAID Program. The plan offers contracts, for actuarially determined amounts, guaranteeing full future tuition and mandatory fee payments at Virginia's higher education institutions and differing payouts at private or out-of-state institutions. The fund accounts for the actuarially determined contributions and payments for approved expenses.

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**The Unemployment Compensation Fund** administers the temporary partial income replacement payments to unemployed covered workers.

**Nonmajor Enterprise Funds** include those operations of state agencies which are listed on page 209 in the Combining and Individual Fund Statements and Schedules section of this report.

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**Internal Service Funds** include those operations of state agencies which are listed on page 225 in the Combining and Individual Fund Statements and Schedules section of this report.

## Statement of Fund Net Position – Proprietary Funds

June 30, 2014

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
<b>Assets and Deferred Outflows of Resources</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 122,720	\$ 60,621	\$ 487,681	\$ 317,880
Investments (Notes 1 and 6)	26,378	-	-	10,159
Receivables, Net (Notes 1 and 7)	73,364	68,833	141,722	47,504
Due from Other Funds (Note 9)	-	-	1,276	440
Due from External Parties (Fiduciary Funds) (Note 9)	-	-	-	-
Due from Component Units (Note 9)	-	-	-	-
Inventory (Note 1)	124	-	-	62,190
Prepaid Items (Note 1)	273	46	-	2,472
Other Assets (Notes 1 and 10)	1	21	-	209
<b>Total Current Assets</b>	<b>222,860</b>	<b>129,521</b>	<b>630,679</b>	<b>440,854</b>
<b>Noncurrent Assets:</b>				
Investments (Notes 1 and 6)	129,376	2,367,744	-	26,130
Receivables, Net (Notes 1 and 7)	-	165,251	-	-
Nondepreciable Capital Assets (Notes 1 and 12)	-	-	-	134,142
Depreciable Capital Assets, Net (Notes 1 and 12)	6,873	9,558	-	17,966
<b>Total Noncurrent Assets</b>	<b>136,249</b>	<b>2,542,553</b>	<b>-</b>	<b>178,238</b>
<b>Total Assets</b>	<b>359,109</b>	<b>2,672,074</b>	<b>630,679</b>	<b>619,092</b>
<b>Deferred Outflows of Resources (Notes 1 and 13)</b>				
<b>Total Assets and Deferred Outflows of Resources</b>	<b>359,109</b>	<b>2,672,074</b>	<b>630,679</b>	<b>619,092</b>
<b>Liabilities and Deferred Inflows of Resources</b>				
<b>Current Liabilities:</b>				
Accounts Payable (Notes 1 and 24)	14,182	1,295	190	53,795
Amounts Due to Other Governments	-	-	6,100	914
Due to Other Funds (Note 9)	28,215	61	2,839	14,508
Due to External Parties (Fiduciary Funds) (Note 9)	119	44	-	471
Interfund Payable (Note 9)	-	-	-	26,563
Unearned Revenue (Note 1)	2,515	-	-	2,188
Obligations Under Securities Lending Program (Notes 1 and 6)	97,591	-	-	130
Other Liabilities (Notes 1 and 25)	61,978	215	35,477	6,204
Claims Payable Due Within One Year (Notes 1 and 23)	-	-	-	41,924
Long-term Liabilities Due Within One Year (Notes 1, 21, and 26)	24,496	224,868	-	4,059
<b>Total Current Liabilities</b>	<b>229,096</b>	<b>226,483</b>	<b>44,606</b>	<b>150,756</b>
<b>Noncurrent Liabilities:</b>				
Interfund Payable (Note 9)	-	-	-	-
Claims Payable Due in More Than One Year (Notes 1 and 23)	-	-	-	21,247
Long-term Liabilities Due in More Than One Year (Notes 1, 21, and 26)	143,863	1,927,348	-	378,077
<b>Total Noncurrent Liabilities</b>	<b>143,863</b>	<b>1,927,348</b>	<b>-</b>	<b>399,324</b>
<b>Total Liabilities</b>	<b>372,959</b>	<b>2,153,831</b>	<b>44,606</b>	<b>550,080</b>
<b>Deferred Inflows of Resources (Notes 1 and 13)</b>				
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>372,959</b>	<b>2,153,831</b>	<b>44,606</b>	<b>550,080</b>
<b>Net Position</b>				
Net Investment in Capital Assets	6,873	3,486	-	1,953
Restricted for Unemployment Compensation	-	-	586,073	-
Unrestricted	(20,723)	514,757	-	67,059
<b>Total Net Position (Deficit) (Note 4)</b>	<b>\$ (13,850)</b>	<b>\$ 518,243</b>	<b>\$ 586,073</b>	<b>\$ 69,012</b>

Some amounts reported for business-type activities in the Statement of Net Position are different because certain internal service fund assets and liabilities are included in business-type activities.

Net position of business-type activities

The accompanying notes are an integral part of this financial statement.

	Governmental Activities	
Total	Internal Service Funds	
\$ 988,902	\$	393,698
36,537		-
331,423		9,493
1,716		56,151
-		194
-		17,607
62,314		17,146
2,791		5,039
231		3,114
1,423,914		502,442
2,523,250		-
165,251		-
134,142		34,246
34,397		89,124
2,857,040		123,370
4,280,954		625,812
-		-
4,280,954		625,812
69,462		57,364
7,014		3,622
45,623		1,694
634		308
26,563		18,849
4,703		126,594
97,721		-
103,874		852
41,924		207,108
253,423		8,525
650,941		424,916
-		45,279
21,247		542,375
2,449,288		78,434
2,470,535		666,088
3,121,476		1,091,004
-		-
3,121,476		1,091,004
12,312		92,794
586,073		-
561,093		(557,986)
\$ 1,159,478	\$	(465,192)

2,344  
\$ 1,161,822

**Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds**

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Business-type Activities Enterprise Funds		
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation
<b>Operating Revenues</b>			
Charges for Sales and Services	\$ 1,810,821	\$ 153,984	\$ 754,192
Interest, Dividends, Rents, and Other Investment Income	-	253,724	6,724
Other (Note 27)	-	-	121
Total Operating Revenues	<u>1,810,821</u>	<u>407,708</u>	<u>761,037</u>
<b>Operating Expenses</b>			
Cost of Sales and Services	130,491	-	-
Prizes and Claims (Note 28)	1,072,636	-	535,731
Tuition Benefits Expense	-	84,117	-
Personal Services	27,022	9,600	-
Contractual Services	30,604	7,351	-
Supplies and Materials	652	34	-
Depreciation	2,992	522	-
Rent, Insurance, and Other Related Charges	1,789	133	-
Interest Expense	-	-	-
Non-recurring Cost Estimate Payments to Providers	-	-	-
Other (Note 29)	-	2,573	-
Total Operating Expenses	<u>1,266,186</u>	<u>104,330</u>	<u>535,731</u>
Operating Income	<u>544,635</u>	<u>303,378</u>	<u>225,306</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest, Dividends, Rents, and Other Investment Income	1,384	-	-
Capital Disbursements	-	-	-
Other (Note 30)	80	(153)	315
Total Nonoperating Revenues (Expenses)	<u>1,464</u>	<u>(153)</u>	<u>315</u>
Income Before Capital Contributions, Special Item, and Transfers	546,099	303,225	225,621
Capital Contributions	-	-	-
Special Item (Note 31)	-	-	-
Transfers In (Note 32)	-	-	-
Transfers Out (Note 32)	(548,386)	(197)	(11,148)
Change in Net Position	<u>(2,287)</u>	<u>303,028</u>	<u>214,473</u>
Total Net Position (Deficit), July 1, as restated (Note 2)	(11,563)	215,215	371,600
Total Net Position (Deficit), June 30 (Note 4)	<u>\$ (13,850)</u>	<u>\$ 518,243</u>	<u>\$ 586,073</u>

Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

Change in Net Position of business-type activities

The accompanying notes are an integral part of this financial statement.



		<b>Governmental Activities</b>	
<b>Nonmajor</b>	<b>Total</b>	<b>Internal Service Funds</b>	
\$ 1,132,732	\$ 3,851,729	\$ 1,933,672	
3	260,451	-	
18,419	18,540	2	
1,151,154	4,130,720	1,933,674	
394,463	524,954	65,915	
302,496	1,910,863	1,177,130	
-	84,117	-	
131,658	168,280	57,857	
64,679	102,634	413,299	
34,225	34,911	10,109	
3,347	6,861	15,629	
30,551	32,473	75,988	
-	-	9	
35,620	35,620	-	
3,399	5,972	12,118	
1,000,438	2,906,685	1,828,054	
150,716	1,224,035	105,620	
854	2,238	111	
(69,595)	(69,595)	-	
(3,126)	(2,884)	(1,287)	
(71,867)	(70,241)	(1,176)	
78,849	1,153,794	104,444	
69,595	69,595	-	
-	-	8,113	
349	349	388	
(164,319)	(724,050)	(10,540)	
(15,526)	499,688	102,405	
84,538	659,790	(567,597)	
\$ 69,012	\$ 1,159,478	\$ (465,192)	

2,427  
\$ 502,115

## Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Business-type Activities			
	Enterprise Funds			
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
<b>Cash Flows from Operating Activities</b>				
Receipts for Sales and Services	\$ 1,796,581	\$ 162,880	\$ 767,724	\$ 1,130,687
Receipts from Investments	-	-	6,724	-
Internal Activity-Receipts from Other Funds	-	-	4,971	8,265
Internal Activity-Payments to Other Funds	-	(347)	-	(2,216)
Payments to Suppliers for Goods and Services	(130,614)	(841)	-	(456,910)
Payments for Contractual Services	(15,896)	(7,009)	-	(64,561)
Payments for Prizes, Claims, and Loss Control (Note 35)	(1,173,142)	-	(560,891)	(298,783)
Payments for Tuition Benefits	-	(132,456)	-	-
Payments to Employees	(24,769)	(8,766)	-	(123,909)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	(35,367)
Payments for Interest	-	-	-	-
Other Operating Revenue (Note 35)	-	-	25	9,405
Other Operating Expense (Note 35)	-	(2,880)	-	(2,223)
Net Cash Provided by Operating Activities	452,160	10,581	218,553	164,388
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers In from Other Funds	-	-	-	349
Transfers Out to Other Funds	(542,534)	(197)	(11,274)	(357,542)
Other Noncapital Financing Receipt Activities (Note 35)	720	-	771	230,619
Other Noncapital Financing Disbursement Activities (Note 35)	-	-	-	(31,326)
Net Cash Used for Noncapital Financing Activities	(541,814)	(197)	(10,503)	(157,900)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(2,706)	(133)	-	(69,217)
Payment of Principal and Interest on Bonds and Notes	-	(533)	-	(12,084)
Proceeds from Sale of Capital Assets	-	-	-	4
Capital Contributions	-	-	-	91,298
Capital Disbursements	-	-	-	(91,298)
Other Capital and Related Financing Disbursement Activities (Note 35)	-	-	-	-
Net Cash Used for Capital and Related Financing Activities	(2,706)	(666)	-	(81,297)
<b>Cash Flows from Investing Activities</b>				
Purchase of Investments	(1,529)	(2,049,421)	-	(39,358)
Proceeds from Sales or Maturities of Investments	29,264	1,873,460	-	2,689
Investment Income on Cash, Cash Equivalents, and Investments	745	151,659	-	430
Net Cash Provided by (Used for) Investing Activities	28,480	(24,302)	-	(36,239)
Net Increase (Decrease) in Cash and Cash Equivalents	(63,880)	(14,584)	208,050	(111,048)
<b>Cash and Cash Equivalents, July 1</b>	<b>92,071</b>	<b>75,205</b>	<b>279,631</b>	<b>429,011</b>
<b>Cash and Cash Equivalents, June 30</b>	<b>\$ 28,191</b>	<b>\$ 60,621</b>	<b>\$ 487,681</b>	<b>\$ 317,963</b>
<b>Reconciliation of Cash and Cash Equivalents</b>				
Per the Statement of Net Position:				
Cash and Cash Equivalents	\$ 122,720	\$ 60,621	\$ 487,681	\$ 317,880
Cash and Travel Advances	1	-	-	209
Less:				
Securities Lending Cash Equivalents	(94,530)	-	-	(126)
Cash and Cash Equivalents per the Statement of Cash Flow s	\$ 28,191	\$ 60,621	\$ 487,681	\$ 317,963

The accompanying notes are an integral part of this financial statement.

	<b>Governmental Activities</b>	
<b>Total</b>	<b>Internal Service Funds</b>	
\$ 3,857,872	\$	713,028
6,724		-
13,236		1,225,063
(2,563)		(10,039)
(588,365)		(142,735)
(87,466)		(412,100)
(2,032,816)		(1,179,164)
(132,456)		-
(157,444)		(51,921)
(35,367)		-
-		(9)
9,430		1
(5,103)		(11,216)
845,682		130,908
349		388
(911,547)		(1,113)
232,110		240
(31,326)		(7,930)
(710,414)		(8,415)
(72,056)		(8,357)
(12,617)		(10,762)
4		1,781
91,298		-
(91,298)		-
-		(1,500)
(84,669)		(18,838)
(2,090,308)		-
1,905,413		-
152,834		1
(32,061)		1
18,538		103,656
875,918		290,046
\$ 894,456	\$	393,702
988,902	\$	393,698
210		4
(94,656)		-
\$ 894,456	\$	393,702

Continued on next page

**Statement of Cash Flows – Proprietary Funds** (Continued from previous page)

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
<b>Reconciliation of Operating Income</b>				
<b>To Net Cash Provided by (Used for)</b>				
<b>Operating Activities:</b>				
Operating Income (Loss)	\$ 544,635	\$ 303,378	\$ 225,306	\$ 150,716
<b>Adjustments to Reconcile Operating</b>				
<b>Income to Net Cash Provided by (Used for)</b>				
<b>Operating Activities:</b>				
Depreciation	2,992	522	-	3,347
Interest, Dividends, Rents, and Other Investment Income	(7,954)	(253,724)	-	-
Miscellaneous Nonoperating Income	-	-	(330)	7
Other	-	-	-	(2,208)
<b>Change in Assets and Liabilities:</b>				
(Increase) Decrease in Accounts Receivable	(13,879)	8,114	(635)	(2,500)
(Increase) Decrease in Due from Other Funds	-	-	36	21,984
(Increase) Decrease in Due from External Parties (Fiduciary Funds)	-	-	65	-
(Increase) Decrease in Due from Component Units	-	-	-	-
(Increase) Decrease in Other Assets	-	(21)	-	2,682
(Increase) Decrease in Inventory	(124)	-	-	(4,229)
(Increase) Decrease in Prepaid Items	25	(34)	-	(615)
Increase (Decrease) in Accounts Payable	7,176	504	46	(19,403)
Increase (Decrease) in Amounts Due to Other Governments	-	-	(1,640)	(1,288)
Increase (Decrease) in Due to Other Funds	35	(1)	53	739
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	16	7	-	67
Increase (Decrease) in Unearned Revenue	(358)	-	-	164
Increase (Decrease) in Other Liabilities	(62,832)	(33)	(4,348)	(388)
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-	3,468
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-	2,955
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(5,138)	15,192	-	538
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	(12,434)	(63,323)	-	8,352
Net Cash Provided by (Used for) Operating Activities	<u>\$ 452,160</u>	<u>\$ 10,581</u>	<u>\$ 218,553</u>	<u>\$ 164,388</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>				
The following transactions occurred prior to the Statement of Net Position date:				
Installment Purchases Used to Finance Capital Assets	\$ -	\$ -	\$ -	\$ -
Change in Fair Value of Investments	-	102,065	-	(356)
Capital Asset Addition Included in Accounts Payable	-	-	-	5,574
Capitalized Interest Accrued	-	-	-	2,539
Other	-	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ 102,065</u>	<u>\$ -</u>	<u>\$ 7,757</u>

The accompanying notes are an integral part of this financial statement.

	<b>Governmental Activities</b>	
<b>Total</b>	<b>Internal Service Funds</b>	
<b>\$ 1,224,035</b>	<b>\$</b>	<b>105,620</b>
6,861		15,629
(261,678)		-
(323)		147
(2,208)		-
(8,900)		5,101
22,020		(6,189)
65		(33)
-		(3,087)
2,661		380
(4,353)		4,129
(624)		(4,559)
(11,677)		(5,631)
(2,928)		538
826		(97)
90		48
(194)		8,200
(67,601)		(5,488)
3,468		5,575
2,955		4,641
10,592		39
(67,405)		5,945
<b>\$ 845,682</b>	<b>\$</b>	<b>130,908</b>
<b>\$ -</b>	<b>\$</b>	<b>5,392</b>
101,709		-
5,574		2,164
2,539		-
-		(43)
<b>\$ 109,822</b>	<b>\$</b>	<b>7,513</b>



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# Fiduciary Funds

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## **Private Purpose Trust Funds**

*Private Purpose Trust Funds are trust arrangements that benefit individuals, private organizations, or other governments.*

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## **Pension and Other Employee Benefit Trust Funds**

*Pension and Other Employee Benefit Trust Funds reflect the activities of the retirement systems and postemployment benefits administered by the Virginia Retirement System or the Department of Human Resource Management.*

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## **Investment Trust Fund**

*Investment Trust Fund reflects the external portion of the Local Government Investment Pool sponsored by the Commonwealth.*

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## **Agency Funds**

*Agency Funds report those funds for which the Commonwealth acts solely in a custodial capacity.*

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A listing of all Fiduciary Funds is located on pages 234-235 in the Combining and Individual Fund Statements and Schedules section of this report. Combining financial statements for all Fiduciary Funds begin on page 236.

## Statement of Fiduciary Net Position – Fiduciary Funds

June 30, 2014

(Dollars in Thousands)

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Agency Funds
<b>Assets and Deferred Outflows of Resources</b>				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 115,642	\$ 268,165	\$ 1,263,982	\$ 335,196
Investments (Notes 1 and 6):				
Bonds and Mortgage Securities	78,147	19,976,002	112,371	-
Stocks	497,877	24,862,799	-	-
Fixed Income Commingled Funds	-	659,415	-	-
Index and Pooled Funds	1,476,212	6,167,946	-	-
Real Estate	2,123	6,173,539	-	-
Private Equity	-	8,941,188	-	-
Mutual and Money Market Funds	767,642	-	-	-
Short-term Investments	-	147,352	1,350,692	57,844
Hybrid Defined Contribution Investments	-	1,213	-	-
Other	477,968	6,022,200	-	341,678
Total Investments	3,299,969	72,951,654	1,463,063	399,522
Receivables, Net (Notes 1 and 7):				
Accounts	8	-	-	81,137
Contributions	-	242,659	-	-
Interest and Dividends	1,806	214,662	506	-
Security Transactions	-	1,300,666	-	-
Other Receivables	-	21,305	-	-
Total Receivables	1,814	1,779,292	506	81,137
Due from Other Funds (Note 9)	-	8,349	-	-
Due from Internal Parties (Governmental Funds and Business-type Activities) (Note 9)	-	22,258	-	-
Due from Component Units (Note 9)	-	24,735	-	-
Prepaid Items (Note 1)	225	-	-	-
Other Assets (Notes 1 and 10)	-	-	-	33
Furniture and Equipment (Note 1)	-	30,426	-	-
Total Assets	3,417,650	75,084,879	2,727,551	815,888
<b>Deferred Outflow of Resources (Notes 1 and 13)</b>	-	-	-	-
Total Assets and Deferred Outflows of Resources	3,417,650	75,084,879	2,727,551	815,888
<b>Liabilities and Deferred Inflows of Resources</b>				
Accounts Payable and Accrued Expenses (Notes 1 and 24)	3,191	41,748	-	5,646
Amounts Due to Other Governments	-	-	-	253,006
Due to Other Funds (Note 9)	58	8,291	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities) (Note 9)	25	169	300	147
Obligations Under Securities Lending Program (Notes 1 and 6)	492	6,022,114	-	1,081
Other Liabilities (Notes 1 and 25)	3,892	118,444	-	555,673
Retirement Benefits Payable	-	309,774	-	-
Refunds Payable	-	4,503	-	-
Compensated Absences Payable (Notes 1 and 21)	286	2,275	-	-
Insurance Premiums and Claims Payable	69	58,388	-	335
Payable for Security Transactions	-	2,322,757	-	-
Pension Liability	1,473	14,954	-	-
Other Postemployment Benefits (OPEB) Liability	544	5,588	-	-
Total Liabilities	10,030	8,909,005	300	815,888
<b>Deferred Inflows of Resources (Notes 1 and 13)</b>	-	-	-	-
Total Liabilities and Deferred Inflows of Resources	10,030	8,909,005	300	815,888
<b>Net Position Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes</b>				
	\$ 3,407,620	\$ 66,175,874	\$ 2,727,251	\$ -

The accompanying notes are an integral part of this financial statement.



## Statement of Changes in Fiduciary Net Position – Fiduciary Funds

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund
<b>Additions:</b>			
<b>Investment Income:</b>			
Interest, Dividends, and Other Investment Income	\$ 327,361	\$ 9,463,251	\$ 1,996
Distributions to Shareholders from Net Investment Income	-	-	(1,996)
Total Investment Income	327,361	9,463,251	-
Less Investment Expenses	4,490	361,294	-
Net Investment Income	322,871	9,101,957	-
Proceeds from Unclaimed Property	184,219	-	-
<b>Contributions:</b>			
Participants	355,379	-	-
Member	-	946,035	-
Employer	-	2,129,811	-
Total Contributions	355,379	3,075,846	-
Shares Sold	-	-	4,254,179
Reinvested Distributions	-	-	1,990
Other Revenue (Note 27)	1	796	-
Total Additions	862,470	12,178,599	4,256,169
<b>Deductions:</b>			
Loan Servicing Payments	267	-	-
Educational Expense Benefits	148,333	-	-
Retirement Benefits	-	3,879,183	-
Refunds to Former Members	-	103,431	-
Retiree Health Insurance Credits	-	142,610	-
Insurance Premiums and Claims	32,728	167,182	-
Trust Payments	1,318	-	-
Administrative Expenses	8,529	46,138	-
Other Expenses (Note 29)	-	9,047	-
Shares Redeemed	17,414	-	3,865,494
Long-term Disability Benefits	-	33,820	-
Total Deductions	208,589	4,381,411	3,865,494
<b>Transfers:</b>			
Transfers In	-	10	-
Transfers Out	-	(10)	-
Total Transfers	-	-	-
Net Increase	653,881	7,797,188	390,675
<b>Net Position Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes</b>			
<b>July 1</b>	2,753,739	58,378,686	2,336,576
<b>June 30</b>	<u>\$ 3,407,620</u>	<u>\$ 66,175,874</u>	<u>\$ 2,727,251</u>

The accompanying notes are an integral part of this financial statement.



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## Component Units

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*Component Units are organizations that are legally separate from the primary government. Each discrete component unit serves or benefits those outside of the primary government.*

**The Virginia Housing Development Authority** provides investment in and stimulates construction of low to moderate income housing for the citizens of the Commonwealth.

**The Virginia Resources Authority** provides financing for the construction of local water supply and wastewater treatment facilities and other local infrastructure projects.

**The Virginia Public School Authority** provides financing to cities and counties for capital construction of primary and secondary schools.

**The Virginia College Building Authority** provides financing of capital projects and equipment purchases by state-supported colleges and universities.

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**Nonmajor Component Units** include those listed on pages 258-259 in the Combining and Individual Fund Statements and Schedules section of this report.

**Statement of Net Position – Component Units**

June 30, 2014

(Dollars in Thousands)

	Virginia Housing Development Authority	Virginia Public School Authority	Virginia Resources Authority
<b>Assets and Deferred Outflows of Resources</b>			
Cash and Cash Equivalents (Notes 1 and 6)	\$ 5,268	\$ 16,922	\$ 6,333
Investments (Notes 1 and 6)	148,921	3,321,818	4,420
Receivables, Net (Notes 1 and 7)	7,173,954	66,836	4,160,512
Contributions Receivable, Net (Notes 1 and 8)	-	-	-
Due from Primary Government (Note 9)	-	-	336
Due from Component Units (Note 9)	-	-	-
Inventory (Note 1)	-	-	-
Prepaid Items (Note 1)	3,327	-	38
Other Assets (Notes 1 and 10)	5,355	-	-
Loans Receivable from Primary Government (Notes 1 and 9)	-	174,975	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	495,752	131,394	280,378
Restricted Investments (Notes 6 and 11)	107,351	-	370,893
Other Restricted Assets (Note 11)	50,437	-	-
Nondepreciable Capital Assets (Notes 1 and 12)	5,114	-	-
Depreciable Capital Assets, Net (Notes 1 and 12)	19,463	-	52
Total Assets	<u>8,014,942</u>	<u>3,711,945</u>	<u>4,822,962</u>
<b>Deferred Outflows of Resources (Notes 1, 13, and 14)</b>	<u>-</u>	<u>108,012</u>	<u>41,363</u>
Total Assets and Deferred Outflows of Resources	<u>8,014,942</u>	<u>3,819,957</u>	<u>4,864,325</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Accounts Payable (Notes 1 and 24)	23,621	149	140
Amounts Due to Other Governments	-	98,364	-
Due to Primary Government (Note 9)	-	-	-
Due to Component Units (Note 9)	-	-	-
Due to External Parties (Fiduciary Funds) (Note 9)	-	-	-
Unearned Revenue (Note 1)	-	-	-
Obligations Under Securities Lending Program (Notes 1 and 6)	-	-	-
Other Liabilities (Notes 1, 14 and 25)	222,421	57,449	39,972
Loans Payable to Primary Government (Notes 1 and 9)	-	-	-
Claims Payable (Notes 1 and 23):			
Due Within One Year	-	-	-
Due in More Than One Year	-	-	-
Long-term Liabilities (Notes 1, 21, and 26):			
Due Within One Year	298,475	282,435	140,057
Due in More Than One Year	4,826,834	3,416,172	3,229,659
Total Liabilities	<u>5,371,351</u>	<u>3,854,569</u>	<u>3,409,828</u>
<b>Deferred Inflows of Resources (Notes 1, 13, and 14)</b>	<u>-</u>	<u>-</u>	<u>16,641</u>
Total Liabilities and Deferred Inflows of Resources	<u>5,371,351</u>	<u>3,854,569</u>	<u>3,426,469</u>
<b>Net Position</b>			
Net Investment in Capital Assets	6,404	-	52
Restricted For:			
Nonexpendable:			
Higher Education	-	-	-
Other	-	-	-
Expendable:			
Bond Indenture	2,509,870	-	-
Capital Projects/Construction/Capital Acquisition	-	-	1,419,109
Debt Service	-	-	-
Gifts and Grants	-	-	-
Higher Education	-	-	-
Virginia Pooled Investment Program	-	-	7,727
Other	-	-	-
Unrestricted	127,317	(34,612)	10,968
Total Net Position (Deficit) (Note 4)	<u>\$ 2,643,591</u>	<u>\$ (34,612)</u>	<u>\$ 1,437,856</u>

The accompanying notes are an integral part of this financial statement.

Virginia College Building Authority	Nonmajor Component Units	Total
\$ 47	\$ 2,611,581	\$ 2,640,151
-	9,826,817	13,301,976
25,664	1,184,155	12,611,121
-	351,341	351,341
4,173	11,581	16,090
-	106,936	106,936
-	92,490	92,490
-	131,418	134,783
-	114,286	119,641
-	-	174,975
276,369	940,569	2,124,462
-	4,167,604	4,645,848
-	230,574	281,011
-	2,304,015	2,309,129
-	13,971,099	13,990,614
306,253	36,044,466	52,900,568
10,775	145,167	305,317
317,028	36,189,633	53,205,885
7	1,048,532	1,072,449
-	6,154	104,518
-	19,270	19,270
102,833	4,103	106,936
-	24,735	24,735
-	337,944	337,944
-	45,287	45,287
84,817	1,169,446	1,574,105
-	10,705	10,705
-	71,731	71,731
-	37,655	37,655
189,005	564,471	1,474,443
3,097,114	9,308,971	23,878,750
3,473,776	12,649,004	28,758,528
-	4,890	21,531
3,473,776	12,653,894	28,780,059
-	9,503,813	9,510,269
-	2,991,430	2,991,430
-	160,585	160,585
-	-	2,509,870
-	226,571	1,645,680
-	121,291	121,291
-	152,386	152,386
171,884	5,634,252	5,806,136
-	-	7,727
-	10,370	10,370
(3,328,632)	4,735,041	1,510,082
\$ (3,156,748)	\$ 23,535,739	\$ 24,425,826

**Statement of Activities – Component Units**

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

	Program Revenues				Net (Expenses) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Virginia Housing Development Authority	\$ 479,889	\$ 471,982	\$ 129,555	\$ -	\$ 121,648
Virginia Public School Authority	142,776	144,848	3,121	-	5,193
Virginia Resources Authority	153,633	146,954	-	50,768	44,089
Virginia College Building Authority	655,149	77,756	42,335	106	(534,952)
Total Major Component Units	1,431,447	841,540	175,011	50,874	(364,022)
Nonmajor Component Units:					
Higher Education	12,223,647	8,013,887	2,799,584	481,411	(928,765)
Other	871,738	631,520	73,155	30,452	(136,611)
Total Nonmajor Component Units	13,095,385	8,645,407	2,872,739	511,863	(1,065,376)
Total Component Units	\$ 14,526,832	\$ 9,486,947	\$ 3,047,750	\$ 562,737	\$ (1,429,398)

The accompanying notes are an integral part of this financial statement.

Operating Appropriations from Primary Government	General Revenues			Contributions to Permanent and Term Endowments	Change in Net Position	Net Position	Net Position
	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous			(Deficit) July 1, as restated (Note 2)	(Deficit) June 30 (Note 4)
\$ -	\$ -	\$ 11,130	\$ -	\$ -	\$ 132,778	\$ 2,510,813	\$ 2,643,591
-	-	106	811	-	6,110	(40,722)	(34,612)
-	-	-	-	-	44,089	1,393,767	1,437,856
223,469	-	-	-	-	(311,483)	(2,845,265)	(3,156,748)
223,469	-	11,236	811	-	(128,506)	1,018,593	890,087
1,744,757	74,044	862,190	121,034	150,657	2,023,917	19,462,213	21,486,130
96,206	18,143	24,927	3,757	3,534	9,956	2,039,653	2,049,609
1,840,963	92,187	887,117	124,791	154,191	2,033,873	21,501,866	23,535,739
\$ 2,064,432	\$ 92,187	\$ 898,353	\$ 125,602	\$ 154,191	\$ 1,905,367	\$ 22,520,459	\$ 24,425,826





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# Notes to the Financial Statements

June 30, 2014

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Basis of Presentation

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

### B. Reporting Entity

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

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

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

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

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

**Route 460 Funding Corporation of Virginia** (nonmajor enterprise fund) – The Corporation, a private, non-stock nonprofit corporation was created to develop, construct, and provide financing for the U.S. Route 460 Corridor Improvements Project. The Corporation is a blended component unit of the Department of Transportation (VDOT) (primary government) because it is fiscally dependent on the primary government and provides services entirely to the benefit of the Commonwealth. The corporate offices of the Corporation are located at VDOT, 1401 East Broad Street, Richmond, Virginia 23219. Dixon Hughes Goodman, LLP audits the corporation, and a separate report is available from VDOT.

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

GASB statements generally require any organization that raises and holds economic resources for the direct benefit of the reporting entity to be reported as a component unit, even if the reporting entity is not financially accountable for the organization. The entities are included in the Commonwealth's reporting

entity as nonprofit charitable organizations and exist solely to support the Commonwealth's higher education institutions and certain state agencies. The higher education institution nonprofit organizations are included in the applicable higher education institution's column in the accompanying financial statements. In all instances where separate disclosure of these nonprofit organizations is required in the accompanying footnotes, the entities' totals are aggregated and disclosed as "foundations."

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

Discretely presented component units are:

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

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

**Virginia Resources Authority (VRA)** (major) – The Authority was created as a public body corporate and a political subdivision of the Commonwealth to provide financing of infrastructure projects for water supply, wastewater, storm water, solid waste treatment, airports, public safety, brownfields remediation and redevelopment, and recycling. The Governor appoints the 11-member board and the Executive Director of the Authority. The primary government is able to impose its

will on the Authority, and there is a financial benefit/burden to the primary government. The Commonwealth does not guarantee any bonds issued by the Virginia Resources Authority. The administrative offices of the Authority are located at 1111 East Main Street, Suite 1920, Richmond, Virginia 23219. Brown, Edwards and Company, LLP audits the Authority, and a separate report is issued.

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

Only the activity of the Authority that relates to the financing of capital projects and equipment purchases by state-supported colleges and universities is included in the financial statements. The state-supported colleges and universities reported revenue from the Authority of \$405.5 million as Program Revenue Capital Grants and Contributions for the 21<sup>st</sup> Century Program and \$60.5 million as Program Revenue Operating Grants and Contributions for equipment. The Authority reported Operating Appropriations from Primary Government of approximately \$223.5 million. In addition, the Authority reported approximately \$29.8 million in payments from the state-supported colleges and universities for 21<sup>st</sup> Century and Equipment Program debt service costs and approximately \$12.5 million in interest on Build America Bonds. The Authority assists private institutions of higher education in the financing and refinancing of a broad range of facilities. The Authority is authorized to issue obligations and lend the proceeds to private institutions; however, such financings or refinancings are not obligations of the primary government nor the Authority, but are payable solely from the revenues pledged by the respective private institution. This indebtedness, totaling \$660.2 million, is not included in the financial statements.

**Higher Education Institutions (nonmajor)** – The Commonwealth's higher education institutions are granted broad corporate powers by state statutes. The Governor appoints the members of each institution's board of trustees. In addition to the annual appropriations to support the institutions' operations, the Commonwealth provides funding for, and construction of, major academic plant facilities for the institutions. Institutions reported Operating Appropriations

from Primary Government of approximately \$1.7 billion. Therefore, there is a financial benefit/burden to the primary government. The higher education institutions are: the University of Virginia, including the University of Virginia Medical Center and the University of Virginia's College at Wise; Virginia Polytechnic Institute and State University; Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority, the College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science; Virginia Military Institute; Virginia State University; Norfolk State University; University of Mary Washington; James Madison University; Radford University; Old Dominion University; George Mason University; Virginia Community College System; Christopher Newport University; and Longwood University. The Southwest Virginia Higher Education Center, Roanoke Higher Education Authority, Institute for Advanced Learning and Research, Southern Virginia Higher Education Center, and New College Institute are also included as higher education institutions. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. As previously noted, certain foundations are considered component units of the higher education institutions, and are included in the accompanying financial statements as well as the higher education institutions' individually published financial statements. The Auditor of Public Accounts (APA) does not audit the Roanoke Higher Education Authority, the Institute for Advanced Learning and Research, and the component units of the higher education institutions, including foundations, but relies on the reports issued by other auditors to render her opinion.

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

**Innovation and Entrepreneurship Investment Authority (IEIA)** (nonmajor) – The Authority is granted corporate powers by the *Code of Virginia*. The Authority serves to facilitate the marketing, organization, and development of scientific research and technology by the state's institutions of higher education and private industry in the Commonwealth. In addition, the Authority serves to promote the economic development of the Commonwealth by attracting and retaining high technology jobs and businesses in Virginia. The Governor and General Assembly appoint the 15-member board, and there is a financial benefit/burden to the

primary government. The Authority's combined financial statements include the accounts of the Center for Innovative Technology (CIT) after elimination of all significant intercompany balances and transactions. CIT is a non-stock, not-for-profit corporation, which acts as the operating arm of the Authority. The address for the administrative offices of the Authority is CIT Building, Suite 600, 2214 Rock Hill Road, Herndon, Virginia 20170-4228. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

**Virginia Economic Development Partnership (VEDP)** (nonmajor) – The Partnership was created as a body corporate and operates to encourage, stimulate, and support the development and expansion of commerce in the Commonwealth. The Governor appoints the 15-member board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East Byrd Street, Post Office Box 798, Richmond, Virginia 23218-0798. The Auditor of Public Accounts audits the Partnership, and a separate report is issued.

**Virginia Outdoors Foundation** (nonmajor) – The Foundation was created as a body politic and is administratively assigned to the Department of Conservation and Recreation (part of primary government) and charged with promoting preservation through the acceptance of donated conservation easements and raising funds for the purchase of preservation land. The Governor appoints the 7-member board of trustees, and the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 39 Garret St, Suite 200, Warrenton, VA 20186. Dixon Hughes Goodman, LLP, audits the Foundation, and a separate report is issued.

**Virginia Port Authority (VPA)** (nonmajor) – The Authority was established as a corporate body and operates to serve the citizens and promote commerce through the harbors and ports of Virginia. The Governor appoints a majority of the 12-member board, and the primary government is able to impose its will on the Authority. There is also a financial benefit/burden to the primary government. The administrative offices of the Authority are located at 600 World Trade Center, Norfolk, Virginia 23510. Clifton Larson Allen audits the Authority, and a separate report is issued.

**Virginia Tourism Authority** (nonmajor) – The Authority was created as a public body corporate and as a political subdivision of the Commonwealth. The Authority encourages, stimulates, and promotes tourism and film production industries of the Commonwealth. The Governor appoints all of the board members, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East Byrd Street, 19th Floor, Richmond, Virginia 23218-0798. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

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

**Tobacco Indemnification and Community Revitalization Commission** (nonmajor) – The Commission was created as a body corporate and as a political subdivision of the Commonwealth. The Commission was established to determine the appropriate recipients of the monies in the Tobacco Indemnification and Community Revitalization Fund. This fund is to provide payments to tobacco farmers as compensation for the adverse economic effects resulting from loss of investment in specialized tobacco equipment and barns, as well as lost tobacco production opportunities. It also provides monies to revitalize tobacco dependent communities. The Governor appoints the majority of the board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 701 East Franklin Street, Suite 501, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Commission, and a separate report is issued.

**Hampton Roads Sanitation District Commission** (nonmajor) – The Commission was established as a political subdivision of the Commonwealth and a government instrumentality. The Commission, which is the governing board of the district, was granted corporate powers by the *Code of Virginia*. The Governor appoints the Commission members, who serve at his pleasure. Therefore, the primary government is able to impose its will on the Commission. The Commonwealth is not

obligated by the debt of the Commission. The Commission was established to benefit the inhabitants of the district and operates a sewage system for 17 localities in the Chesapeake Bay area. The address for the administrative offices of the Commission is 1434 Air Rail Avenue, Virginia Beach, Virginia 23455. KPMG, LLP, audits the Commission, and a separate report is issued.

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

The Authority issued three series of revenue bonds for specific customers, the 2002 Series, the 2013B Series, and the 2013A Series. The 2002 Series variable rate revenue bonds were for a facility built specifically for the United Network for Organ Sharing. The 2013B Series variable rate revenue bonds were for the Virginia Blood Services project. The 2013A Series variable rate revenue bonds were to assist the Institute for Transfusion Medicine (ITxM). The bonds are secured by a letter of credit and are payable solely from the payments made by the borrower under the loan agreement. Neither of these bonds constitutes a debt or pledge of the Authority or the Commonwealth. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**Virginia Small Business Financing Authority (VSBFA)** (nonmajor) – The Virginia Small Business Financing Act of 1984 (Chapter 28, Title 9, *Code of Virginia*) established the Authority as a public body corporate and a political subdivision of the Commonwealth. The Governor appoints the 11-member board, and the primary government is able to impose its will on the Authority. The Authority was created to assist small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses. The Authority can provide financial assistance to small businesses by providing loans, guarantees, insurance, and other assistance, thereby encouraging the investment of private capital in small businesses in the Commonwealth. The Authority can loan money to local governments as defined by the *Code of Virginia* for economic development purposes. The Authority also guarantees loans made to small businesses by banks. The administrative offices of the Authority are located at 1220

Bank Street, Suite 300, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

The Authority has issued Industrial Development Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the Authority nor the Commonwealth is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities on the accompanying financial statements.

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

**Science Museum of Virginia Foundation** (nonmajor) – The Foundation is a non-stock, nonprofit corporation established to implement and fund programs, projects, and operations that are authorized and approved by the trustees of the Science Museum of Virginia (part of primary government). The administrative offices of the Foundation are located at 2500 West Broad Street, Richmond, Virginia, 23220. Cherry, Bekaert, & Holland, LLP, audits the Foundation, and a separate report is issued.

**Virginia Commercial Space Flight Authority (VCSFA)** (nonmajor) – The Authority is a legally separate political subdivision of the Commonwealth created by the General Assembly to facilitate and coordinate scientific and technological research and development and to promote the industrial and economic development of the Commonwealth. There is a potential financial benefit/burden to the primary government. The Commonwealth provided \$26.0 million in bond offerings through the Virginia Public Building Authority (nonmajor) to the VCSFA in fiscal year 2009. The Commonwealth provided \$25.6 million in capital contributions through a memorandum of understanding in September 2012. The Commonwealth provided an additional \$10.0 million of capital contributions through a settlement agreement by and among the VCSFA, the Commonwealth, and Orbital Sciences Corporation to the VCSFA in January

2014. The administrative offices of the Authority are located at 4111 Monarch Way, Suite 303, Norfolk, Virginia 23508. Dixon Hughes Goodman, LLP audits the Authority, and a separate report is issued.

**Danville Science Center, Inc.** (nonmajor) – The Center is a nonprofit corporation formed for the purpose of implementing and funding those programs, projects and operations which are authorized and approved by the trustees of the Science Museum of Virginia (part of primary government). The administrative offices of the Center are located at 677 Craghead Street, Post Office Box 167, Danville, Virginia 24541. Kania & Associates, LLP, audits the Center, and a separate report is issued.

**Virginia Museum of Fine Arts Foundation** (nonmajor) – The Foundation operates as a nonprofit corporation under the laws of Virginia to fund exhibitions, programs, and capital asset expansion to ensure that the Virginia Museum of Fine Arts (part of primary government) has the space and resources for art to help improve the quality of life for many. The administrative offices of the Foundation are located at 200 North Boulevard, Richmond, Virginia 23220. Dixon Hughes Goodman, LLP, audits the Foundation, and a separate report is issued.

**A. L. Philpott Manufacturing Extension Partnership** (nonmajor) – The Partnership has the mission to foster economic growth by enhancing the competitiveness of Virginia's manufacturers. The Partnership provides manufacturing firms with fee-based technology consulting services, access to business modernization resources, and support for interfirm collaboration. Further, the Partnership provides direct assistance to increase sales, decrease costs, and improve quality, productivity, and competitiveness. The Partnership has a 24-member board of trustees. The board consists of the presidents of two public four-year institutions of higher education; three community college presidents; one president of a private four-year institution of higher education; the director of Virginia's Center for Innovative Technology; Virginia's Secretary of Commerce and Trade; Virginia's Secretary of Technology; and 15 citizen members, representing manufacturing industries, appointed by the Governor. There is also a financial benefit/burden to the primary government. The administrative office is located at 32 Bridge Street, Suite 200, Martinsville, VA 24112. The Auditor of Public Accounts audits the Partnership, and a separate report is issued.

**Virginia Horse Center Foundation** (nonmajor) – The Foundation operates the Virginia Horse Center for the benefit of the equine and tourism industries. The Foundation is a discrete component unit of the Commonwealth due to the limited ability of the

Foundation to incur additional debt without the Commonwealth's approval. In addition, the Governor appoints one member of the Foundation's board of directors, and this member must approve any changes to the Foundation's by-laws or conveyance of property. The address for the administrative offices of the Foundation is 487 Maury River Road, Lexington, Virginia 24450. The accounting firm of Raetz and Hawkins, P.C., audits the Foundation, and a separate report is issued.

**Virginia University Research Partnership** (nonmajor) – The Partnership was created as a nonprofit, non-stock corporation to receive grant monies appropriated by the General Assembly. The Partnership oversees the administration of those grant payments for use by a nonprofit, public benefit research institute that conducts research and development for government agencies, commercial businesses, foundations, and other organizations as well as commercializes technology. Due to the primary government being the sole source of funding, it is able to impose its will on the Partnership. The administrative offices are located at 901 East Byrd Street, Post Office Box 798, Richmond, Virginia 23218-0798.

**Fort Monroe Authority** (nonmajor) – The Authority is a legally separate, political subdivision of the Commonwealth created by the General Assembly to assist in formulating a reuse plan for Fort Monroe. The Governor appoints a majority of the 17-member board, and there is a potential financial benefit/burden to the primary government. The administrative offices of the Authority are located at Old Quarters #1, 151 Bernard Road, Fort Monroe, Virginia 23651. Cherry, Bekaert, & Holland, LLP, audits the Authority, and a separate report is issued.

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

**Virginia Sesquicentennial of the American Civil War Foundation** (nonmajor) – The Foundation was established to prepare for and commemorate the sesquicentennial of Virginia's participation in the American Civil War. The Foundation was formed under the Virginia Nonstock Corporation Act. The economic resources received or held by the Foundation are entirely or almost entirely for

the direct benefit of the primary government. The administrative offices are located at the General Assembly Building, 2<sup>nd</sup> Floor, 201 North 9<sup>th</sup> Street, Richmond, VA 23219. Brown, Edwards & Company, LLP, audits the Foundation, and a separate report is issued.

**Virginia Land Conservation Foundation** (nonmajor) – The Foundation was created as a body politic and corporate to serve the Department of Conservation and Recreation (part of primary government) by acquiring interests in preservation land and providing grants to other entities to acquire interests in preservation land. The Governor appoints the 18-member board, and the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 600 East Main Street, 24<sup>th</sup> Floor, Richmond, VA 23219. The Auditor of Public Accounts audits the Foundation as part of the Department of Conservation and Recreation (part of primary government) and discloses its existence in that report.

**Virginia Arts Foundation** (nonmajor) – The Foundation was created as a body politic and corporate to serve the Virginia Commission for the Arts (part of primary government) by promoting the arts in the Commonwealth. The Governor appoints the board of trustees for the Virginia Commission for the Arts, which also serves as the board for the Virginia Arts Foundation. The Director of the Virginia Commission for the Arts serves as the board chairman. In addition, the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 1001 East Broad Street, Suite 3300, Richmond, VA 23219. The Auditor of Public Accounts audits the Foundation as part of the Virginia Commission for the Arts.

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

**Virginia Health Workforce Development Authority** (nonmajor) – The Authority is a legally separate public body corporate and a political subdivision of the Commonwealth created by the General Assembly. The Authority facilitates the development of a

statewide health professions pipeline. The Governor appoints a majority of the board members and the primary government is able to impose its will on the Authority. The administrative offices of the Authority are located at 8527 Mayland Drive, Suite 104A, Richmond, Virginia 23294. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

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

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

**Virginia Recreational Facilities Authority** – The Authority was created as a political subdivision and instrumentality of the Commonwealth and given separate corporate powers by the *Code of Virginia*. The Governor appoints the 13-member board of directors. The Authority operates educational programs, tourism, and commerce in the Roanoke Valley. The address for the administrative offices of the Authority is 5204 Bernard Drive SW, Post Office Box 29800, Roanoke, Virginia 24018. Robinson, Farmer, Cox Associates audits the Authority, and a separate report is issued.

**Jamestown-Yorktown Foundation, Inc.** – The nonprofit corporation was created by the *Code of Virginia* to assist the Jamestown-Yorktown Foundation (Foundation). The corporation board consists of five members selected from the Foundation's board of trustees. Several Commonwealth officials serve as ex-officio members of the Foundation's board, and the Governor appoints 12 members. The Corporation's basic activities consist of soliciting and collecting contributions, purchasing artifacts, sponsoring events and exhibits, and overseeing investments. The administrative offices of the Corporation are

located at 2207 Colonial Parkway, Post Office Box 3605, Williamsburg, Virginia 23187. Keiter Certified Public Accountants audits the Corporation, and a separate report is issued.

**Jamestown-Yorktown Educational Trust** – The Trust was created as a nonprofit corporation by the *Code of Virginia* to assist the Jamestown-Yorktown Foundation (Foundation). The Trust board consists of six members selected from the Foundation's board of trustees. Several Commonwealth officials serve as ex-officio members of the Foundation's board, and the Governor appoints 12 members. The Trust operates the Jamestown Settlement and Yorktown Victory Centers' gift shops and café. The address for the administrative offices of the Trust is 2207 Colonial Parkway, Post Office Box 3605, Williamsburg, Virginia 23187. Keiter Certified Public Accountants audits the Trust, and a separate report is issued.

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

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

#### C. Government-wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which direct expenses of a specific



function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. In addition, to the extent that indirect costs are allocated to the various functions, the program expenses will include both direct and indirect costs. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit, as well as investment income generated by operations. Program revenues also include grants, contributions, and investment income that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items properly excluded from program revenues are reported as general revenues.

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

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

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

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

**Governmental Fund Financial Statements** – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the primary government considers revenues to be available if they are collected within 60 days of the end of the current

fiscal year (or one year for Medicaid). Significant revenues subject to accrual include federal grants and income and sales taxes. Income tax revenues for tax underpayments are only recognized to the extent of the primary government's estimated refunds for tax overpayments received. Revenues that the primary government earns by incurring obligations are recognized in the same period as when the obligations are recognized.

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

The primary government reports the following major governmental funds:

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

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

**Federal Trust Special Revenue Fund** – Accounts for all federal dollars received by the Commonwealth except those received by the Commonwealth Transportation Fund, the Unemployment Compensation Fund, certain Medicaid reimbursements recorded in the General Fund, and institutions of higher education.

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

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

eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus since they only report assets and liabilities.

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

Foundations' (component units) financial statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. The financial statements are prepared under FASB rather than GASB standards. In some instances, activities of the foundations (component units) are reported separately within the footnotes because of the different reporting standards. Also, some foundations (component units) have a December 31<sup>st</sup> or March 31<sup>st</sup> year-end rather than a fiscal year-end. Foundations (component units) with different year-ends are included in these financial statements for the year ending December 31, 2013, or March 31, 2014. Significant intrafund activity/balances between each higher education institution and their foundations have been eliminated.

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

- University of Virginia (nonmajor component unit):
  - institution assets of \$435,429
  - institution liabilities of \$932,934
  - foundation assets of \$1.0 million
  - foundation liabilities of \$357,206
- Old Dominion University (nonmajor component unit):
  - institution liabilities of \$64.6 million
  - foundation assets of \$52.9 million
- Longwood University (nonmajor component unit):
  - institution assets of \$596,060
  - institution expenses of \$5.4 million
  - foundation assets of \$343,494
  - foundation liabilities of \$211,556
  - foundation revenues of \$3.4 million

The primary government reports the following major enterprise funds:

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

**Virginia College Savings Plan Fund** – Administers the Virginia prePAID Program.

**Unemployment Compensation Fund** – Accounts for receipts from employers and

expenses incurred to provide benefits to eligible unemployed workers.

Additionally, the primary government reports the following fund types:

#### **Governmental Fund Types:**

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

**Debt Service Funds** – Account for transactions related to resources retained and used for the payment of interest and principal on long-term obligations.

**Capital Project Funds** – Account for transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental or proprietary funds. The primary resource for these funds is the proceeds of bond issues and energy performance contracts. Principal uses are for construction and improvement of state office buildings, correctional and behavioral health facilities, and parks.

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

#### **Proprietary Fund Types:**

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

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

#### **Fiduciary Fund Types:**

**Private Purpose Trust Funds** – Account for transactions of all other trust arrangements in which the principal and income benefit individuals, private organizations, or other governments. These trusts include those for escheat property, educational savings plan, and others.

**Pension and Other Employee Benefit Trust Funds** – Account for transactions of the

Commonwealth administered retirement systems and other employment benefits.

**Investment Trust Fund** – Accounts for the external portion of the Local Government Investment Pool that is sponsored by the Commonwealth.

**Agency Funds** – Account for amounts held in trust by the primary government for others. Agency funds include those funds established to account for the collection of taxes and fees for distribution to localities and other states, employee benefits, deposits of insurance carriers, child support collections and other miscellaneous accounts.

## E. Budgetary Process

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

The budget is prepared on a biennial basis; however, the budgets of the General and Special Revenue Funds contain separate appropriations for each year within the biennial budget, as approved by the General Assembly and signed into law by the Governor. For management control purposes, the budget is controlled at the program level. The Governor may transfer an appropriation within a state agency or from one state agency to another, provided that total fund appropriations, as contained within the budget, are not exceeded. Increases in General Fund appropriations must be approved by the General Assembly.

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

## F. Cash, Cash Equivalents, Investments, and Derivatives

### Cash

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

As of June 30, 2014, the General Fund had a negative cash balance of \$4.0 billion. In order to properly reflect the general account position, this negative cash balance has been eliminated in the accompanying statements and offset against the primary government's cash equivalents and investments (see Note 6).

### Cash Equivalents

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

### Investments

Investments are principally comprised of monies held by component units, Pension and Other Employee Benefit Trust Funds, and monies held by the State Treasurer in both the general account and other fiduciary accounts.

Governmental and proprietary funds, both primary government and component units, report investments in money market and in the Commonwealth sponsored investment pools at amortized cost which approximates fair value. All other investments are reported at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Investments administered by the Virginia Retirement System (the System) are reported at fair value. The cost of investments sold is the average cost of the aggregate holding of the specific investment sold. Investments in affiliated organizations are accounted for on the equity method of accounting and the System's share of their earnings (losses) for the period is included in investment income using the equity method.

Investments of higher education institutions (nonmajor component units) are reported at fair value, except for money market investments and investments in the Commonwealth sponsored investment pools, which are reported at amortized cost.

## Derivatives

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes (see Note 14).

## G. Receivables

Receivables in the governmental funds consist primarily of the accrual of taxes, as well as receivables of the primary government's Medicaid program. Receivables in the proprietary funds consist primarily of tuition contribution receivables and unemployment compensation. Receivables of fiduciary funds are primarily the accrual of security transactions in the Pension and Other Employee Benefit Trust Funds. Receivables of the component units consist primarily of mortgage receivables, loan receivables, patient receivables, and student receivables. Receivables are recorded net of allowances for doubtful accounts (see Note 7).

## H. Contributions Receivable, Net

Contributions Receivable reported by the foundations (component units) represents pledges or unconditional promises to give that have been discounted (see Note 8).

## I. Internal Balances

Interfund receivables and payables have been eliminated from the Statement of Net Position, except for the residual amounts due between governmental and business-type activities (see Note 9).

## J. Inventory

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

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

VSP inventories are recorded in the General (major) and Other Special Revenue (nonmajor) Funds using the average cost methodology and are maintained at cost. VDOT inventories are recorded in the Commonwealth Transportation Fund (major) using the FIFO and average cost methodologies and are maintained at either cost or average cost. VDH inventories are recorded in the General (major), Federal Trust (major), and Health and Social Services Special Revenue (nonmajor) Funds. These inventories are maintained at cost based on either FIFO or the average cost methodology.

In addition to inventories maintained as stated above, the following agencies reported donated inventory balances on hand at June 30, 2014:

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

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

Inventories maintained by the Department of Alcoholic Beverage Control (nonmajor enterprise fund) are stated at average cost using FIFO.

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

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

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

## K. Prepaid Items

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

## L. Interfund Loans Receivable/Payable

Loans Receivable/Payable represents working capital advances from one fund to another (see Note 9).

## M. Other Assets

Other Assets include those balances of a miscellaneous nature that are not specifically classified elsewhere (see Note 10).

## N. Capital Assets

Capital assets of governmental funds are recorded as expenditures at the time of purchase and capitalized in the governmental activities column of the Government-wide Statement of Net Position. Capital assets of the other funds and component units are capitalized in the fund in which they are utilized. All depreciable capital assets are depreciated on the straight-line basis over their useful lives (see Note 12).

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

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

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

The primary government capitalizes construction-in-progress when project expenditures, including construction of intangible assets, exceed \$100,000. Interest incurred during construction is not capitalized in governmental funds. Interest incurred during the construction of proprietary fund assets is included in the capitalized value of the asset. The total interest cost incurred during the fiscal year was \$17.7 million. Of this amount, \$2.5 million was capitalized.

Expenditures are classified as construction-in-progress if:

- (1) They extend the asset life, improve productivity, or improve the quality of service; and,
- (2) They fall into the planning, acquisition, construction, improvement, renovation, repair, replacement, relocation, or demolition phase of the asset life.

The estimated lives of capital assets are as follows:

	<u>Years</u>
Buildings	10–75
Equipment	2–50
Infrastructure	5–50
Software	5–35

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

## O. Deferred Outflows of Resources

Deferred outflows of resources are a consumption of assets by the government that is applicable to a future reporting period. Deferred outflows have a natural debit balance and, therefore increase net position similar to assets (see Notes 13 and 14).

## P. Accounts Payable

Accounts payable represent amounts, including salaries and wages, owed for goods and services received prior to year-end. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, accounts payable also includes payments for nonexchange transactions that met eligibility requirements prior to year-end (see Note 24).

## Q. Unearned Revenue

Unearned revenue represents monies received or revenues accrued but not earned as of June 30, 2014. The majority of unearned revenue is reported by higher education institutions (nonmajor component units), where it is primarily composed of revenue for student tuition accrued in advance of the semester and advance payments on grants and contracts. In the special revenue funds, unearned revenue is composed primarily of prepaid toll revenue and contributions from localities and private sectors for highway construction projects recorded in the Commonwealth Transportation Special Revenue Fund (major governmental). In the enterprise funds, a majority of unearned revenue represents online ticket monies received by the Virginia Lottery (major enterprise) for which corresponding drawings have not been held.

Unearned revenue in the internal service funds primarily represents unearned premiums in the Risk Management Fund; the transfer and purchase of assets for transition agencies, as well as advanced customer receipts in the Virginia Information Technologies Agency (VITA) Fund; and prepaid rent and work orders in the Property Management Fund.

Unearned revenues in the other component units consist primarily of fees related to various activities.

#### **R. Unearned Taxes**

Unearned taxes represent income taxes related to the period January through June 2014. This amount is the estimate to be refunded (overpayments by taxpayers) reduced by the estimate to be received (underpayments from taxpayers) that will be finalized when income tax returns are filed in subsequent years. Individual income tax estimated overpayments total \$865.1 million and estimated underpayments total \$763.5 million. This results in unearned taxes of \$101.6 million.

Corporate income tax estimated overpayments total \$55.3 million and estimated underpayments total \$59.6 million. When underpayments exceed overpayments, revenue on the fund statements is only recognized to the extent of estimated overpayments. Since underpayments exceed overpayments for the corporate income taxes, the unearned tax amount is zero for the fiscal year.

#### **S. Obligations Under Securities Lending Program**

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

#### **T. Other Liabilities**

Other liabilities represent amounts owed for various governmental and proprietary activities. Some of these amounts will be paid shortly after fiscal year-end (see Note 25).

#### **U. Claims Payable**

Claims payable, reported in the proprietary funds of the primary government, represent both health and liability insurance claims payable at June 30, 2014. This includes both actual claims submitted, as well as actuarially determined claims incurred but not reported. Claims relating to the primary government's liability insurance programs are reported in the Risk Management – internal service fund and the Risk Management – nonmajor enterprise fund. Also, health insurance claims are reported in the Health Care – internal service fund and the Local Choice Health Care – nonmajor enterprise fund (see Notes 23.A. and 23.B.). Claims payable reported by the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – nonmajor component unit) represents estimated malpractice, workers'

compensation, and medical claims payable amounts.

#### **V. Long-Term Liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. The governmental fund statements reflect the portion of long-term liabilities that will be paid from expendable resources that represent payments to employees for separations that occurred prior to June 30. The proprietary fund statements and discrete component unit statements reflect total long-term liabilities and distinguish between those portions payable within one year and those payable in future years (see Note 26).

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

Expenditures for principal and interest payments for governmental fund general obligation bonds and revenue bonds are recognized in the Debt Service Fund (nonmajor) when due. In these fund statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures (see Note 26).

#### **W. Deferred Inflows of Resources**

Deferred inflows of resources are an acquisition of assets by the government that is applicable to a future reporting period. Deferred inflows have a natural credit balance and, therefore decrease net position similar to liabilities (see Notes 13, 14, and 37).

#### **X. Nonspendable Fund Balances**

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

#### **Y. Restricted Fund Balances**

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

## **Z. Committed Fund Balances**

Committed fund balances are amounts that have constraints placed on the use of resources that are imposed by the formal action of the government's highest level of decision-making authority through enabling legislation. The highest level of decision authority for the Commonwealth is the General Assembly and the Governor.

## **AA. Assigned Fund Balances**

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

## **BB. Unassigned Fund Balances**

Unassigned fund balance is the amount of fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

## **CC. Cash Management Improvement Act**

Included in Amounts Due to Other Governments is the Commonwealth's Cash Management Improvement Act (CMIA) interest liability to the federal government, which is calculated in accordance with the interest calculation and exchange provisions of the Federal Cash Management Improvement Act of 1990. The Commonwealth's interest liability is subject to review and final confirmation by the Financial Management Service (FMS) of the U.S. Treasury. The payment is to be made on March 31, 2015. Payment will be made from a sum sufficient appropriation authorized for this purpose by the Appropriation Act. The CMIA interest rate of

exchange is based by law on the average of the bond equivalent rates of 13-week Treasury Bills auctioned during the annual reporting period as calculated by FMS.

## **DD. Investment Income**

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

## **EE. Intrafund Eliminations**

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

## **FF. Interfund Activity**

Generally, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are 1) activities between funds reported as governmental activities and funds reported as business-type activities, and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions.

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

## 2. RESTATEMENT OF BEGINNING BALANCES

The government-wide beginning balance restatements resulted from the following:

### Government-wide Activities

#### • Governmental Activities

The Governmental Activities were restated for the following:

- Capital Asset balances were restated by \$34.9 million due to errors attributable primarily to the Department of Transportation and the Department of Conservation and Recreation that resulted in an understatement of previous balances.
- The Commonwealth Transportation (major special revenue) beginning balance has been restated for the following:
  - The prior balance was overstated by \$25.6 million due to a legislatively authorized disbursement to a third party being recorded as a loan receivable by the Department of Transportation. Originally, the Department understood this amount would be recovered. The Department no longer expects to receive this amount.
  - The prior balance was understated by \$15.8 million due to tax collections and associated receivables that were historically reported in the Funds for the Collection of Taxes and Fees (agency fund). A review of legislation during the current year identified these amounts as a state tax distributed to a locality versus a locality tax.

#### • Business-type Activities

As a result of implementing GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the Route 460 Funding Corporation of Virginia (nonmajor enterprise) beginning balance has been restated by \$2.6 million due to the net amount of unamortized bond issuance costs paid in the prior year.

### Fund Statements

The fund statement beginning balance restatements resulted from the following:

- The Commonwealth Transportation (major special revenue) fund balance has been restated by \$25.6 million for the overstatement associated with the loan receivable and \$14.8 million for the understatement associated with the tax collections and associated receivables as discussed previously.

- The Route 460 Funding Corporation of Virginia (nonmajor enterprise) net position has been restated by \$2.6 million as discussed previously.
- Agency Funds have been restated by \$15.8 million to correct the reclassification of the tax collections and associated receivables as discussed previously.

### Component Units

- As previously mentioned, the Commonwealth implemented GASB Statement No. 65 during the fiscal year. The implementation of this Statement resulted in restated prior balances for unamortized bond issuance costs that are required to be expensed rather than amortized. Major component units, Virginia Housing Development Authority and Virginia Resources Authority, restated balances by \$5.3 million and \$568,626, respectively. The following nonmajor component unit restatements are Virginia Commonwealth University, \$1.7 million; Virginia State University, \$531,464; Norfolk State University, \$236,033; Old Dominion University, \$848,295; George Mason University, \$2.8 million; Virginia Community College System, \$978,067; Innovation and Entrepreneurship Investment Authority, \$7,470; Virginia Port Authority, \$5.0 million; Hampton Roads Sanitation District Commission, \$2.9 million; and Virginia Biotechnology Research Park Authority, \$502,419.
- The Commonwealth implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the fiscal year ending June 30, 2014. As a result, the Virginia Small Business Financing Authority (nonmajor) restated fund balance by \$162,805 related to financial guarantees issued.
- In addition to the restatement associated with the GASB Statement No. 65 implementation, the Virginia Port Authority (nonmajor) has restated balances by \$12.2 million due to the blended component unit adopting applicable GASB guidance for pension accounting.
- In addition to the restatement associated with the GASB Statement No. 65 implementation, Norfolk State University (nonmajor) has been restated for \$16.0 million because previously estimated financial information was used in the prior fiscal year. Audited information was subsequently made available.



**Beginning Balance Restatement**

*(Dollars in Thousands)*

	<u>Balance as of June 30, 2013</u>	<u>GASBS No. 65 Debt Issuance Costs</u>	<u>GASBS No. 70 Guarantee Liability</u>	<u>Change in Accounting Principle</u>	<u>Correction of Prior Year Errors</u>	<u>Balance June 30, 2013 as restated</u>
<b>Government-wide Activities:</b>						
Primary Government:						
Governmental Activities	\$ 20,184,055	\$ -	\$ -	\$ -	\$ 25,150	\$ 20,209,205
Business-type Activities	662,340	(2,633)	-	-	-	659,707
Total Primary Government	<u>\$ 20,846,395</u>	<u>\$ (2,633)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,150</u>	<u>\$ 20,868,912</u>
Component Units	<u>\$ 22,513,836</u>	<u>\$ (21,396)</u>	<u>\$ (163)</u>	<u>\$ 12,207</u>	<u>\$ 15,975</u>	<u>\$ 22,520,459</u>
<b>Fund Statements - Governmental Funds</b>						
Major Governmental Funds:						
General	\$ 637,944	\$ -	\$ -	\$ -	\$ -	\$ 637,944
Special Revenue Funds:						
Commonwealth Transportation	2,413,781	-	-	-	(10,811)	2,402,970
Federal Trust	107,849	-	-	-	-	107,849
Literary	63,778	-	-	-	-	63,778
Nonmajor Governmental Funds	971,229	-	-	-	-	971,229
<b>Total Governmental Funds</b>	<u>\$ 4,194,581</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,811)</u>	<u>\$ 4,183,770</u>
<b>Fund Statements - Proprietary Funds</b>						
Major Enterprise Funds:						
Virginia Lottery	\$ (11,563)	\$ -	\$ -	\$ -	\$ -	\$ (11,563)
Virginia College Savings Plan	215,215	-	-	-	-	215,215
Unemployment Compensation	371,600	-	-	-	-	371,600
Nonmajor Enterprise Funds	87,171	(2,633)	-	-	-	84,538
<b>Total Enterprise Funds</b>	<u>\$ 662,423</u>	<u>\$ (2,633)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 659,790</u>
Internal Service	<u>\$ (567,597)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (567,597)</u>
<b>Fiduciary Funds</b>						
Private Purpose Funds	<u>\$ 2,753,739</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,753,739</u>
Pension Trust Funds	<u>\$ 58,378,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,378,686</u>
Investment Trust Funds	<u>\$ 2,336,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,336,576</u>
Agency Funds	<u>\$ 787,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,840)</u>	<u>\$ 772,064</u>
<b>Fund Statements - Component Units:</b>						
Virginia Housing Development Authority	\$ 2,516,145	\$ (5,332)	\$ -	\$ -	\$ -	\$ 2,510,813
Virginia Public School Authority	(40,722)	-	-	-	-	(40,722)
Virginia Resources Authority	1,394,335	(568)	-	-	-	1,393,767
Virginia College Building Authority	(2,845,265)	-	-	-	-	(2,845,265)
Nonmajor Component Units	21,489,343	(15,496)	(163)	12,207	15,975	21,501,866
<b>Total Component Units</b>	<u>\$ 22,513,836</u>	<u>\$ (21,396)</u>	<u>\$ (163)</u>	<u>\$ 12,207</u>	<u>\$ 15,975</u>	<u>\$ 22,520,459</u>

### 3. NET POSITION/FUND BALANCE CLASSIFICATIONS

#### Fund Balance

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

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

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

Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the General Assembly and Governor through enacted legislation. The distinction between restricted and committed fund balances is the source and strength of the constraints placed on them.

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

Unassigned funds are the residual classification for the General Fund. A negative amount indicates that restricted and committed amounts exceed the available modified accrual basis fund balance.

The governmental fund balance classifications and amounts at June 30, 2014, are shown in the following table.

**Governmental Fund Balance Classifications**

(Dollars in Thousands)

	<u>General Fund</u>	<u>Commonwealth Transportation</u>	<u>Federal Trust</u>	<u>Literary</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
<b>Nonspendable</b>						
Inventory	\$ 31,353	\$ 60,416	\$ 11,589	\$ -	\$ 4,867	\$ 108,225
Prepaid Items	79,187	12,155	1,711	-	13,301	106,354
Permanent Funds	-	-	-	-	34,302	34,302
Total Nonspendable	<u>110,540</u>	<u>72,571</u>	<u>13,300</u>	<u>-</u>	<u>52,470</u>	<u>248,881</u>
<b>Restricted</b>						
Agriculture and Forestry	-	-	-	-	1,691	1,691
Capital Projects/Construction/Capital Acquisition	-	-	-	-	52,866	52,866
Debt Service	-	-	-	-	44,074	44,074
Economic and Technological Development	-	-	-	-	1,291	1,291
Educational and Training Programs	-	-	-	-	9,652	9,652
Environmental Quality and Natural Resource Preservation	-	-	-	-	22,589	22,589
Gifts and Grants	-	78,143	121,962	-	2,166	202,271
Government Operations:						
Legislative Services	-	-	-	-	4	4
Administrative Services	-	-	-	-	3,566	3,566
Health and Public Safety	-	-	-	-	104,295	104,295
Literary Fund	-	-	-	13,473	-	13,473
Lottery Proceeds Fund	32,809	-	-	-	-	32,809
Revenue Stabilization Fund	930,699	-	-	-	-	930,699
Transportation Activities	-	522,617	-	-	-	522,617
Virginia Water Supply Assistance Grant Fund	7,020	-	-	-	-	7,020
Total Restricted	<u>970,528</u>	<u>600,760</u>	<u>121,962</u>	<u>13,473</u>	<u>242,194</u>	<u>1,948,917</u>
<b>Committed</b>						
Agriculture and Forestry	98	-	-	-	22,820	22,918
Amount Required for Mandatory Reappropriation	57,342	-	-	-	-	57,342
Amount Required for Reappropriation of 2014 Unexpended Balances for Capital Outlay	21,731	-	-	-	-	21,731
Capital Projects/Construction/Capital Acquisition	883	-	-	-	408	1,291
Central Capital Planning Fund	10,826	-	-	-	-	10,826
Communications Sales and Use Tax	3,456	-	-	-	-	3,456
Contract and Debt Administration	-	11,945	-	-	-	11,945
Economic and Technological Development	27,399	-	-	-	51,714	79,113
Educational and Training Programs	653	2,416	-	-	5,777	8,846
Environmental Quality and Natural Resource Preservation	3,391	-	-	-	114,215	117,606
Federal Action Contingency Trust Fund	4,362	-	-	-	-	4,362
Government Operations:						
Legislative Services	-	-	-	-	280	280
Administrative Services	115	-	-	-	49,133	49,248
Governor's Opportunity Fund	28,562	-	-	-	-	28,562
Health and Public Safety	6,939	1,976	-	-	174,070	182,985
Natural Disaster Sum Sufficient	33,324	-	-	-	-	33,324
Regulatory Oversight	-	-	-	-	126,532	126,532
Transportation Activities	-	1,575,076	-	-	8,476	1,583,552
Virginia Health Care Fund	77,438	-	-	-	-	77,438
Virginia Water Quality Improvement Fund	53,552	-	-	-	-	53,552
Total Committed	<u>330,071</u>	<u>1,591,413</u>	<u>-</u>	<u>-</u>	<u>553,425</u>	<u>2,474,909</u>
<b>Assigned</b>						
Educational and Training Programs	-	-	-	-	4,007	4,007
Environmental Quality and Natural Resource Preservation	-	-	-	-	1,705	1,705
Government Operations:						
Administrative Services	-	-	-	-	4,517	4,517
Health and Public Safety	-	-	-	-	6,609	6,609
Total Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,838</u>	<u>16,838</u>
<b>Unassigned</b>						
	<u>(781,502)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(781,502)</u>
Total Fund Balance	<u>\$ 629,637</u>	<u>\$ 2,264,744</u>	<u>\$ 135,262</u>	<u>\$ 13,473</u>	<u>\$ 864,927</u>	<u>\$ 3,908,043</u>

#### 4. DEFICIT FUND BALANCES/NET POSITION

The Virginia Lottery (major enterprise fund), the Department of Alcoholic Beverage Control (nonmajor enterprise fund), the Department of Environmental Quality's Title V and Air Pollution Permit Fund (nonmajor enterprise fund), and the Payroll Service Bureau (internal service fund) ended the year with deficit net positions of \$13.9 million, \$43.1 million, \$4.2 million, and \$711,327, respectively. This was solely attributable to the net pension obligation resulting from GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and the net other postemployment benefits (OPEB) obligation resulting from GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Since the Commonwealth is the employer, the agencies do not report this liability in their individually published financial statements.

The Risk Management Fund (nonmajor enterprise fund) ended the year with a deficit net position balance of \$11.7 million. The deficit was a result of increasing claims liability for constitutional officers' programs.

The Route 460 Funding Corporation of Virginia (nonmajor enterprise fund) ended the year with a deficit net position balance of \$21.0 million. The deficit was a result of the fund only having interest revenues, while the Virginia Department of Transportation contributions are used to fund the capital expenditures.

The Virginia Information Technologies Agency (internal service fund) ended the year with a deficit net position balance of \$19.1 million. The deficit was a result of operating expenses exceeding revenues in previous years.

The Enterprise Application Fund (internal service fund) ended the year with a deficit net position balance of \$4.2 million. This deficit was the result of high capital expenses in the newly established internal service fund and significant expenses relating to Phase III of the Cardinal project which were excluded from billing.

The Property Management Fund (internal service fund) ended the year with a deficit net position balance of \$23.4 million. This deficit was the result of the purchase of a leasehold interest in a state-owned building in fiscal year 2006. Also, the Property Management Fund incurred additional capital lease liabilities due to transfers of leases from other state agencies in fiscal year 2009. Additionally, in fiscal year 2012, the Property Management Fund entered into three energy leases where the asset is reported in the governmental fund and the liability is recorded in the internal service fund.

The Risk Management Fund (internal service fund) ended the year with a deficit net position balance of \$506.8 million. The deficit was the result of the Worker's Compensation Program having estimated claims payable exceeding the available equity in the fund. Claims are paid on a pay-as-you-go basis. To the extent that claims exceed current resources, they will ultimately become a liability of the fund from which the claim originated.

The Virginia Public School Authority (major component unit) ended the year with a deficit net position balance of \$34.6 million. This deficit is the result of an accrued credit against future debt service payments on Local School Bonds due from the localities subsequent to June 30.

The Virginia College Building Authority (major component unit) ended the year with a deficit net position balance of \$3.2 billion. This deficit occurred because the Authority issued bonds for the 21st Century College and Equipment programs subject to future appropriations from the General Fund of the Commonwealth without any other security.

The Virginia Economic Development Partnership (nonmajor component unit) ended the year with a deficit net position balance of \$3.6 million. This deficit occurs because the partnership's Statement of Net Position reflects \$7.0 million in non-current liabilities related to compensated absences, net pension obligation, and net other postemployment benefit obligation. The Partnership is funded mainly by state appropriations, which show current funding only.

#### 5. REVENUE STABILIZATION FUND

In accordance with Article X, Section 8 of the Constitution of Virginia, the amount estimated as required for deposit to the Revenue Stabilization Fund must be appropriated for that purpose by the General Assembly. A deposit of \$244.6 million was made during fiscal year 2014 as required by Section 2.2-1829 of the *Code of Virginia*. There was no withdrawal made in fiscal year 2014, and the General Assembly has authorized a withdrawal in fiscal year 2015.

Under the provisions of Article X, Section 8 of the Constitution of Virginia, a deposit of \$243.2 million is required during fiscal year 2015 based on fiscal year 2013 revenue collections. This required deposit is included as a restricted component of fund balance and includes the advance reservation of \$95.0 million provided in Chapter 2, 2014 Acts of Assembly. A deposit is not required during fiscal year 2016 based on fiscal year 2014 revenue collections.

Section 2.2-1829(b) of the *Code of Virginia* requires an additional deposit into the Fund when specific criteria have been met. No such deposit is required since the specified criteria were not met for fiscal year 2014.

The Revenue Stabilization Fund has principal and interest on deposit of \$687.5 million restricted as a part of General Fund balance. Pursuant to the constitutional amendment of Article X, Section 8, effective January 1, 2011, the amount on deposit cannot exceed 15.0 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. As of June 30, 2014, the Constitutional maximum is \$2.3 billion.

## 6. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2014, the carrying amount of cash for the primary government was \$3.4 billion and the bank balance was \$418.1 million. The carrying amount of cash for component units was \$1.9 billion and the bank balance was \$846.9 million. Cash equivalents are investments with an original maturity of 90 days or less. Cash and cash equivalents for foundations (component units) totaled \$406.6 million as of year-end. A portion of this amount and some balances during the year exceeded Federal Deposit Insurance Corporation (FDIC) insurance coverage. Foundation investments are disclosed in the Interest Rate Risk section of this note.

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

Certain deposits are held by trustees in accordance with the Trust Subsidiary Act, Section 6.1-32.8 et seq. of the *Code of Virginia*. The act requires that cash held by trustees while awaiting investment or distribution is not to be used by an affiliate bank of the trustee in the conduct of its business unless the affiliate bank delivers securities to the trust department as collateral that is at least equal to the fair value of the trust funds held on deposit in excess of amounts insured by the FDIC.

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

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

Permitted investments include agency mortgage-backed securities, corporate or private label mortgage-backed securities, and asset-backed securities which by definition usually expose the investor to prepayment risk.

At June 30, 2014, the State Treasurer held no investment, with the exception of securities lending, that was out of compliance or in default as to principal or interest.

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

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

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

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

The information presented for the external investment pool was obtained from audited financial statements. Copies of the Local Government Investment Pool (LGIP) report may be obtained by writing the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218. Participation in this pool is voluntary.

## Custodial Risk

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

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

As of June 30, 2014, the primary government had \$3.0 billion of cash equivalents and investments that were exposed to custodial risk as uninsured and uncollateralized. The majority of this amount, held by the System, consisted of various types of debt and equity securities that were held by counterparties' trust departments or agents, but not in the System's name. Common and preferred stocks represented \$2.9 billion of the total. The remainder was for various types of debt securities. The component units had \$17.2 million of cash equivalents and investments that were exposed to custodial risk as uninsured and uncollateralized. Repurchase agreements represented \$12.0 million, mutual and money market funds represented \$2.0 million of the total, and the remainder was for various types of debt securities.

As of June 30, 2014, the investments of the Pension and Other Employee Benefit Trust Funds were approximately 81.5 percent of the primary government investments, and 99.9 percent of those that were exposed to custodial risk.

## Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Commonwealth has elected the Segmented Time Distribution method of disclosure.

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

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

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

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

At June 30, 2014, the Commonwealth had the following investments and maturities:

**Primary Government Investments**  
(Dollars in Thousands)

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in years)</b>			
		<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>
<b>Debt Securities</b>					
U. S. Treasury and Agency Securities	\$ 5,134,391	\$ 419,355	\$ 3,227,597	\$ 1,005,485	\$ 481,954
Corporate Bonds and Notes	12,227,301	2,832,523	4,568,728	3,302,307	1,523,743
Commercial Paper	3,558,477	3,558,477	-	-	-
Negotiable Certificates of Deposit	5,170,549	5,169,998	551	-	-
Repurchase Agreements	1,933,324	1,933,324	-	-	-
Municipal Securities	188,022	14,827	22,523	74,397	76,275
Asset-Backed Securities	295,451	101,443	59,834	30,012	104,162
Agency Mortgage-Backed Securities	3,415,251	331,988	1,811,268	1,124,990	147,005
Agency Unsecured Bonds and Notes	1,975,194	1,149,239	676,046	50,301	99,608
Mutual and Money Market Funds (Includes SNAP)	2,983,496	2,983,496	-	-	-
The Boston Company Pooled Employee Trust Fund	30,993	30,993	-	-	-
Guaranteed Investment Contracts	587,523	-	587,523	-	-
Fixed Income and Commingled Funds	1,091,436	150,339	184,261	756,836	-
Investments held by broker-dealers under securities loans					
U. S. Government and Agency Securities	440	-	440	-	-
Corporate Bonds	1,283	231	1,052	-	-
Other	820,787	233,154	330,824	214,032	42,777
<b>Total</b>	<b>\$ 39,413,918</b>	<b>\$ 18,909,387</b>	<b>\$ 11,470,647</b>	<b>\$ 6,558,360</b>	<b>\$ 2,475,524</b>

**Component Unit Investments**  
(Dollars in Thousands)

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in years)</b>			
		<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>
<b>Debt Securities</b>					
U. S. Treasury and Agency Securities	\$ 948,179	\$ 211,810	\$ 329,167	\$ 25,362	\$ 381,840
Corporate Bonds and Notes	407,830	57,699	282,850	56,804	10,477
Commercial Paper	353,909	353,909	-	-	-
Negotiable Certificates of Deposit	49,946	5,968	43,978	-	-
Repurchase Agreements	54,906	54,906	-	-	-
Reverse Repurchase Agreements	240,000	240,000	-	-	-
Municipal Securities	3,552,550	18,880	87,019	98,834	3,347,817
Asset-Backed Securities	171,047	13,398	94,879	16,899	45,871
Agency Unsecured Bonds and Notes	337,382	290,554	32,594	14,234	-
Agency Mortgage-Backed Securities	125,465	8,178	36,365	12,909	68,013
Mutual and Money Market Funds (Includes SNAP)	929,940	779,013	19,847	127,657	3,423
Guaranteed Investment Contracts	65,251	7,746	9,182	18,876	29,447
Fixed Income and Commingled Funds	48,814	80	39,906	8,828	-
Other	71,419	71,171	198	50	-
<b>Total</b>	<b>\$ 7,356,638</b>	<b>\$ 2,113,312</b>	<b>\$ 975,985</b>	<b>\$ 380,453</b>	<b>\$ 3,886,888</b>

## Foundation Investments

(Dollars in Thousands)

<u>Investment Type</u>	<u>Fair Value</u>
U.S. Treasury and Agency Securities	\$ 972,953
Common & Preferred Stocks	956,325
Corporate Bonds and Notes	153,345
Negotiable Certificates of Deposit	12,745
Municipal Securities	9,625
Asset Backed Securities	1,421
Agency Mortgage Backed	4,677
Mutual and Money Market Funds	490,844
Real Estate	572,651
Index Funds	168,899
Hedge Funds	2,082,565
Partnerships	2,163,881
Venture Capital	409,960
Others	3,119,540
Total	<u>\$ 11,119,431</u>

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

### Credit Risk

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

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

- Dollar denominated obligations of sovereign governments: Aaa, Moody's and AAA, S&P
- Commercial Mortgage-Backed Securities (CMBS) and Collateralized Mortgage Obligations (CMOs): AAA by two nationally recognized rating agencies, one of which must be Moody's or S&P

The following tables present the credit ratings for the majority of the investments of the primary government and component units as of June 30, 2014. The ratings presented are using S&P and Moody's rating scales. Within the primary government, the investments presented in the table represented 85.5 percent of the total debt securities. Within the component units, the investments presented in the table represented 86.2 percent of the total debt securities, 45.2 percent of which were invested in unrated Municipal Securities.

Credit risk for derivative instruments held by the Commonwealth results from counterparty risk assumed by the Commonwealth. This is essentially the risk that the borrower will be unable to meet its obligation. Information regarding the Commonwealth's credit risk related to derivatives is found in Note 14.

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



**Credit Rating - Primary Government**  
(Dollars in Thousands)

<u>Investment</u>	<u>Amount</u>	<u>Rating Agency</u>	<u>Rating</u>	<u>Percent of Portfolio</u>
U. S. Treasury and Agency Securities	\$ 5,134,337	N/A	N/A	13.0%
Negotiable Certificates of Deposit	3,476,906	Moody's	P-1	8.8%
Agency Mortgage Backed Securities	2,599,275	Moody's	Aaa	6.6%
Commercial Paper	2,597,093	Moody's	P-1	6.6%
Corporate Bonds and Notes	2,460,401	Moody's	NR	6.2%
Mutual and Money Market Funds (Include SNAP)	1,997,644	Moody's	Aaa	5.1%
Agency Unsecured Bonds and Notes	1,688,692	Standard & Poor's	AA+	4.3%
Negotiable Certificates of Deposit	1,330,301	Standard & Poor's	A-1	3.4%
Corporate Bonds and Notes	1,292,316	Moody's	Baa2	3.3%
Corporate Bonds and Notes	1,261,848	Moody's	Baa1	3.2%
Corporate Bonds and Notes	1,033,596	Moody's	Aa3	2.6%
Corporate Bonds and Notes	951,638	Moody's	Baa3	2.4%
Corporate Bonds and Notes	862,089	Moody's	Aa2	2.2%
Commercial Paper	854,539	Standard & Poor's	A-1	2.2%
Repurchase Agreements	823,786	Moody's	NR	2.1%
Corporate Bonds and Notes	717,387	Moody's	A3	1.8%
Agency Mortgage Backed Securities	618,618	Moody's	NR	1.6%
Guaranteed Investment Contracts	587,523	N/A	N/A	1.5%
Other Debt Securities	570,309	Moody's	Aaa	1.5%
Mutual and Money Market Funds (Include SNAP)	569,051	Standard & Poor's	A-3	1.4%
Repurchase Agreements	500,000	Standard & Poor's	AA+	1.3%
Corporate Bonds and Notes	436,311	Moody's	A1	1.1%
Corporate Bonds and Notes	434,386	Moody's	A2	1.1%
Fixed Income and Commingled Funds	430,817	N/A	N/A	1.1%
Fixed Income and Commingled Funds	423,505	Moody's	Baa1	1.1%

**Credit Rating - Component Units**  
(Dollars in Thousands)

<u>Investment</u>	<u>Amount</u>	<u>Rating Agency</u>	<u>Rating</u>	<u>Percent of Portfolio</u>
Municipal Securities	\$ 3,327,463	N/A	N/A	45.2%
U. S. Treasury and Agency Securities	948,179	N/A	N/A	12.9%
Mutual and Money Market Funds (Include SNAP)	583,694	Standard & Poor's	AAA	7.9%
Agency Unsecured Bonds and Notes	305,299	Moody's	Aaa	4.2%
Reverse Repurchase Agreements	240,000	Standard & Poor's	BBB-	3.3%
Commercial Paper	190,044	Moody's	P-1	2.6%
Mutual and Money Market Funds (Include SNAP)	176,225	N/A	N/A	2.4%
Commercial Paper	141,473	N/A	N/A	1.9%
Asset Backed Securities	93,062	Moody's	Aaa	1.3%
Mutual and Money Market Funds (Include SNAP)	76,031	Moody's	Aaa	1.0%
Agency Mortgage Backed Securities	70,756	Standard & Poor's	AA+	1.0%
Other Debt Securities	69,307	Moody's	NR	0.9%
Guaranteed Investment Contracts	61,037	Moody's	A2	0.8%
Corporate Bonds and Notes	59,759	Moody's	A1	0.8%

## **Concentration of Credit Risk**

Concentration of credit risk is related to the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The Commonwealth holds no investment in the securities of a single issuer that is more than 5.0 percent of the total market value of its investments. In addition, the State Treasury and the System have individual investment policies limiting the amounts that may be invested in any single issuer.

It is the State Treasurer's policy that each portfolio will be diversified with no more than 4.0 percent of the value of the fund invested in the securities of any single issuer. This limitation shall not apply to the U.S. Government, or agency thereof, or U.S. Government sponsored corporation securities and fully insured and/or collateralized certificates of deposit. Certain portfolios are limited to amounts less than 4.0 percent of the value of the fund invested in the securities of any single issuer.

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

## **Foreign Currency Risk**

### **Primary Government**

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. All primary government investments exposed to foreign currency risk were part of the System and the Virginia College Savings Plan portfolios at June 30, 2014.

Foreign currency risk exposure, or exchange rate risk, primarily exists in the international and global equity investment holdings. From time to time, external managers may hedge their portfolios' foreign currency exposures with currency forward contracts. This will depend upon their views about a specific foreign currency relative to the U.S. dollar. The System's and the Virginia College Savings Plan's exposure to foreign currency risk is highlighted in the following table.

### **Component Units**

All nonmajor component unit investments exposed to foreign currency risk were part of the College of William and Mary, James Madison University, the Virginia Economic Development Partnership, the Virginia Biotechnology Research Partnership Authority, and the Virginia Museum of Fine Arts Foundation portfolios at June 30, 2014.

**Foreign Currency Exposures by Asset Class - Primary Government**

*(Dollars in Thousands)*

<u>Currency</u>	<u>Cash &amp; Cash Equivalents</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Private Equity</u>	<u>Real Estate</u>	<u>Corporate Bonds</u>	<u>International Funds</u>	<u>Total</u>
Euro Currency Unit	\$ 48,236	\$ 1,105,944	\$ (18,790)	\$ 934,465	\$ 1,583	\$ 23,576	\$ -	\$ 2,095,014
Japanese Yen	22,943	1,332,022	(15,742)	-	965	4,057	-	1,344,245
British Pound Sterling	7,753	950,455	(98)	1,167	4,355	2,030	-	965,662
Hong Kong Dollar	15,315	671,448	95	-	8,303	4,590	-	699,751
U.S. Dollar	-	-	-	-	-	-	579,073	579,073
Canadian Dollar	5,432	472,564	484	-	21,678	-	-	500,158
South Korean Won	1,489	460,690	2,784	-	-	-	-	464,963
New Taiwan Dollar	6,988	300,330	-	-	-	-	-	307,318
Australian Dollar	3,352	281,487	(389)	-	14,578	-	-	299,028
Brazil Real	4,445	214,012	61,783	-	2,584	-	-	282,824
South African Comm Rand	1,620	199,725	32,628	-	-	-	-	233,973
Norwegian Krone	1,565	221,658	-	-	-	-	-	223,223
Mexican New Peso	1,849	77,733	81,915	-	762	-	-	162,259
Swiss Franc	6,479	131,017	(8)	-	2,397	1,705	-	141,590
Thailand Baht	83	116,154	17,325	-	-	-	-	133,562
Indian Rupee	461	110,556	14,550	-	-	-	-	125,567
Malaysian Ringgit	1,192	71,686	42,338	-	-	-	-	115,216
Indonesian Rupiah	751	64,301	36,460	-	-	-	-	101,512
New Turkish Lira	3,128	62,056	30,310	-	-	-	-	95,494
Danish Krone	248	63,213	-	-	-	-	-	63,461
Polish Zloty	101	10,714	52,544	-	-	-	-	63,359
Chilean Peso	657	54,090	2,632	-	-	-	-	57,379
Russian Ruble	996	-	32,122	-	-	-	-	33,118
Philippine Peso	263	25,082	1,001	-	-	-	-	26,346
Colombian Peso	337	-	18,061	-	-	-	-	18,398
Hungarian Forint	18	-	15,450	-	-	-	-	15,468
Israeli Shekel	920	12,544	-	-	-	-	-	13,464
Nigerian Naira	122	-	12,847	-	-	-	-	12,969
Romanian Leu	537	-	7,037	-	-	-	-	7,574
Turkish Lira	7,189	-	-	-	-	-	-	7,189
Peruvian Nuevo Sol	-	-	6,936	-	-	-	-	6,936
Egyptian Pound	188	6,728	-	-	-	-	-	6,916
Sri Lanka Rupee	-	-	3,258	-	-	-	-	3,258
Ghanaian Cedi	-	-	2,467	-	-	-	-	2,467
UAE Dirham	29	2,290	-	-	-	-	-	2,319
Costa Rican Colon	-	-	1,341	-	-	-	-	1,341
Chinese Yuan Renminbi	-	34	12	-	-	-	-	46
Czech Koruna	4	-	-	-	-	-	-	4
Moroccan Dirham	1	-	-	-	-	-	-	1
New Zealand Dollar	351	(8,764)	-	-	-	-	-	(8,413)
Singapore Dollar	2,796	(66,493)	-	-	-	-	-	(63,697)
Swedish Krona	5,254	(76,985)	-	138	-	1,645	-	(69,948)
<b>Total</b>	<b>\$ 153,092</b>	<b>\$ 6,866,291</b>	<b>\$ 441,353</b>	<b>\$ 935,770</b>	<b>\$ 57,205</b>	<b>\$ 37,603</b>	<b>\$ 579,073</b>	<b>\$ 9,070,387</b>

**Foreign Currency Exposures by Asset Class - Component Units**

*(Dollars in Thousands)*

<u>Currency</u>	<u>Cash &amp; Cash Equivalents</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Private Equity</u>	<u>Real Estate</u>	<u>International Funds</u>	<u>Total</u>
U.S. Dollar	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 610	\$ 610
British Pound Sterling	1,443	-	-	-	-	-	1,443
Euro Currency Unit	3,147	-	-	-	-	-	3,147
Japanese Yen	2	-	-	-	-	-	2
Other	12	-	-	-	-	-	12
<b>Total</b>	<b>\$ 4,604</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 610</b>	<b>\$ 5,214</b>

## Securities Lending

The State Treasury's securities lending program is managed by Deutsche Bank AG, New York (Deutsche Bank), under a contract dated March 28, 2014. The enabling legislation for the securities lending program is Section 2.2-4506 of Chapter 45 of the *Code of Virginia*, as amended. No violations of legal or contractual provisions were noted during the year. The general account participated in a securities lending program for the entire year.

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

The State Treasury's contract with Deutsche Bank provides for loss indemnification against insolvency default with respect to lending transactions and in the case of reverse transactions as defined in the applicable Agency Securities Lending and Repurchase Agreement. Additionally, Deutsche Bank AG is liable for any losses experienced from reinvestment of cash collateral in investments not authorized by the provisions of the investment guidelines for the Commonwealth of Virginia agreed upon by both parties and made a part of the Agency Securities Lending and Repurchase Agreement. There were no realized losses resulting from default and recoveries of prior period losses during this reporting period were \$837,872.

When securities are loaned, the collateral received is at least 100.0 percent of fair value of the securities loaned and must be maintained at 100.0 percent or greater. There are no stated restrictions on the amount of securities that may be loaned, but the basic composition of the general account portfolio effectively restricts the maximum percentage of the portfolio that may be loaned. During the past fiscal year, approximately 12.6 percent of the general account securities were on loan.

During the past year, a combination of U.S. Treasury, agency, agency mortgage and corporate securities have been loaned, with the majority of the loaned securities being U.S. Treasury and agency securities. At June 30, 2014, all collateral received was in the form of cash.

Securities loaned for the State Treasurer's cash collateral reinvestment pool, which consisted of 84.9 percent general account funds and 15.1 percent Virginia Lottery funds as of June 30, 2014, had a carrying value of \$572.0 million and a fair value of \$617.4 million. The fair value of the collateral received was \$629.3 million providing for coverage of 101.9 percent. All securities are marked to market daily. The carrying value of the cash collateral reinvestment pool received was \$629.4 million and the fair value of the investments purchased with the cash collateral was \$629.3 million. As of June 30, 2014, the State Treasurer's cash collateral

reinvestment pool had an unrealized loss of \$73,349, and is recorded in the General Fund as stated in Note 1.DD. This amount is included in the total State Treasurer's Portfolio discussed earlier in this note.

Cash collateral reinvestment guidelines were amended effective April 16, 2014. Approved investment instruments include Indemnified Repurchase Agreements marked to market daily and preapproved Government Money Market Funds. Term repurchase agreements are limited to 93 days. At June 30, 2014, approximately 97.0 percent of cash collateral reinvestments were in indemnified repurchase agreements, and 3.0 percent were legacy direct investments of asset-backed (including mortgage-backed) floating rate securities.

At June 30, 2014, the cash collateral reinvestment portfolio had a weighted average maturity of eight days using the next interest reset date as the maturity date for floating rate securities. Using the expected maturity date, the weighted average maturity was 257 days and using the final maturity date, which assumes no pay downs on any asset-backed or mortgage-backed securities, the weighted average maturity was 1.3 years.

At June 30, 2014, \$11.1 million, or 1.8 percent, of the total par value of the cash collateral reinvestment portfolio was out of compliance with the State Treasury's current cash collateral reinvestment guidelines due to various security ratings downgrades during the past few years and adoption of more restrictive reinvestment guidelines. The securities are not in default and are making principal payments. Approximately 84.9 percent of these out of compliance securities are part of the general account portion of the securities lending program and the other 15.1 percent is the Virginia Lottery's portion of the securities lending program. The Commonwealth regularly evaluates these positions to determine the most beneficial course of action going forward.

Under authorization of the Board, the Virginia Retirement System (the System) lends its fixed income and equity securities to various broker-dealers on a temporary basis. This program is administered through an agreement with the System's custodial agent bank. All security loan agreements are collateralized by cash, securities, or an irrevocable letter of credit issued by a major bank, and have a market value equal to at least 102.0 percent of the market value for domestic securities and 105.0 percent for international securities. Securities received as collateral cannot be pledged or sold by the System unless the borrower defaults. Contracts require the lending agents to indemnify the System if the borrowers fail to return the securities lent. All securities loans can be terminated on demand by either the System or the borrowers. The majority of loans are open loans, meaning the rebate is set daily. This results in a maturity of one or two days on average, although securities are often on loan for longer periods. The maturity of loans generally does not match the maturity of collateral investments, which averages 40 days. At year-end, the System has no credit risk exposure to borrowers because the amounts it owes the borrowers exceeded the amounts the borrowers owe the System. All securities are marked to market daily and carried at market value. The market value of

securities on loan at June 30, 2014, was \$9.2 billion. The June 30, 2014, balance was composed of U.S. Government and agency securities of \$3.3 billion, corporate and other bonds of \$374.1 million and common and preferred stocks of \$5.5 billion. The value of collateral (cash and non-cash) at June 30, 2014, was \$9.7 billion.

At June 30, 2014, the invested cash collateral had a market value of \$6.0 billion and was composed of commercial paper of \$1.2 billion, certificates of deposit of \$1.3 billion, floating rate notes of \$1.9 billion, asset-backed securities of \$3.8 million, time deposits of \$933.8 million and repurchase agreements of \$618.5 million.

## 7. RECEIVABLES

The following schedule (dollars in thousands) details the accounts, loans, interest, taxes, prepaid tuition contributions, security transactions, and other receivables presented in the major funds, aggregated nonmajor funds by type, internal service funds, fiduciary funds, major component units, and aggregated nonmajor component units, as of June 30, 2014.

	Accounts Receivable	Loans / Mortgage Receivable	Interest Receivable	Taxes Receivable	Prepaid Tuition Contributions Receivable
<b>Primary Government:</b>					
General	\$ 986,116	\$ 626	\$ 346,987	\$ 1,935,512	\$ -
Major Special Revenue Funds:					
Commonwealth Transportation	118,378	49,317	-	192,783	-
Federal Trust	706,396	228	-	-	-
Literary	255,420	158,892	26,400	-	-
Nonmajor Governmental Funds	122,949	-	11,136	6,605	-
Major Enterprise Funds:					
Virginia Lottery	73,364	-	-	-	-
Virginia College Savings Plan	12,324	-	3,931	-	217,829
Unemployment Compensation	175,467	-	-	-	-
Nonmajor Enterprise Funds	48,749	-	200	-	-
Internal Service Funds	10,139	-	-	-	-
Private Purpose Trust Funds	2	6	1,806	-	-
Pension and Other Employee Benefit Trust (1)	242,659	-	214,662	-	-
Investment Trust Fund	-	-	506	-	-
Agency Funds	457	-	-	130,156	-
<b>Total Primary Government (2)</b>	<u>\$ 2,752,420</u>	<u>\$ 209,069</u>	<u>\$ 605,628</u>	<u>\$ 2,265,056</u>	<u>\$ 217,829</u>
<b>Discrete Component Units:</b>					
Virginia Housing Development Authority (3)	\$ -	\$ 7,328,671	\$ 32,841	\$ -	\$ -
Virginia Public School Authority	-	-	66,836	-	-
Virginia Resources Authority	-	4,129,784	29,886	-	-
Virginia College Building Authority	-	-	25,664	-	-
Nonmajor Component Units (4)	1,505,958	174,694	3,524	5,887	-
<b>Total Component Units</b>	<u>\$ 1,505,958</u>	<u>\$ 11,633,149</u>	<u>\$ 158,751</u>	<u>\$ 5,887</u>	<u>\$ -</u>

Note (1): Other Receivables of the Pension and Other Employee Benefit Trust Fund of \$21,305 (dollars in thousands) are made up of \$12,492 (dollars in thousands) in pending investment transactions, which includes \$10,503 (dollars in thousands) futures margins receivable and \$1,989 (dollars in thousands) in securities lending; and \$8,813 (dollars in thousands) in other receivables related to benefit plans.

Note (2): Fiduciary net receivables in the amount of \$1,862,749 (dollars in thousands) are not included in the Government-wide Statement of Net Position.

Note (3): Virginia Housing Development Authority (major component unit) reports \$7,048,879 (dollars in thousands) as Restricted Loans Receivable, \$32,054 (dollars in thousands) as Restricted Interest Receivable, and \$1,772 (dollars in thousands) as Restricted Other Receivables.

Note (4): Other Receivables of the nonmajor component units are primarily comprised of pledges receivable of \$8,691 (dollars in thousands) reported by the University of Virginia; sponsors accounts receivable of \$23,084 (dollars in thousands) reported by the Virginia Commonwealth University; premium receivables of \$65,828 (dollars in thousands) and third-party settlements and non-patient receivables of \$9,463 (dollars in thousands) reported by the Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University); grants and contracts receivable of \$22,726 (dollars in thousands) reported by George Mason University; and \$60,067 (dollars in thousands) reported by foundations of the higher education institutions representing FASB reporting entities defined in Note 1.B.; and \$31,635 (dollars in thousands) reported by the Virginia Biotechnology Research Park Authority.

<u>Security Transactions</u>	<u>Other Receivables</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Accounts Receivable</u>	<u>Amounts to be Collected Greater than One Year</u>
\$ -	\$ -	\$ (1,458,195)	\$ 1,811,046	\$ 355,234
-	-	(29,717)	330,761	53,082
-	-	(13,524)	693,100	53
-	-	(251,829)	188,883	134,415
-	2	(64,355)	76,337	355
-	-	-	73,364	-
-	-	-	234,084	165,251
-	-	(33,745)	141,722	-
-	2	(1,447)	47,504	-
-	-	(646)	9,493	-
-	-	-	1,814	-
1,300,666	21,305	-	1,779,292	-
-	-	-	506	-
-	-	(49,476)	81,137	6,825
<u>\$ 1,300,666</u>	<u>\$ 21,309</u>	<u>\$ (1,902,934)</u>	<u>\$ 5,469,043</u>	<u>\$ 715,215</u>
\$ -	\$ 12,344	\$ (199,902)	\$ 7,173,954	\$ 7,112,334
-	-	-	66,836	-
-	1,120	(278)	4,160,512	3,906,987
-	-	-	25,664	-
-	236,148	(742,056)	1,184,155	234,383
<u>\$ -</u>	<u>\$ 249,612</u>	<u>\$ (942,236)</u>	<u>\$ 12,611,121</u>	<u>\$ 11,253,704</u>

## 8. CONTRIBUTIONS RECEIVABLE, NET

The following schedule details the contributions receivable for foundations<sup>(1)</sup> included with the nonmajor component units, as of June 30, 2014. The major component units reported no contributions receivable for fiscal year 2014.

*(Dollars in Thousands)*

	Due in Less Than One Year	Due Between One and Five Years	Due in More Than Five Years	Subtotal	Present Value Discount (2)	Allowance for Doubtful Accounts	Contributions Receivable, Net
<b>Discrete Component Units:</b>							
Nonmajor Component Units	\$ 129,228	\$ 195,198	\$ 66,384	\$ 390,810	\$ (20,705)	\$ (18,764)	\$ 351,341
<b>Total Component Units</b>	<u>\$ 129,228</u>	<u>\$ 195,198</u>	<u>\$ 66,384</u>	<u>\$ 390,810</u>	<u>\$ (20,705)</u>	<u>\$ (18,764)</u>	<u>\$ 351,341</u>

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

Note (2): The discount rate used to determine present value ranges from 0.1 percent to 8.0 percent.

## 9. INTERFUND AND INTER-ENTITY ASSETS / LIABILITIES

### Due from/to Other Funds

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

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

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

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

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

The following schedule shows the Due from/to Other Funds as of June 30, 2014.



**Schedule of Due from/to Other Funds**

June 30, 2014

*(Dollars in Thousands)*

<b>Due From</b>	<b>Amount</b>	<b>Due To</b>	<b>Amount</b>
<b>Primary Government</b>		<b>Primary Government</b>	
General Fund	\$ 42,001	Major Special Revenue Funds:	
		Federal Trust	\$ 1,007
		Major Enterprise Funds:	
		Virginia Lottery	28,051
		Nonmajor Enterprise Funds	11,866
		Internal Service Funds	1,077
Major Special Revenue Funds:		General Fund	1,263
Commonwealth Transportation	1,263		
Federal Trust	2,558	Major Enterprise Funds:	
		Unemployment Compensation	2,558
Nonmajor Governmental Funds	10,417	Major Special Revenue Funds:	
		Commonwealth Transportation	6,314
		Federal Trust	3,062
		Major Enterprise Funds:	
		Unemployment Compensation	281
		Nonmajor Enterprise Funds	760
Major Enterprise Funds:		General Fund	723
Unemployment Compensation	1,276	Major Special Revenue Funds:	
		Commonwealth Transportation	25
		Federal Trust	259
		Nonmajor Governmental Funds	255
		Nonmajor Enterprise Funds	11
		Internal Service Funds	3
Nonmajor Enterprise Funds	440	General Fund	99
		Major Special Revenue Funds:	
		Commonwealth Transportation	207
		Federal Trust	112
		Nonmajor Governmental Funds	11
		Nonmajor Enterprise Funds	7
		Internal Service Funds	4
Internal Service Funds	56,151	General Fund	29,441
		Major Special Revenue Funds:	
		Commonwealth Transportation	12,978
		Federal Trust	6,132
		Nonmajor Governmental Funds	4,901
		Major Enterprise Funds:	
		Virginia Lottery	164
		Virginia College Savings Plan	61
		Nonmajor Enterprise Funds	1,864
		Internal Service Funds	610
Pension and Other Employee Benefit Trust	8,349	Private Purpose Trust	58
		Pension and Other Employee Benefit Trust	8,291
<b>Total Primary Government</b>	<b><u>\$ 122,455</u></b>	<b>Total Primary Government</b>	<b><u>\$ 122,455</u></b>

**Schedule of Due from/to Internal/External Parties**  
June 30, 2014

*(Dollars in Thousands)*

<b>Due From</b>	<b>Amount</b>	<b>Due To</b>	<b>Amount</b>
<b>Primary Government</b>		<b>Primary Government</b>	
General Fund	\$ 300	Investment Trust	\$ 300
Nonmajor Governmental Funds	147	Agency	147
Internal Service Funds	194	Private Purpose Trust	25
		Pension and Other Employee Benefit Trust	169
Pension and Other Employee Benefit Trust	22,258	General Fund	13,851
		Major Special Revenue Funds:	
		Commonwealth Transportation	3,364
		Federal Trust	1,706
		Nonmajor Governmental Funds	2,395
		Major Enterprise Funds:	
		Virginia Lottery	119
		Virginia College Savings Plan	44
		Nonmajor Enterprise Funds	471
		Internal Service Funds	308
Total Primary Government	<u>\$ 22,899</u>	Total Primary Government	<u>\$ 22,899</u>

**Interfund Receivables/Payables**

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

The following schedule shows the Interfund Receivables/Payables for the primary government as of June 30, 2014. There were no Interfund Receivables/Payables for the component units as of June 30, 2014.

**Interfund Receivables/Payables**  
June 30, 2014

*(Dollars in Thousands)*

<b>Receivable From:</b>	<b>Amount</b>	<b>Payable To:</b>	<b>Amount</b>
<b>Primary Government</b>		<b>Primary Government</b>	
Nonmajor Governmental Funds	\$ 110,842	Major Special Revenue Funds:	
		Federal Trust	\$ 7,000
		Nonmajor Governmental Funds	13,151
		Nonmajor Enterprise Funds	26,563
		Internal Service Funds	64,128
<b>Total</b>	<u>\$ 110,842</u>	<b>Total</b>	<u>\$ 110,842</u>

### **Due from/to Primary Government and Component Units**

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

A \$336,160 due from primary government amount represents an amount due from the Federal Trust Special Revenue Fund (major governmental fund) to the Virginia Resources Authority (major component unit) for federal receivables. In addition, a due from primary government amount due from the Federal Trust Special Revenue Fund (major governmental fund) to the Virginia College Building Authority (major component unit) of \$4.2 million is for interest on Build America Bonds (BABs).

A \$10.8 million due from primary government amount represents General Fund (major governmental fund) appropriation available amounts that are due from the General Fund to higher education institutions (nonmajor component units). The General Fund reports \$102,956 in the fund financial statements and \$10.7 million in the government-wide financial statements.

A \$300,000 due from primary government amount represents an amount due from the General Fund (major governmental fund) to the Virginia Economic Development Partnership (nonmajor component unit). A \$500,000 due from primary government amount represents an amount due from the General Fund (major governmental fund) to the Virginia Port Authority (nonmajor component unit). The entire \$500,000 governmental amount is reported in the government-wide financial statements.

A \$1,730 due from component units amount represents an amount due to a nonmajor governmental fund related to the Department of the Treasury's reimbursement programs from a higher education institution (nonmajor component unit).

A \$1.0 million due from component units amount represents amounts due to the General Fund (major governmental fund) from higher education institutions (nonmajor component units) related to interest.

A \$17.6 million due from component units in the Health Care Fund (internal service fund) represents amounts due from the nonmajor component units.

A \$658,935 due from component units represents monies owed for administrative and project expenses from the Science Museum of Virginia Foundation (nonmajor component unit) to a nonmajor governmental fund. The entire nonmajor governmental amount is reported in the government-wide financial statements.

The \$102.8 million due from component units amount represents amounts due from the Virginia College Building Authority (major component unit) for the Department of the Treasury's reimbursement programs to higher education institutions (nonmajor component units). There is a due to component units of \$4.1 million from a foundation of the Old Dominion University (nonmajor component unit) to the Virginia Commercial Space Flight Authority (nonmajor component unit).

### **Due from/to Component Units and Fiduciary Funds**

A \$24.7 million due from component units in the Pension and Other Employee Benefit Trust Funds (fiduciary funds) represents amounts due from nonmajor component units.

### **Loans Receivable/Payable Between Primary Government and Component Units**

The Virginia Community College System (nonmajor component unit) loan of \$5.7 million was used primarily to advance fund federally-funded grant programs. This amount is due to a nonmajor governmental fund. The Virginia Commercial Space Flight Authority (nonmajor component unit) loan of \$5.0 million was used to fund work on the Wallops Flight Facility's Mid-Atlantic Regional Spaceport (MARS). This amount is due to the Commonwealth Transportation Special Revenue Fund (major governmental fund).

The \$175.0 million in loans receivable from primary government represents loans from the Virginia Public School Authority (VPSA) (major component unit) to the Literary Special Revenue Fund (major governmental fund). The VPSA makes grants to local school divisions to finance the purchase of educational technology equipment. The VPSA makes these grants using the proceeds of notes issued for that purpose which will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Special Revenue Fund (major governmental fund).

## 10. OTHER ASSETS

The following table summarizes Other Assets as of June 30, 2014.

*(Dollars in Thousands)*

	<b>Cash and Travel Advances</b>	<b>Other Assets</b>	<b>Total Other Assets</b>
<b>Primary Government:</b>			
General	\$ 1,116	\$ -	\$ 1,116
Major Special Revenue Funds:			
Commonwealth Transportation	414	-	414
Federal Trust	1,689	-	1,689
Nonmajor Governmental Funds	733	1,021	1,754
Major Enterprise Funds:			
Virginia Lottery	1	-	1
Virginia College Savings Plan	-	21	21
Nonmajor Enterprise Funds	209	-	209
Internal Service Funds (1)	4	3,110	3,114
Agency Funds (2)	-	33	33
Total Primary Government (2)	<u>\$ 4,166</u>	<u>\$ 4,185</u>	<u>\$ 8,351</u>
<b>Discrete Component Units:</b>			
Virginia Housing Development Authority	\$ -	\$ 5,355	\$ 5,355
Nonmajor Component Units	2,729	111,557	114,286
Total Component Units	<u>\$ 2,729</u>	<u>\$ 116,912</u>	<u>\$ 119,641</u>

Note (1): Of the \$3,114 (dollars in thousands) shown above, \$3,110 (dollars in thousands) represents a Virginia Information Technologies Agency interfund asset due from various governmental funds that will not be received within 60 days. This amount is reclassified to an internal balance on the Government-wide Statement of Net Position.

Note (2): Other Assets of the Agency Funds represent prepaid expenses and advances to third party agents. The \$33 (dollars in thousands) shown above is not included in the Government-wide Statement of Net Position.

## 11. RESTRICTED ASSETS

Restricted assets represent monies or other resources that must be used for specific legal or contractual requirements. The Commonwealth Transportation Fund (major special revenue) and Debt Service and Capital Project Funds (nonmajor governmental) reported \$644.9 million in restricted assets related to bond agreements.

The Virginia Housing Development Authority, the Virginia Public School Authority, and the Virginia College Building Authority (all major component units) reported restricted assets totaling \$653.5 million, \$131.4 million, and \$276.4 million, respectively. These major component units' assets are restricted for debt service under a bond indenture or other agreement, or for construction and equipment.

The Virginia Resources Authority (major component unit) reported restricted assets of \$651.3 million. Of this amount, \$643.6 million is restricted for loans to local governments, bond indentures, or federal and state regulations for various revolving funds, and \$7.7 million is restricted for the Operating Reserve Fund for the Virginia Pooled Financing Program.

The Virginia Port Authority (nonmajor component unit) reported restricted assets of \$108.1 million primarily for debt service under bond agreements, construction and other project funds.

The Tobacco Indemnification and Community Revitalization Commission (nonmajor component unit) reported restricted assets of \$222.2 million to be used for financial aid to tobacco growers and to foster community economic growth.

The Hampton Roads Sanitation District Commission (nonmajor component unit) reported restricted assets of \$172.9 million. Of this amount, \$69.3 million is for debt service and \$103.6 million is revenue bond construction funds.

The Virginia Small Business Financing Authority (nonmajor component unit) reported restricted assets of \$36.2 million for gifts and grants.

The higher education institutions (nonmajor component units) reported restricted assets totaling approximately \$4.5 billion primarily for endowment and other contractual obligations. Included in this amount is approximately \$3.8 billion of foundations' restricted assets. The two museum foundations, the Virginia Museum of Fine Arts Foundation (nonmajor component unit) and the Science Museum of Virginia Foundation (nonmajor component unit) had restricted assets of \$263.1 million and \$18.6 million, respectively, primarily for donor-imposed restricted endowments.

The remaining \$4.9 million is spread among the following nonmajor component units: the Virginia Outdoors Foundation, the Danville Science Center, the Virginia Horse Center Foundation, the Fort Monroe Authority, the Virginia Arts Foundation, the Library of Virginia Foundation, and the Virginia Health Workforce Development Authority.

## 12. CAPITAL ASSETS

The following schedule presents the changes in the Capital Assets.

### Schedule of Changes in Capital Assets Governmental Activities

(Dollars in Thousands)

	Balance July 1, as restated (1)	Increases	Decreases	Balance June 30
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 2,749,019	\$ 98,455	\$ (26,254)	\$ 2,821,220
Water Rights and/or Easements	57,289	7,581	-	64,870
Infrastructure	322,741	-	-	322,741
Construction-in-Progress	3,763,412	1,829,812	(1,609,094)	3,984,130
Total Nondepreciable Capital Assets	<u>6,892,461</u>	<u>1,935,848</u>	<u>(1,635,348)</u>	<u>7,192,961</u>
<b>Depreciable Capital Assets:</b>				
Buildings (2)	3,799,485	58,852	(28,617)	3,829,720
Equipment	1,048,579	88,552	(22,054)	1,115,077
Infrastructure	29,120,138	1,815,843	(266,848)	30,669,133
Software	429,097	46,742	-	475,839
Total Capital Assets being Depreciated	<u>34,397,299</u>	<u>2,009,989</u>	<u>(317,519)</u>	<u>36,089,769</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	1,237,062	95,277	(12,299)	1,320,040
Equipment	580,558	70,031	(18,050)	632,539
Infrastructure	12,431,907	799,305	(21,884)	13,209,328
Software	193,577	28,706	-	222,283
Total Accumulated Depreciation	<u>14,443,104</u>	<u>993,319</u>	<u>(52,233)</u>	<u>15,384,190</u>
Total Depreciable Capital Assets, Net	<u>19,954,195</u>	<u>1,016,670</u>	<u>(265,286)</u>	<u>20,705,579</u>
Total Capital Assets, Net	<u>\$ 26,846,656</u>	<u>\$ 2,952,518</u>	<u>\$ (1,900,634)</u>	<u>\$ 27,898,540</u>

Note (1): Beginning balances have been restated by \$34.9 million as discussed in Note 2. There have also been reclassifications in the beginning balances of certain line items above.

Note (2): Includes temporarily impaired assets with a carrying value of \$8,254 (dollars in thousands).

### Depreciation Expense Charged to Functions of the Primary Government June 30, 2014

(Dollars in Thousands)

Governmental Activities:	
General Government	\$ 17,670
Education	13,921
Transportation	833,570
Resources and Economic Development	13,974
Individual and Family Services	42,107
Administration of Justice	56,448
Capital Assets held by the Internal Service	
Funds are charged to various functions	15,629
Total	<u>\$ 993,319</u>

**Schedule of Changes in Capital Assets  
Business-type Activities**

*(Dollars in Thousands)*

	<u>Balance July 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30</u>
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 1,977	\$ -	\$ -	\$ 1,977
Construction-in-Progress	56,973	75,263	(71)	132,165
Total Nondepreciable Capital Assets	<u>58,950</u>	<u>75,263</u>	<u>(71)</u>	<u>134,142</u>
<b>Depreciable Capital Assets:</b>				
Buildings	30,637	2	-	30,639
Equipment	61,143	4,030	(1,338)	63,835
Software	3,914	876	-	4,790
Total Capital Assets being Depreciated	<u>95,694</u>	<u>4,908</u>	<u>(1,338)</u>	<u>99,264</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	12,026	560	-	12,586
Equipment	45,916	5,591	(1,333)	50,174
Software	1,397	710	-	2,107
Total Accumulated Depreciation	<u>59,339</u>	<u>6,861</u>	<u>(1,333)</u>	<u>64,867</u>
 Total Depreciable Capital Assets, Net	 <u>36,355</u>	 <u>(1,953)</u>	 <u>(5)</u>	 <u>34,397</u>
 Total Capital Assets, Net	 <u>\$ 95,305</u>	 <u>\$ 73,310</u>	 <u>\$ (76)</u>	 <u>\$ 168,539</u>

**Schedule of Changes in Capital Assets  
Component Units**

(Dollars in Thousands)

	Balance July 1			Subtotal		Total
	as restated (1)	Increases	Decreases	June 30	Foundations (2)	June 30
<b>Nondepreciable Capital Assets:</b>						
Land	\$ 554,304	\$ 66,743	\$ (34,528)	\$ 586,519	\$ 289,445	\$ 875,964
Construction-in-Progress	1,502,416	966,011	(1,252,056)	1,216,371	115,599	1,331,970
Inexhaustible Works of Art/Historical Treasures	77,553	346	-	77,899	19,943	97,842
Livestock	908	104	-	1,012	2,341	3,353
Total Nondepreciable Capital Assets	<u>2,135,181</u>	<u>1,033,204</u>	<u>(1,286,584)</u>	<u>1,881,801</u>	<u>427,328</u>	<u>2,309,129</u>
<b>Depreciable Capital Assets:</b>						
Buildings	13,102,578	1,011,068	(21,767)	14,091,879	1,166,024	15,257,903
Infrastructure	2,917,859	217,304	(31)	3,135,132	6,561	3,141,693
Equipment	2,948,292	268,275	(120,859)	3,095,708	157,200	3,252,908
Improvements Other Than Buildings	472,044	21,166	(3,235)	489,975	72,827	562,802
Library Books	795,860	27,414	(10,846)	812,428	-	812,428
Software	389,705	19,174	(2,264)	406,615	-	406,615
Other Intangible Assets	2,000	-	-	2,000	-	2,000
Total Capital Assets being Depreciated	<u>20,628,338</u>	<u>1,564,401</u>	<u>(159,002)</u>	<u>22,033,737</u>	<u>1,402,612</u>	<u>23,436,349</u>
<b>Less Accumulated Depreciation for:</b>						
Buildings	3,928,154	390,257	(19,527)	4,298,884	276,084	4,574,968
Infrastructure	1,337,516	80,538	(7)	1,418,047	3,272	1,421,319
Equipment	1,915,982	235,896	(107,570)	2,044,308	97,937	2,142,245
Improvements Other Than Buildings	262,642	21,045	(2,405)	281,282	42,302	323,584
Library Books	661,089	33,333	(10,422)	684,000	-	684,000
Software	264,512	35,168	(1,394)	298,286	-	298,286
Other Intangible Assets	1,200	133	-	1,333	-	1,333
Total Accumulated Depreciation	<u>8,371,095</u>	<u>796,370</u>	<u>(141,325)</u>	<u>9,026,140</u>	<u>419,595</u>	<u>9,445,735</u>
Total Depreciable Capital Assets, Net	<u>12,257,243</u>	<u>768,031</u>	<u>(17,677)</u>	<u>13,007,597</u>	<u>983,017</u>	<u>13,990,614</u>
Total Capital Assets, Net	<u>\$ 14,392,424</u>	<u>\$ 1,801,235</u>	<u>\$ (1,304,261)</u>	<u>\$ 14,889,398</u>	<u>\$ 1,410,345</u>	<u>\$ 16,299,743</u>

Note (1): Beginning balances have been restated by \$10.4 million because previously estimated financial information was used for Norfolk State University (nonmajor) in the prior fiscal year. Audited information was subsequently made available. There have also been reclassifications in beginning balances of certain line items above.

Note (2): Foundations represent FASB reporting entities defined in Note 1.B. Since foundations follow FASB rather than GASB reporting requirements, no amounts are reported in the software and other intangible assets categories for foundations.

**13. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES**

The Commonwealth implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for fiscal year 2014. This Statement reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. It also reclassifies certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). Additionally, deferred outflows or deferred inflows of resources are also required by other GASB statements. While all deferred outflows or deferred inflows of resources applicable to the Commonwealth are listed below, see Notes 14 and 37 for additional information regarding these line items.

**Deferred Outflows**

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

**Deferred Inflows**

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



## Government-wide Statements

(Dollars in Thousands)

	Primary Government			Total Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Deferred Outflows of Resources</b>				
Effective Hedges in a Loss Position	\$ -	\$ -	\$ -	\$ 20,967
Loss on Refunding of Debt	53,907	-	53,907	284,350
Nonexchange Transactions Not Meeting Time Requirements	33	-	33	-
Total Deferred Outflows of Resources	<u>\$ 53,940</u>	<u>\$ -</u>	<u>\$ 53,940</u>	<u>\$ 305,317</u>
<b>Deferred Inflows of Resources</b>				
Effective Hedges in a Gain Position	\$ -	\$ -	\$ -	\$ 4,890
Service Concession Arrangements	1,562,385	-	1,562,385	-
Gain on Refunding of Debt	-	-	-	16,641
Total Deferred Inflows of Resources	<u>\$ 1,562,385</u>	<u>\$ -</u>	<u>\$ 1,562,385</u>	<u>\$ 21,531</u>

## Fund Statements

(Dollars in Thousands)

	Primary Government - Governmental Funds					
	General	Commonwealth Transportation	Federal Trust	Literary	Nonmajor Governmental Funds	Total Governmental Funds
<b>Deferred Outflows of Resources</b>						
Nonexchange Transactions Not Meeting Time Requirements	\$ 33	\$ -	\$ -	\$ -	\$ -	\$ 33
Total Deferred Outflows of Resources	<u>\$ 33</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33</u>
<b>Deferred Inflows of Resources</b>						
Revenues Considered Unavailable	\$ 877,558	\$ 52,609	\$ 77,175	\$ 18,339	\$ 34,151	\$ 1,059,832
Total Deferred Inflows of Resources	<u>\$ 877,558</u>	<u>\$ 52,609</u>	<u>\$ 77,175</u>	<u>\$ 18,339</u>	<u>\$ 34,151</u>	<u>\$ 1,059,832</u>

(Dollars in Thousands)

	Component Units					
	Virginia Housing Development Authority	Virginia Public School Authority	Virginia Resources Authority	Virginia College Building Authority	Nonmajor Component Units	Total Component Units
<b>Deferred Outflows of Resources</b>						
Effective Hedges in a Loss Position	\$ -	\$ -	\$ -	\$ -	\$ 20,967	\$ 20,967
Loss on Refunding of Debt	-	108,012	41,363	10,775	124,200	284,350
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 108,012</u>	<u>\$ 41,363</u>	<u>\$ 10,775</u>	<u>\$ 145,167</u>	<u>\$ 305,317</u>
<b>Deferred Inflows of Resources</b>						
Effective Hedges in a Gain Position	\$ -	\$ -	\$ -	\$ -	\$ 4,890	\$ 4,890
Gain on Refunding of Debt	-	-	16,641	-	-	16,641
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,641</u>	<u>\$ -</u>	<u>\$ 4,890</u>	<u>\$ 21,531</u>

## 14. DERIVATIVES

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

### Primary Government

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

## Virginia College Savings Plan (VCSP)

GASB Statement No. 53 defines stable value investment vehicles as synthetic guaranteed investment contracts. Stable value funds are invested in a high quality, diversified, intermediate term, fixed income portfolio that is protected against interest rate volatility by wrap or investment contracts from banks and insurance companies that guarantee the payment of benefits at book value (cost plus accrued interest) which enables the entire investment to be carried at its book value. The VCSP utilizes stable value investments in both the Virginia College Savings Plan (major enterprise fund) and Education Savings Trust Fund (private purpose trust fund). VCSP's stable value investments meet the definition of fully benefit-responsive synthetic guaranteed investment contracts and are reported at contract value. At June 30, 2014, VCSP had the following stable value investments outstanding (dollars in thousands) in the respective programs as shown in the table below.

Fund	Wrap Provider	Notional Amount	Effective Date	Maturity Date	Credit Rate	June 30, 2014 Fair Value	June 30, 2013 Fair Value
Enterprise	American General Life	\$ 36,053	2/21/2014	Open ended	1.3%	\$ 114,438	\$ 89,975
	ING Life & Annuity	51,694	12/3/2002	Open ended	2.2%		
	State Street Bank	23,414	5/1/2002	Open ended	2.6%		
Private Purpose	American General Life	\$ 121,382	1/16/2014	Open ended	1.1%	\$ 486,917	\$ 454,725
	ING Life & Annuity	74,853	12/3/2002	Open ended	2.9%		
	ING Life & Annuity	109,248	10/5/2012	Open ended	0.8%		
	Prudential Retirement Insurance & Annuity	121,141	1/30/2014	Open ended	1.8%		
	State Street Bank	49,738	5/1/2002	Open ended	2.6%		

The following two tables (dollars in thousands) contain information relating fair value, changes in fair value, notional value and credit risk relating to these derivative instruments. In aggregate, the fair value of these derivatives was \$703,438 as of June 30, 2014. Concentration of credit risk relating to these derivatives did not equate to a significant percentage of the agency's total assets.

Fund	Changes in Fair Value		Fair Value at June 30, 2014		
	Classification	Amount	Classification	Amount	Notional Amount
Enterprise	Revenue	\$ 272	Investment	\$ 502	\$ 5,375
Private Purpose	Revenue	138	Investment	201	2,125

Counterparty	Fair Value	Collateral	Credit Rating (S&P)
Bank of America, N.A.	\$ 608	\$ 711	A
Barclays Bank, PLC	95	-	A
Total	\$ 703	\$ 711	

## Virginia Retirement System

The Virginia Retirement System (the System) is a party, directly and indirectly, to various derivative financial investments that may or may not appear on the financial statements and that are used in the normal course of business to enhance returns on investments and manage risk exposure to changes in value resulting from fluctuations in market conditions. These investments may involve, to varying degrees, elements of credit and market risk in excess of amounts recognized on the financial statements.

At June 30, 2014, the System had four types of derivative financial instruments: futures, currency forwards, options and swaps. Futures, currency forwards and options contracts provide the System with the opportunity to build passive benchmark positions, manage portfolio duration in relation to various benchmarks, adjust portfolio yield curve exposure and gain market exposure to various indexes in a more efficient way and at lower transaction costs. Credit risks depend on whether the contracts are exchange-traded or exercised over-the-counter. Market risks arise from adverse changes in market prices, interest rates and foreign exchange rates.

### Futures Contracts

Futures contracts are contracts to deliver or receive securities at a specified future date and at a specified price or yield. Futures contracts are traded on organized exchanges (exchange-traded) and require an initial margin (collateral) in the form of cash or marketable securities. The net change in the futures contract value is settled daily, in cash, with the exchanges. The net gains or losses resulting from the daily settlements are included in the System's financial statements. Holders of futures contracts look to the exchange for performance under the contract and not to the entity holding the offsetting futures position. Accordingly, the amount at risk posed by nonperformance of counterparties to futures contracts is minimal. The notional value of the System's investment in futures contracts at June 30, 2014 and 2013 is shown in the following table.

### Futures Contracts as of June 30

(Dollars in Thousands)

	2014	2013
Cash & Cash Equivalent Derivatives Futures:		
Long	\$ 77,225	\$ -
Short	-	(86,971)
Equity Derivatives Futures:		
Long	61,465	601,441
Short	(4,295)	-
Fixed Income Derivatives Futures:		
Long	12,201	367,692
Short	(197,647)	(262,406)
Total Futures	<u>\$ (51,051)</u>	<u>\$ 619,756</u>

### Currency Forwards

Currency forwards represent foreign exchange contracts and are used by the System to effect settlements and to protect the base currency (\$US) value of portfolio assets denominated in foreign currencies against fluctuations in the exchange rates of those currencies. A forward foreign currency exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated price. The credit risk of currency contracts that are exchange-traded lies with the clearinghouse of the exchange where the contracts are traded. The credit risk of currency contracts traded over-the-counter lies with the counterparty, and exposure usually is equal to the unrealized profit on in-the-money contracts. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates. Information on the System's currency forwards contracts at June 30, 2014 and 2013 is shown in the following table.

**Currency Forwards**  
as of June 30

(Dollars in Thousands)

Currency	Cost	Pending Foreign Exchange Purchases	Pending Foreign Exchange Sales	Fair Value 2014	Fair Value 2013
Australian Dollar	\$ (313,341)	\$ 110,602	\$ (424,768)	\$ (314,166)	\$ (267,082)
Brazil Real	(49,730)	25,986	(77,124)	(51,138)	(26,325)
British Pound Sterling	(947,352)	237,782	(1,189,097)	(951,315)	(845,277)
Canadian Dollar	(446,847)	189,270	(636,266)	(446,996)	(459,899)
Chilean Peso	2,617	2,632	-	2,632	235
Chinese Yuan Renminbi	13	338	(326)	12	(11)
Columbian Peso	(5,767)	2,464	(8,324)	(5,860)	(3,070)
Danish Krone	(95,356)	20,762	(116,313)	(95,551)	(7,588)
Euro Currency Unit	(1,398,224)	264,901	(1,666,402)	(1,401,501)	(832,022)
Hong Kong Dollar	(211,946)	11,506	(223,460)	(211,954)	(14,109)
Hungarian Forint	(4,296)	4,701	(8,999)	(4,298)	(3,863)
Indian Rupee	7,258	8,844	(1,599)	7,245	2,662
Indonesian Rupian	809	2,135	(1,351)	784	3,242
Israeli Shekel	(63,679)	364	(64,276)	(63,912)	(50,917)
Japanese Yen	(600,875)	301,024	(902,343)	(601,319)	(1,112,988)
Malaysian Ringgit	10,603	10,721	-	10,721	9,945
Mexican New Peso	14,413	20,258	(5,770)	14,488	(1,595)
New Turkish Lira	6,216	8,301	(2,120)	6,181	13,852
New Zealand Dollar	(23,241)	98,836	(121,429)	(22,593)	(6,638)
Norwegian Krone	79,744	190,752	(113,571)	77,181	723
Peruvian Nuevo Sol	(710)	1,891	(2,618)	(727)	(9,300)
Philippine Peso	(576)	305	(910)	(605)	3,866
Polish Zloty	11,185	20,894	(9,619)	11,275	9,912
Romanian Leu	(49)	1,492	(1,542)	(50)	789
Russian Ruble (New)	276	14,648	(14,254)	394	7,762
Singapore Dollar	(190,987)	41,460	(232,719)	(191,259)	(150,982)
South African Comm Rand	(11,856)	2,458	(14,267)	(11,809)	(6,026)
South Korean Won	2,672	2,784	-	2,784	(142)
Swedish Krona	(330,001)	66,931	(396,587)	(329,656)	(155,532)
Swiss Franc	(608,197)	58,119	(669,772)	(611,653)	(420,713)
Thailand Baht	4,562	7,378	(2,793)	4,585	17,026
U.S. Dollar	5,162,660	6,860,410	(1,697,750)	5,162,660	4,340,722
Total Forwards Subject to Foreign Currency Risk				<u>\$ (15,420)</u>	<u>\$ 36,657</u>

## Options Contracts

Options may be either exchange-traded or negotiated directly between two counterparties over-the-counter. Options grant the holder the right, but not the obligation, to purchase (call) or sell (put) a financial instrument at a specified price and within a specified period of time from the writer of the option. As a purchaser of options, the System typically pays a premium at the outset. This premium is reflected as an asset on the financial statements. The System then retains the right, but not the obligation, to exercise the options and purchase the underlying financial instrument. Should the option not be exercised, it expires worthless and the premium is recorded as a loss.

A writer of options assumes the obligation to deliver or receive the underlying financial instrument on exercise of the option. Certain option contracts may involve cash settlements based on specified indexes such as stock indexes. As a writer of options, the System receives a premium at the outset.

This premium is reflected as a liability on the financial statements, and the System bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Information on the System's options balances at June 30, 2014 and 2013 is shown in the following table.

## Options Contracts as of June 30

*(Dollars in Thousands)*

	<u>2014</u>	<u>2013</u>
Cash and Cash Equivalent Options:		
Call	\$ (117)	\$ (10)
Put	(23)	-
Equity Options:		
Call	-	-
Put	-	-
Fixed Income Options:		
Call	-	-
Put	-	-
Swaptions:		
Call	(110)	(2)
Put	(53)	(379)
Total Options	<u>\$ (303)</u>	<u>\$ (391)</u>

## Swap Agreements

Swaps are negotiated contracts between two counterparties for the exchange of payments at certain intervals over a predetermined timeframe. The payments are based on a notional principal amount and calculated using either fixed or floating interest rates or total returns from certain instruments or indexes. Swaps are used to manage risk and enhance returns. To reduce the risk of counterparty nonperformance, the System generally requires collateral on any material gains from these transactions. During fiscal year 2014, the System entered into credit defaults, inflation, interest rate and total return swaps. Information on the System's swap balances at June 30, 2014 and 2013 is shown in the following table.

**Swap Agreements**  
as of June 30

(Dollars in Thousands)

Counterparty	Notional Amount	VRS Rate	Counterparty Rate	Maturity Date	Buying/Selling Protection	Pay/Receive Rate	Fair Value 2014	Fair Value 2013
<b>Credit Default Swaps:</b>								
Barclays Bank PLC	\$ 5,100			12/20/2018	Buying	1.0%	\$ (63)	\$ -
Barclays Bank PLC	4,381			3/20/2021	Selling	5.0%	536	-
Barclays Bank PLC	3,900			6/20/2019	Selling	1.0%	75	-
Barclays Bank PLC	3,400			6/20/2019	Selling	1.0%	38	-
Barclays Bank PLC	2,600			9/20/2015	Selling	1.0%	2	-
Barclays Bank PLC	1,800			12/20/2018	Buying	1.0%	(28)	-
Barclays Bank PLC	1,800			9/20/2015	Selling	1.0%	(5)	-
Barclays Bank PLC	1,400			6/20/2015	Selling	1.0%	7	-
Barclays Bank PLC	1,369			3/20/2021	Selling	5.0%	180	-
Barclays Bank PLC	1,100			12/20/2018	Buying	1.0%	(18)	-
Barclays Bank PLC	1,000			6/20/2019	Selling	1.0%	(33)	-
Barclays Bank PLC	958			6/20/2019	Selling	5.0%	76	-
Barclays Bank PLC	700			12/20/2018	Buying	1.0%	(9)	-
Barclays Bank PLC	600			6/20/2019	Selling	1.0%	8	-
Barclays Bank PLC	548			9/20/2022	Selling	5.0%	68	-
Barclays Bank PLC	200			3/20/2019	Selling	1.0%	(6)	-
Barclays Bank PLC	24,697			12/20/2017	Buying	1.0%	-	104
Barclays Bank PLC	5,600			3/20/2018	Buying	1.0%	-	(114)
Barclays Bank PLC	5,000			3/20/2018	Buying	1.0%	-	(97)
Barclays Bank PLC	4,400			3/20/2018	Buying	1.0%	-	(98)
Barclays Bank PLC	4,100			3/20/2018	Selling	5.0%	-	546
Barclays Bank PLC	3,200			6/20/2018	Selling	5.0%	-	426
Barclays Bank PLC	2,800			3/20/2018	Buying	1.0%	-	(77)
Barclays Bank PLC	1,400			3/20/2018	Buying	1.0%	-	(29)
Barclays Bank PLC	1,300			3/20/2018	Buying	1.0%	-	29
Barclays Bank PLC	1,175			3/20/2018	Buying	1.0%	-	(26)
Barclays Bank PLC	1,000			6/20/2018	Selling	5.0%	-	80
Barclays Bank PLC	900			6/20/2018	Selling	5.0%	-	54
Credit Suisse Group AG	6,250			12/20/2016	Buying	1.0%	(111)	(103)
Credit Suisse Group AG	5,100			12/20/2018	Buying	1.0%	(93)	-
Credit Suisse Group AG	1,000			12/20/2018	Selling	1.0%	16	-
Credit Suisse Group AG	800			12/20/2016	Selling	1.0%	14	5
Credit Suisse Group AG	500			12/20/2018	Buying	5.0%	(96)	-
Credit Suisse Group AG	200			12/20/2016	Selling	1.0%	2	-
Credit Suisse Group AG	58,150			12/20/2017	Buying	5.0%	-	(2,604)
Credit Suisse Group AG	26,500			6/20/2018	Selling	1.0%	-	163
Credit Suisse Group AG	14,298			12/20/2017	Buying	1.0%	-	330
Credit Suisse Group AG	13,025			9/20/2017	Selling	1.0%	-	(340)
Credit Suisse Group AG	8,000			12/20/2016	Buying	1.0%	-	(112)
Credit Suisse Group AG	3,700			6/20/2017	Selling	1.0%	-	(29)
Credit Suisse Group AG	2,800			3/20/2018	Buying	1.0%	-	144
Credit Suisse Group AG	2,800			3/20/2018	Buying	5.0%	-	(332)
Credit Suisse Group AG	2,800			3/20/2018	Buying	1.0%	-	98
Credit Suisse Group AG	2,750			12/20/2017	Buying	1.0%	-	(35)
Credit Suisse Group AG	2,600			3/20/2018	Buying	1.0%	-	117
Credit Suisse Group AG	2,600			9/20/2017	Buying	1.0%	-	2
Credit Suisse Group AG	2,000			6/20/2018	Selling	5.0%	-	87
Credit Suisse Group AG	1,850			9/20/2017	Buying	1.0%	-	(21)
Credit Suisse Group AG	1,000			3/20/2018	Buying	1.0%	-	(10)
Credit Suisse Group AG	900			6/20/2018	Buying	5.0%	-	(27)
Credit Suisse Group AG	400			3/20/2018	Buying	1.0%	-	20
Deutsche Bank AG	18,875			6/20/2019	Selling	1.0%	(341)	-
Deutsche Bank AG	6,000			12/20/2018	Selling	1.0%	(63)	-
Deutsche Bank AG	5,300			12/20/2018	Selling	1.0%	64	-
Deutsche Bank AG	3,000			9/20/2014	Selling	1.0%	-	(11)
Deutsche Bank AG	3,000			9/20/2014	Selling	1.0%	(2)	(15)
Deutsche Bank AG	2,900			6/20/2019	Selling	1.0%	25	-
Deutsche Bank AG	2,600			9/20/2015	Selling	1.0%	2	-
Deutsche Bank AG	2,300			9/20/2014	Selling	1.0%	2	(9)
Deutsche Bank AG	1,600			3/20/2021	Selling	5.0%	135	-
Deutsche Bank AG	1,500			3/20/2021	Selling	5.0%	125	-
Deutsche Bank AG	1,400			9/20/2015	Selling	1.0%	11	-
Deutsche Bank AG	1,200			12/20/2016	Selling	1.0%	21	8
Deutsche Bank AG	1,100			12/20/2018	Selling	1.0%	7	-
Deutsche Bank AG	1,100			6/20/2019	Buying	5.0%	(169)	-
Deutsche Bank AG	700			12/20/2018	Buying	5.0%	(134)	-
Deutsche Bank AG	700			6/20/2015	Selling	1.0%	5	(3)
Deutsche Bank AG	700			6/20/2018	Selling	1.0%	(3)	(27)
Deutsche Bank AG	500			9/20/2014	Selling	1.0%	1	-
Deutsche Bank AG	300			9/20/2014	Buying	10.0%	1	-
Deutsche Bank AG	5,800			6/20/2018	Selling	5.0%	-	462
Deutsche Bank AG	5,600			3/20/2018	Buying	1.0%	-	(155)
Deutsche Bank AG	3,500			9/20/2013	Selling	1.0%	-	(1)
Deutsche Bank AG	3,150			12/20/2016	Buying	1.0%	-	(56)
Deutsche Bank AG	2,675			9/20/2017	Buying	1.0%	-	(4)
Deutsche Bank AG	2,675			9/20/2017	Buying	1.0%	-	(3)
Deutsche Bank AG	2,675			9/20/2017	Buying	1.0%	-	(4)
Deutsche Bank AG	2,675			9/20/2017	Buying	1.0%	-	(4)
Deutsche Bank AG	2,450			9/20/2017	Buying	1.0%	-	2
Deutsche Bank AG	2,300			3/20/2018	Buying	1.0%	-	(75)
Deutsche Bank AG	2,300			9/20/2013	Selling	1.0%	-	1
Deutsche Bank AG	1,800			3/20/2018	Buying	1.0%	-	(50)
Deutsche Bank AG	1,500			12/20/2013	Selling	5.0%	-	28
Deutsche Bank AG	900			6/20/2018	Selling	5.0%	-	54

**Swap Agreements**  
as of June 30  
(Continued from previous page)

(Dollars in Thousands)

Counterparty	Notional Amount	VRS Rate	Counterparty Rate	Maturity Date	Buying/Selling Protection	Pay/Receive Rate	Fair Value 2014	Fair Value 2013
<b>Credit Default Swaps (continued):</b>								
Deutsche Bank AG	350			12/20/2017	Selling	5.0%	-	26
Deutsche Bank AG	101			3/20/2018	Selling	1.0%	-	(4)
Goldman Sachs Group Inc	9,600			9/20/2014	Selling	1.0%	16	-
Goldman Sachs Group Inc	6,600			6/20/2019	Selling	1.0%	75	-
Goldman Sachs Group Inc	5,200			9/20/2015	Selling	1.0%	41	-
Goldman Sachs Group Inc	5,100			6/20/2019	Selling	1.0%	20	-
Goldman Sachs Group Inc	5,000			12/20/2018	Selling	1.0%	30	-
Goldman Sachs Group Inc	3,400			6/20/2019	Selling	1.0%	46	-
Goldman Sachs Group Inc	3,150			12/20/2016	Buying	1.0%	(58)	(43)
Goldman Sachs Group Inc	2,300			3/20/2019	Selling	5.0%	319	-
Goldman Sachs Group Inc	1,400			6/20/2019	Buying	1.0%	(57)	-
Goldman Sachs Group Inc	1,300			3/20/2018	Selling	5.0%	(35)	-
Goldman Sachs Group Inc	1,050			12/20/2020	Selling	1.0%	(60)	-
Goldman Sachs Group Inc	1,000			3/20/2021	Selling	5.0%	83	-
Goldman Sachs Group Inc	800			12/20/2018	Buying	1.0%	(12)	-
Goldman Sachs Group Inc	600			3/20/2015	Selling	1.0%	3	(2)
Goldman Sachs Group Inc	400			3/20/2015	Selling	1.0%	(2)	-
Goldman Sachs Group Inc	300			12/20/2018	Selling	1.0%	4	-
Goldman Sachs Group Inc	100			9/20/2018	Selling	5.0%	13	-
Goldman Sachs Group Inc	11,699			12/20/2017	Buying	1.0%	-	270
Goldman Sachs Group Inc	8,400			6/20/2018	Selling	10.0%	-	(144)
Goldman Sachs Group Inc	7,400			6/20/2018	Selling	5.0%	-	590
Goldman Sachs Group Inc	6,889			12/20/2016	Buying	1.0%	-	32
Goldman Sachs Group Inc	5,940			12/20/2016	Buying	Variable Rate	-	44
Goldman Sachs Group Inc	5,940			12/20/2016	Buying	Variable Rate	-	54
Goldman Sachs Group Inc	5,850			9/20/2017	Selling	1.0%	-	(153)
Goldman Sachs Group Inc	5,350			9/20/2018	Selling	0.9%	-	121
Goldman Sachs Group Inc	4,600			3/20/2018	Selling	5.0%	-	(322)
Goldman Sachs Group Inc	3,900			6/20/2018	Buying	Variable Rate	-	96
Goldman Sachs Group Inc	3,900			6/20/2018	Buying	3.0%	-	134
Goldman Sachs Group Inc	3,100			3/20/2018	Selling	5.0%	-	413
Goldman Sachs Group Inc	2,950			12/20/2017	Selling	5.0%	-	174
Goldman Sachs Group Inc	2,860			3/20/2018	Buying	1.0%	-	(18)
Goldman Sachs Group Inc	2,600			3/20/2018	Buying	1.0%	-	65
Goldman Sachs Group Inc	2,500			12/20/2016	Buying	1.0%	-	37
Goldman Sachs Group Inc	2,000			3/20/2018	Selling	5.0%	-	(140)
Goldman Sachs Group Inc	1,400			9/20/2016	Selling	5.0%	-	111
Goldman Sachs Group Inc	1,200			12/20/2017	Selling	5.0%	-	89
Goldman Sachs Group Inc	975			12/20/2016	Selling	1.0%	-	(138)
Goldman Sachs Group Inc	300			9/20/2019	Selling	5.0%	-	22
Goldman Sachs Group Inc	101			12/20/2017	Selling	1.0%	-	(4)
Goldman Sachs Group Inc	101			3/20/2018	Selling	1.0%	-	(4)
HSBC Securities Inc	6,000			9/20/2014	Selling	1.0%	5	-
HSBC Securities Inc	4,600			9/20/2014	Selling	1.0%	2	-
HSBC Securities Inc	1,900			3/20/2015	Selling	1.0%	10	(7)
HSBC Securities Inc	1,500			3/20/2019	Selling	1.0%	(44)	-
HSBC Securities Inc	1,400			12/20/2018	Selling	1.0%	23	-
HSBC Securities Inc	1,300			9/20/2015	Selling	1.0%	10	-
HSBC Securities Inc	1,100			6/20/2019	Selling	1.0%	15	-
HSBC Securities Inc	1,000			6/20/2019	Selling	1.0%	11	-
HSBC Securities Inc	1,000			6/20/2019	Selling	1.0%	(33)	-
HSBC Securities Inc	900			3/20/2019	Selling	1.0%	(26)	-
HSBC Securities Inc	844			6/20/2019	Selling	1.0%	3	-
HSBC Securities Inc	756			6/20/2019	Selling	1.0%	3	-
HSBC Securities Inc	700			6/20/2018	Selling	1.0%	(3)	(27)
HSBC Securities Inc	400			3/20/2019	Selling	1.0%	(11)	-
HSBC Securities Inc	200			3/20/2023	Selling	1.0%	(18)	(26)
HSBC Securities Inc	100			3/20/2023	Selling	1.0%	(9)	(13)
Intercontinental Exchange Holdings	17,700			6/20/2019	Selling	5.0%	2,101	-
UBS AG	7,350			6/20/2017	Buying	1.0%	-	(200)
UBS AG	3,200			9/20/2017	Buying	1.0%	-	3
UBS AG	2,800			3/20/2018	Buying	1.0%	-	(58)
<b>Total Credit Default Swaps</b>	<b>533,682</b>						<b>2,712</b>	<b>(733)</b>
<b>Interest Rate Swaps:</b>								
Barclays PLC	921	3-month Johannesburg (JIBAR)	8.0%	12/18/2023			(9)	-
Barclays PLC	544	Brazil Cetip Interbank Deposit	10.6% CDI	1/2/2017			(5)	-
Barclays PLC	136	Brazil Cetip Interbank Deposit	11.5%	1/2/2017			(1)	-
Barclays PLC	5,794	Brazil Cetip Interbank Deposit	10.9%	1/2/2017			-	(8)
BlackRock Inc	786	Mexico Interbank 28-day Index	5.0%	2/26/2018			16	(21)
Chicago Mercantile Exchange Inc	49,000	2.0%	3-month LIBOR	6/18/2019			(742)	-
Chicago Mercantile Exchange Inc	37,400	3-month LIBOR	3.0%	6/18/2024			1,314	-
Chicago Mercantile Exchange Inc	8,010	2.0%	6-month EURBOR	9/17/2024			(388)	-
Chicago Mercantile Exchange Inc	6,292	1.0%	6-month LIBOR - Japanese Yen	9/18/2023			(210)	-
Chicago Mercantile Exchange Inc	4,100	3.8%	3-month LIBOR	6/18/2044			(361)	-
Chicago Mercantile Exchange Inc	3,933	3.0%	6-month LIBOR - British Pound	9/17/2024			(56)	-
Chicago Mercantile Exchange Inc	1,780	0.4%	3-month EURBOR	3/14/2015			(3)	-
Chicago Mercantile Exchange Inc	1,369	6-month EURBOR	1.5%	3/19/2019			56	-
Credit Suisse Group AG	13,807	Brazil Cetip Interbank Deposit	8.5%	1/2/2017			-	(745)
Credit Suisse Group AG	13,128	Brazil Cetip Interbank Deposit	10.6% CDI	1/2/2017			-	(214)
Deutsche Bank AG	1,526	Kibor Interbank Offered Rate	3.3%	4/19/2018			(30)	(19)
Deutsche Bank AG	1,406	Brazil Cetip Interbank Deposit	10.6%	1/2/2017			(13)	-
Deutsche Bank AG	848	5.3% DUB	Mexican Interbank Equilibrium	9/6/2019			8	(38)
Deutsche Bank AG	154	6-month LIBOR-Thai Baht	3.4%	1/15/2021			2	-

Continued on next page

**Swap Agreements**  
as of June 30  
(Continued from previous page)

(Dollars in Thousands)

Counterparty	Notional Amount	VRS Rate	Counterparty Rate	Maturity Date	Buying/Selling Protection	Pay/Receive Rate	Fair Value 2014	Fair Value 2013
<b>Interest Rate Swaps (continued):</b>								
Deutsche Bank AG	154	6-month LIBOR-Thai Baht	3.4%	1/21/2021			(2)	-
Deutsche Bank AG	62	6-month LIBOR-Thai Baht	3.4%	11/19/2018			1	-
Deutsche Bank AG	31	6-month LIBOR-Thai Baht	3.4%	11/14/2018			1	-
Deutsche Bank AG	11,370	Mexico Interbank 28-day Index	5.0%	2/22/2023			-	(1,446)
Deutsche Bank AG	10,252	6-month Australian BBR-BBSW	4.0%	3/15/2023			-	(238)
Deutsche Bank AG	4,074	Brazil Cetip Interbank Deposit	8.3%	1/2/2017			-	(241)
Deutsche Bank AG	3,531	Brazil Cetip Interbank Deposit	8.5% CDI	1/2/2015			-	(50)
Deutsche Bank AG	1,100	2.8%	3-month LIBOR	6/19/2043			-	143
HSBC Holdings PLC	4,310	Brazil Cetip Interbank Deposit	12.1%	1/4/2021			13	-
HSBC Holdings PLC	2,158	Mexico Interbank 28-day Index	5.8%	6/5/2023			(32)	(153)
HSBC Holdings PLC	624	Mexico Interbank 28-day Index	5.5%	2/22/2023			(19)	(54)
HSBC Holdings PLC	612	Colombia IBR Overnight Interbank	6.2%	3/21/2024			4	-
HSBC Holdings PLC	136	Brazil Cetip Interbank Deposit	8.3% CDI	1/2/2017			-	(8)
UBS AG	15,653	Brazil Cetip Interbank Deposit	12.6% UAG	1/4/2021			326	-
UBS AG	22,408	Brazil Cetip Interbank Deposit	8.2% CDI	1/2/2017			-	(1,369)
UBS AG	11,169	Mexico Interbank 28-day Index	5.8%	6/8/2016			433	240
UBS AG	1,361	Brazil Cetip Interbank Deposit	9.1%	1/2/2017			(48)	(43)
UBS AG	1,222	Brazil Cetip Interbank Deposit	8.6%	1/2/2017			-	(66)
UBS AG	231	5.3% UAG	Mexican Interbank Equilibrium	9/6/2019			2	(11)
<b>Total Interest Rate Swaps</b>	<b>241,392</b>						<b>257</b>	<b>(4,341)</b>
<b>Return Swaps:</b>								
Goldman Sachs Group Inc	451,410	0.5%	MSCI AC World Index IMI	4/2/2013			-	(160)
Goldman Sachs Group Inc	142,767	3-month LIBOR + 42 bps	MSCI Daily Small Cap	8/20/2014			11,702	19
Goldman Sachs Group Inc	5,321	3-month LIBOR	Kuraray Co Ltd	8/20/2014			(471)	5
Goldman Sachs Group Inc	5,533	3-month LIBOR	Shionogi Co Ltd	8/20/2014			(727)	5
Goldman Sachs Group Inc	4,638	3-month LIBOR	MSAD Insurance Group	8/20/2014			(193)	4
Goldman Sachs Group Inc	5,085	3-month LIBOR	Canon Inc	8/20/2014			65	4
Goldman Sachs Group Inc	4,582	3-month LIBOR	Itochu Corp	8/20/2014			(555)	4
Goldman Sachs Group Inc	4,684	3-month LIBOR	Trend Micro Inc	8/20/2014			(253)	3
Goldman Sachs Group Inc	4,428	3-month LIBOR	Takeda Pharmaceutica	8/20/2014			(210)	3
Goldman Sachs Group Inc	4,164	3-month LIBOR	Daichi Sankyo Co	8/20/2014			(500)	3
Goldman Sachs Group Inc	4,325	3-month LIBOR	Dai Nippon Printing	8/20/2014			(375)	3
Goldman Sachs Group Inc	3,001	3-month LIBOR	Asahi Glass Co Ltd	8/20/2014			(240)	3
Goldman Sachs Group Inc	4,031	3-month LIBOR	Eesai Co Ltd	8/20/2014			(159)	3
Goldman Sachs Group Inc	4,491	3-month LIBOR	Mitsui Co Ltd	8/20/2014			(319)	3
Goldman Sachs Group Inc	4,166	3-month LIBOR	NKSI Holdings Inc	8/20/2014			(142)	3
Goldman Sachs Group Inc	3,795	3-month LIBOR	Sumitomo Corp	8/20/2014			(256)	3
Goldman Sachs Group Inc	4,166	3-month LIBOR	Shiseido Co Ltd	8/20/2014			(392)	2
Goldman Sachs Group Inc	3,878	3-month LIBOR	Mitsubishi Corp	8/20/2014			(282)	2
Goldman Sachs Group Inc	32,278	3-month LIBOR	Fast Retailing Co Ltd	8/20/2014			(1,577)	2
Goldman Sachs Group Inc	1,693	3-month LIBOR	Sharp Corp	8/20/2014			(391)	2
Goldman Sachs Group Inc	3,703	3-month LIBOR	Nippon Telegraph	8/20/2014			(351)	2
Goldman Sachs Group Inc	2,676	3-month LIBOR	Marubeni Corp	8/20/2014			(250)	2
Goldman Sachs Group Inc	2,746	3-month LIBOR	JX Holdings Inc	8/20/2014			(197)	2
Goldman Sachs Group Inc	4,409	3-month LIBOR	Alps Electric Co Ltd	8/20/2014			(724)	2
Goldman Sachs Group Inc	2,241	3-month LIBOR	Sumitomo Mitsui Trus	8/20/2014			(272)	2
Goldman Sachs Group Inc	2,211	3-month LIBOR	Nippon Electric Glas	8/20/2014			(410)	2
Goldman Sachs Group Inc	2,290	3-month LIBOR	Sumitomo Mitsui Fin	8/20/2014			(224)	2
Goldman Sachs Group Inc	2,741	3-month LIBOR	Show a Shell Sekiyu	8/20/2014			(384)	2
Goldman Sachs Group Inc	2,274	3-month LIBOR	Oji Paper Co Ltd	8/20/2014			10	1
Goldman Sachs Group Inc	2,013	3-month LIBOR	Sumitomo Chemical Co	8/20/2014			(66)	1
Goldman Sachs Group Inc	1,905	3-month LIBOR	NTN Corp	8/20/2014			(495)	1
Goldman Sachs Group Inc	1,634	3-month LIBOR	Aozora Bank Ltd	8/20/2014			(174)	1
Goldman Sachs Group Inc	1,409	3-month LIBOR	Denki Kagaku Kogyo	8/20/2014			(127)	1
Goldman Sachs Group Inc	1,075	3-month LIBOR	Mizuho Financial Grp	8/20/2014			(55)	1
Goldman Sachs Group Inc	1,054	3-month LIBOR	NTT Docomo Inc	8/20/2014			(57)	1
Goldman Sachs Group Inc	908	3-month LIBOR	Mitsui Engineer Ship	8/20/2014			(212)	1
Goldman Sachs Group Inc	753	3-month LIBOR	Chubu Electric Pow er	8/20/2014			(55)	1
Goldman Sachs Group Inc	799	3-month LIBOR	Toyobo Co Ltd	8/20/2014			(64)	1
Goldman Sachs Group Inc	513	3-month LIBOR	Kansai Electric Pow er	8/20/2014			(8)	1
Goldman Sachs Group Inc	790	3-month LIBOR	Nippon Suisan Kaisha	8/20/2014			(137)	-
Goldman Sachs Group Inc	2	3-month LIBOR + 42 bps	MSCI ACWI	9/24/2014			-	-
<b>Total Return Swaps</b>	<b>736,582</b>						<b>473</b>	<b>(57)</b>
<b>Total Swaps</b>	<b>\$ 1,511,656</b>						<b>\$ 3,442</b>	<b>\$ (5,131)</b>



Additional information is available in the System's separately issued financial statements which may be obtained from the Virginia Retirement System at P.O. Box 2500, Richmond, Virginia 23218-2500.

## **Component Units**

### **Investment Derivative Instruments**

The Virginia Housing Development Authority (major) had a forward sales contract investment derivative with a \$87.7 million notional value and a fair value of negative \$787,672 as of June 30, 2014. This amount is reported as part of investment losses and other liabilities.

### **Hedging Derivative Instruments**

At June 30, 2014, the University of Virginia (UVA) (nonmajor) had two fixed-payer interest rate swaps totaling \$100.0 million in notional amount. The swaps are used as cash flow hedges by UVA in order to provide a cash flow hedge against changes in interest rates on \$78.6 million of the variable rate Series 2003A bonds maturing in June 2034 and \$21.4 million of outstanding commercial paper which may have various maturities of no greater than 270 days each. UVA pays fixed rates of 4.2 percent and 4.1 percent and the underlying index for the swaps is the Securities Industry and Financial Markets Municipal Swap Index (SIFMA). The floating rate on June 30, 2014, was 0.1 percent. The payments are settled monthly at the first of each month. The swaps were entered into in January 2007 and February 2007 and both swaps mature June 1, 2038. The swaps were entered into at a zero market value and no payments were made or received when they were initiated. At June 30, 2014, the negative market value of the swaps of \$20.4 million is included in other liabilities in the accompanying financial statements. For the year ended June 30, 2014, the change in fair value of UVA's swaps was a decrease of \$1.7 million resulting in deferred outflows of resources as of June 30, 2014 of \$20.4 million included in the accompanying financial statements.

The fair value was determined by using the quoted SIFMA index curve at the time of market valuation. UVA would be exposed to the credit risk of its swap counterparties any time the swaps had a positive market value. At June 30, 2014, UVA had no credit risk related to its swaps. As of June 30, 2014, UVA's swap counterparties were rated A- from Standard & Poor's or A3 by Moody's. To mitigate credit risk, UVA limits market value exposure and requires the posting of collateral based on the credit rating of the counterparty. All counterparties, or their guarantors, are required to have at least an A-/A3 rating by Standard & Poor's or Moody's, respectively. As of June 30, 2014, no collateral was required to be posted by the counterparties.

Interest rate risk is the risk that an unexpected change in interest rates will negatively affect the collective value of a hedge and a hedged item. When viewed collectively, the hedges and the hedged item are subject to interest rate risk in that a change in interest rate will impact the collective market value of both the hedge and hedged item. Conversely, the collective effect of the hedges and the hedged item serve to reduce cash flow

variability caused by changes in interest rates. Basis risk arises when different indexes are used in connection with a derivative resulting in the hedge and hedged item not experiencing price changes in entirely opposite directions from each other. UVA's swaps are deemed to be effective hedges of its variable rate debt with an amount of basis risk that is within the guidelines for establishing hedge effectiveness. Termination risk arises when the unscheduled termination of a derivative could have an adverse effect on UVA's strategy or could lead to potentially significant unscheduled payments. UVA's derivative contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an additional termination event. That is, the swap may be terminated by either party if the counterparty's credit rating falls below BBB/Baa2 in the case of Standard & Poor's and Moody's, respectively. UVA or the counterparty may also terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swap has a negative market value, UVA would be liable to the counterparty for a payment equal to the swap's market value.

In December 2005, Virginia Commonwealth University (VCU) (nonmajor) entered into an interest rate swap agreement in anticipation of the issuance of General Revenue Pledge bonds, Series 2006A and Series 2006B, which carry variable interest rates. In November 2012, VCU refunded the Series 2006A and Series 2006B bonds associated with these swaps with General Revenue Pledge bonds, Series 2012A and 2012B, which also carry variable interest rates. At that time the hedging relationship between the interest rate swaps and the Series 2006A and 2006B bonds was terminated. The accumulated change in fair value of the interest rate swaps at the time of the refunding was negative \$14.1 million and was included in the calculation of the deferred loss on refunding. Concurrently, VCU reestablished hedge accounting by designating the Series 2012A and 2012B bonds as hedged debt. At June 30, 2014, the swap has a notional amount of \$62.9 million which declines over time to \$4.8 million at the termination date of November 1, 2030. VCU pays a fixed rate of 3.4 percent and the counterparty pays 67.0 percent of the London Interbank Offered Rate (LIBOR) (0.1 percent as of June 30, 2014). The payments are settled monthly at the first of each month. In December 2005, the Medical College of Virginia Hospitals (MCVH), which is a division of the Virginia Commonwealth University Health System Authority (a blended component unit of VCU), entered into an interest rate swap agreement in conjunction with the issuance of its Series 2005 bonds. The swap has a notional amount of \$75.0 million, which declines over time to \$8.0 million at the maturity date of July 1, 2030. The notional amount as of June 30, 2014, was \$69.5 million. MCVH pays a fixed rate of 3.5 percent and the counterparty pays 67.0 percent of LIBOR (0.1 percent as of June 30, 2014). The payments are settled monthly at the first of each month. In June 2007, the MCVH entered into two interest rate swap agreements in anticipation of the issuance of the Series 2008 bonds. The swaps have a combined notional amount of \$125.0 million, which declines over time to \$15.7 million at the termination date of July 1, 2037. The notional amount

as of June 30, 2014 was \$120.4 million. MCVH pays a fixed rate of 3.8 percent and the counterparty pays 67.0 percent of LIBOR (0.1 percent as of June 30, 2014). The payments are settled monthly at the first of each month. In June 2013, MCVH refunded the Series 2005 and Series 2008 bonds associated with these swaps with Series 2013A and Series 2013B bonds, which also carry variable interest rates. At that time the hedging relationship between the interest rate swap agreements and the Series 2005 and 2008 bonds was terminated. The accumulated change in fair value of the interest rate swaps at the time of the refunding was negative \$42.1 million and was included in the calculation of the deferred loss on refunding. In June 2013, MCVH reestablished hedge accounting by designating the Series 2013A and 2013B bonds as hedged debt. At June 30, 2014, the negative market value of VCU's swap of \$9.2 million and MCVH's swaps of \$42.6 million are included in other liabilities in the accompanying financial statements. At June 30, 2014, the change in fair market value of VCU's swap, since reestablishing hedge accounting, of \$4.9 million is included in deferred inflows of resources in the accompanying financial statements. At June 30, 2014, the change in fair value of MCVH's swaps was \$519,918 and is included in deferred outflows of resources in the accompanying financial statements.

The fair value of VCU's derivative was calculated by Deutsche Bank using undisclosed proprietary methods. The fair values of MCVH's derivatives were calculated by Wells Fargo and Bank of America Merrill Lynch using the proprietary method. VCU and MCVH use interest rate swap agreements to limit exposure to rising interest rates on its variable rate debt. VCU and MCVH are exposed to interest rate risk on the interest rate swaps. On the pay-fixed, receive-variable interest rate swaps, as the LIBOR index decreases, VCU and MCVH's net payments on the swaps increase.

The following schedule shows debt service requirements of UVA, VCU, and MCVH bonds payable debt of \$331.9 million and UVA's short-term debt (commercial paper) of \$21.4 million and net receipts/payments on associated derivative instruments. These amounts assume that current variable and reference rates on the hedging instruments will remain the same for their terms. As these rates vary, net receipt/payments on the hedging instruments will vary. Additional information is available in the individually published financial statements of the higher education institution.

Maturity	Principal	Variable Interest	Derivative Instruments, Net	Total
2015	\$ 4,785,000	\$ 1,899,509	\$ 12,917,702	\$ 19,602,211
2016	4,990,000	1,862,470	12,754,219	19,606,689
2017	5,690,000	1,819,907	12,583,713	20,093,620
2018	5,920,000	1,775,733	12,389,525	20,085,258
2019	6,085,000	1,730,232	12,187,446	20,002,678
2020-2024	34,555,000	7,897,265	57,633,204	100,085,469
2025-2029	63,940,000	5,929,560	49,822,494	119,692,054
2030-2034	146,554,000	3,229,068	35,016,741	184,799,809
2035-2039	80,741,000	664,955	9,025,395	90,431,350
Total	\$ 353,260,000	\$ 26,808,699	\$ 214,330,439	\$ 594,399,138

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

## 15. RETIREMENT AND PENSION SYSTEMS

A separately issued financial report that includes financial statements and required supplemental information for each of the individual plans discussed below is publicly available. Copies may be obtained by writing to Virginia Retirement System, P. O. Box 2500, Richmond, Virginia 23218-2500.

### A. Administration

The Commonwealth implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, during fiscal year 2014, and new Required Supplementary Information schedules are included. The Virginia Retirement System (the System) is an independent agency of the Commonwealth that administers pension plans, other employee benefit plans, and other funds for Commonwealth employees, teachers, political subdivision employees, and other qualifying employees. The Board of Trustees is responsible for the general administration and operation of the plans. The Board consists of five members appointed by the Governor and four members appointed by the Joint Rules Committee, all subject to confirmation by the General Assembly. The Board of Trustees appoints a director to serve as the chief administrative officer of the System and a chief investment officer to direct, manage and administer the investment of the System's funds. The Board of Trustees has appointed BNY Mellon as the custodian of designated assets of the System.

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

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

#### Basis of Accounting

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

earned by the plans. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

#### **Method Used to Value Investments**

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

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

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

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

### **C. Plan Description**

#### **Retirement Plans**

The Virginia Retirement System is a qualified governmental retirement plan that administers three retirement benefit structures: Plan 1, Plan 2, and Hybrid Plan, for state employees, public school board employees, employees of participating political subdivisions and other qualifying employees. VRS is a combination of mixed-agent and cost-sharing, multiple-employer retirement plans. Each plan's accumulated assets may legally be used to pay all the plan benefits provided to any of the plan's members, retirees, and beneficiaries. Contributions for fiscal year 2014 were \$2.5 billion with a reserve balance available for benefits of \$62.2 billion. At June 30, 2014, the VRS had 824 contributing employers.

#### **Single-employer Retirement Plans**

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

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

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

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

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

Members of VaLORS hired before July 1, 2001, were allowed to make a one-time election to increase the multiplier from 1.7 to 2.0 percent instead of receiving a monthly hazardous duty supplement. VaLORS members who elected to retain the 1.7 percent multiplier are eligible for the supplement until age 65. Members of VaLORS

hired after June 20, 2001, have their benefit computed using the 2.0 percent multiplier and are not eligible for the supplement.

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

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

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

As required by Title 51.1 of the *Code of Virginia*, as amended, members contribute 5.0 percent of their annual compensation to the defined benefits plans. Employers may assume the 5.0 percent member contribution. If a member leaves covered employment, the accumulated contributions plus earned interest may be refunded to the member. Each participating employer is required by state statute to contribute the remaining amounts necessary to fund the retirement plans using the entry age normal actuarial cost method adopted by the Board of Trustees. Contributions for fiscal year 2014 were \$48.3 million, \$30.8 million, and \$85.4 million, and reserved balances available for benefits were \$721.0 million, \$442.2 million, and \$1.2 billion, for SPORS, JRS, and VaLORS, respectively. State statute may be amended only by the General Assembly. When funding rates are lower than required, the Commonwealth incurs a Net Pension Obligation liability which is reported in the accompanying financial statements as a component of Long-term Liabilities Due in More than One Year.

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

#### **D. Funding Policy**

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

The System's actuary, Cavanaugh MacDonald Consulting, LLC, computed the amount of contributions to be provided by state agency employers, state police and other Virginia law employers. The contribution rates for fiscal year 2014 were based on the actuary's valuation as of June 30, 2011. Employer contributions by the Commonwealth to VRS, SPORS, VaLORS, and JRS were 8.8 percent, 24.7 percent, 14.8 percent, and 45.4 percent, respectively. These rates were lower than the actuary's recommended rates to VRS, SPORS, VaLORS, and JRS of 13.1 percent, 32.6 percent, 19.5 percent, 54.1 percent, respectively.

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

## E. Annual Pension Cost and Net Pension Obligation

The following table (dollars in thousands) shows the Commonwealth's annual pension cost and net pension obligation to the VRS, SPORS, JRS, and VaLORS for the current and prior years.

	VRS			SPORS		
	2014	2013	2012	2014	2013	2012
Annual required contribution	\$ 625,560	\$ 589,379	\$ 423,268	\$ 48,473	\$ 45,217	\$ 38,178
Interest on net pension obligation	141,507	121,800	108,029	13,786	12,339	11,265
Adjustment to annual required contribution	<u>(122,359)</u>	<u>(105,445)</u>	<u>(114,626)</u>	<u>(11,935)</u>	<u>(10,682)</u>	<u>(11,928)</u>
Annual pension cost	644,708	605,734	416,671	50,324	46,874	37,515
Contributions made	<u>(337,165)</u>	<u>(324,349)</u>	<u>(117,296)</u>	<u>(27,711)</u>	<u>(26,193)</u>	<u>(11,441)</u>
Increase in net pension obligation	307,543	281,385	299,375	22,613	20,681	26,074
Net pension obligation, beginning of year	<u>2,021,386</u>	<u>1,740,001</u>	<u>1,440,626</u>	<u>196,949</u>	<u>176,268</u>	<u>150,194</u>
Net pension obligation, end of year	<u>\$ 2,328,929</u>	<u>\$ 2,021,386</u>	<u>\$ 1,740,001</u>	<u>\$ 219,562</u>	<u>\$ 196,949</u>	<u>\$ 176,268</u>
Percentage of annual pension cost contributed	52.3%	53.5%	28.2%	55.1%	55.9%	30.5%

	JRS			VaLORS		
	2014	2013	2012	2014	2013	2012
Annual required contribution	\$ 41,071	\$ 39,419	\$ 35,804	\$ 98,767	\$ 93,553	\$ 86,052
Interest on net pension obligation	9,302	8,356	7,720	34,607	31,292	29,037
Adjustment to annual required contribution	<u>(8,053)</u>	<u>(7,234)</u>	<u>(8,174)</u>	<u>(29,960)</u>	<u>(27,090)</u>	<u>(30,746)</u>
Annual pension cost	42,320	40,541	35,350	103,414	97,755	84,343
Contributions made	<u>(27,728)</u>	<u>(27,027)</u>	<u>(18,907)</u>	<u>(52,169)</u>	<u>(50,393)</u>	<u>(24,481)</u>
Increase in net pension obligation	14,592	13,514	16,443	51,245	47,362	59,862
Net pension obligation, beginning of year	<u>132,880</u>	<u>119,366</u>	<u>102,923</u>	<u>494,384</u>	<u>447,022</u>	<u>387,160</u>
Net pension obligation, end of year	<u>\$ 147,472</u>	<u>\$ 132,880</u>	<u>\$ 119,366</u>	<u>\$ 545,629</u>	<u>\$ 494,384</u>	<u>\$ 447,022</u>
Percentage of annual pension cost contributed	65.5%	66.7%	53.5%	50.4%	51.6%	29.0%

The amounts in the previous table include governmental and component unit activity for which the Commonwealth is considered the employer. It does not include the VRS liability for the following nonmajor component units: the Virginia Economic Development Partnership, the Virginia Tourism Authority, and the Fort Monroe Authority of \$4.4 million, \$2.5 million, and \$769,065, respectively. The table also excludes the non-VRS pension liability of \$109.5 million for all other component units and includes the fiduciary pension liability of \$16.4 million.

The contribution rates were determined during the actuarial valuation conducted as of June 30, 2011.

These valuations were prepared using the entry age normal cost method. The actuarial assumptions

included (a) 7.0 percent investment rate of return, per year compounded annually; (b) projected salary increases ranging from 3.5 percent to 6.0 percent, including a 2.5 percent inflation component; and (c) 2.3 percent per year COLA. Valuation techniques were applied to smooth the effects of short-term volatility in the market value of investments over a 5-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining open amortization period at June 30, 2013, was eight years for the deferred contributions from fiscal years 2011 and 2012, and 30 years for the balance of the UAAL. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

## F. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, per the most recent actuarial valuation, was as follows:

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) Entry Age [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
<b>Virginia Retirement System (VRS)</b>						
2013	\$ 52,125	\$ 79,078	\$ 26,953	65.9%	\$ 15,269	176.5%
<b>State Police Officers' Retirement System (SPORS)</b>						
2013	\$ 592	\$ 997	\$ 405	59.4%	\$ 109	371.3%
<b>Virginia Law Officers' Retirement System (VaLORS)</b>						
2013	\$ 942	\$ 1,742	\$ 800	54.1%	\$ 342	233.9%
<b>Judicial Retirement System (JRS)</b>						
2013	\$ 369	\$ 591	\$ 222	62.4%	\$ 57	388.6%

Actuarial valuations of ongoing plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plans and the annual contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### G. Defined Contribution Plan for Political Appointees

Officers appointed by the Governor, officers elected by popular vote or the General Assembly, and executive branch chief deputies and confidential assistants may participate in the deferred contribution plan for Political Appointees, rather than the VRS. This optional retirement plan is authorized by the *Code of Virginia* and offered through the ICMARC. This is a defined contribution plan where the retirement benefits are based upon the Commonwealth's 8.8 percent and the employee's (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year

ended June 30, 2014, the total contributions to this plan were \$1.1 million.

The summary of significant accounting policies for the plan is in accordance with those discussed in Note 15. B.

### H. Defined Contribution Plan for Public School Superintendents

The Public School Superintendent Plan is a defined contribution pension plan that provides optional postemployment benefits for school superintendents. This plan is authorized by the *Code of Virginia*. The Board of Trustees of the System manages the investments of the fund as custodian. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school board for credit to the member. At June 30, 2014, there were four participants in this plan. Total contributions to the plan for fiscal year 2014 were \$91,436.

### I. Virginia Supplemental Retirement Plan

The Virginia Supplemental Retirement Plan is a defined contribution pension plan established by the Department of Education to provide an optional postemployment benefit plan for turnaround specialists in the public school system. This plan is utilized as an incentive to attract highly skilled

teachers for participating public schools pursuant to the *Code of Virginia* by Title 51.1-617. The Board of Trustees of the System manages the investments of the fund as custodian. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school boards for credit to the members. At June 30, 2014, there were two participants in this plan. There were no contributions to the plan for fiscal year 2014.

**J. Higher Education Fund (Nonmajor Component Unit)**

The Commonwealth's colleges and universities participate in the retirement plans administered by VRS. In addition, full-time faculty and certain administrative staff of the Commonwealth's colleges and universities may participate in optional retirement plans as authorized by the *Code of Virginia* rather than the VRS retirement plans. These optional retirement plans are defined contribution plans offered through Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) Insurance Companies, and Fidelity Investments, Inc. There are two defined contribution plans. Plan 1 is for employees hired prior to July 1, 2010, and retirement benefits received are based upon the employer's 10.4 percent contributions, plus interest and dividends. Plan 2 is for employees hired on or after July 1, 2010, and retirement benefits received are based upon the employer's 8.5 percent not to exceed 8.9 percent contribution and the employee's 5.0 percent contribution, plus interest and dividends. For Plan 2, the employer contributions for fiscal year 2014 were 8.5 percent except the employer contributions for the University of Virginia (nonmajor) were 8.9 percent. During the year ended June 30, 2014, the total contributions (dollars in thousands) to these plans were:

	Plan 1		Plan 2		Total
	Employer	Employee	Employer	Employee	
TIAA-CREF	\$ 71,027	\$ 13,959	\$ 7,141	\$ 92,127	
Fidelity Investments	34,142	13,125	7,617	54,884	
Total	\$ 105,169	\$ 27,084	\$ 14,758	\$ 147,011	

University of Virginia Medical Center (part of the University of Virginia – nonmajor) employees hired after July 1, 1999, cannot participate in Plan 1 or Plan 2 noted above but have the option of participating in the Medical Center's Optional Retirement Plan. This is a defined contribution plan offered through TIAA-CREF and Fidelity Investments, Inc. Under this plan, the employer contributions are 4.0 percent if hired on or after September 30, 2002, and 8.0 percent if hired prior to September 30, 2002. There are no employee contributions under this plan. During the year ended June 30, 2014, the total employer contributions to this plan were \$13.6 million. The

Medical Center also has a plan to cover their physicians who work for Community Medicine, LLC. These UVA employees participate in a Defined Contribution plan with retirement benefits based on tax-deferred accumulations. Vesting in the plan is 100.0 percent after 12 months of community service. All Community Medicine employees were hired after July 1, 2010. The current employer paid contribution is 11.9 percent of salaries paid. The total employer contributions to this plan for 2014 were \$142,491.

The Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – nonmajor) contributes to the VRS. The Authority issues a separate stand-alone report that is publicly available as previously discussed. Effective July 1, 1997, the Authority established the Virginia Commonwealth University Health System Authority Defined Contribution Plan (the plan). All employees, excluding house staff, working at least 20 hours per week in a benefit eligible position are eligible to participate in the plan. Per the plan document as approved by the Authority's Board of Directors, the Authority contributes up to 10.0 percent of the participant's salary to the plan not to exceed the lesser of (a) the amount in accordance with Internal Revenue Code 415(d), or (b) 100.0 percent of the participant's compensation for such limitation year. Total contributions for the year ended June 30, 2014, were approximately \$19.7 million. The Authority has the right at any time, and without the consent of any party, to terminate the plan in its entirety. The Authority's Board of Directors must approve any changes to the provisions of the plan, including the contribution requirements, in writing. The Authority has also established the Virginia Commonwealth University Health System Authority Health Care Providers Defined Contribution Plan (the HCP plan). All persons hired as a health care provider on or after July 1, 1993, and prior to July 1, 1997, and working at least 35 hours of service per week were eligible to participate in the HCP plan. At June 30, 2014, there were four actively employed participants in the HCP plan. Total contributions to the HCP plan for the year ended June 30, 2014, were approximately \$31,000.

Previously, the MCV Associated Physicians (MCVAP) (a component unit of the Authority) sponsored the MCVAP 403(b) Retirement Fund (the 403(b) Plan), a defined contribution plan which covered substantially all non-medical employees of MCVAP. As of January 1, 2002, no additional contributions were made to this plan.

The Authority and MCVAP also sponsor the VCUHS Savings Plan (VCUHS 457(b) Plan), a savings plan that represents employee contributions, and employees may also receive a 2.0 percent matching contribution in their VCUHS 401(a) Plan based on their 457(b) contribution.

MCVAP also sponsors the VCUHS 401(a) Retirement Plan, a defined contribution plan which covers all non-medical employees of MCVAP. This plan became effective on January 1, 2002, and

replaced the MCVAP 403(b) plan for all non-medical staff. The contributions to the VCUHS 401(a) for the period ended June 30, 2014, were approximately \$3.6 million.

MCVAP also sponsors the MCVAP 401(a) Retirement Plan (the 401(a) plan), a noncontributory, defined contribution plan which covers substantially all full-time eligible clinical providers of MCVAP, the MCVAP 403(b) Salary Deferral Plan, a salary deferral plan that represents physician contributions, and the MCVAP 403(b) Supplemental Plan, a noncontributory defined contribution plan for highly compensated employees. Contributions to the 401(a) plan, as determined annually at the discretion of the board of directors were approximately \$14.2 million for the year ended June 30, 2014.

VA Premier (a component unit of the Authority) adopted a 401(k) plan sponsored by Fidelity Investments. Employees become eligible to participate in the plan after completing one year of service, during which the employee completes 1,000 hours of service. There is no minimum service or age requirement to be in the 401(k) plan. Employees may contribute 1.0 percent to 90.0 percent of their compensation. VA Premier will match 50.0 percent of the employees' contributions up to 4.0 percent of the employees' compensation. Matching will occur based on the bi-weekly pay periods. In addition, VA Premier contributes 3.0 percent of the employee's compensation (Safe Harbor contribution) and may make additional contributions (Profit Sharing contributions) at the option of the Board of Directors. During 2014, VA Premier made Profit Sharing contributions equal to 2.0 percent of each eligible employee's compensation. VA Premier makes both of these contributions in an annual installment at the end of the year. Employees are fully vested after four years of service. The total expense to VA Premier in fiscal year 2014 was approximately \$1.6 million.

Effective January 1, 1997, James Madison University (nonmajor) established a Supplemental Retirement Plan for tenured faculty members. The plan was designed to provide flexibility in the allocation of faculty positions. The plan is a qualified plan within the meaning of Section 401(c) of the Internal Revenue Code of 1986 (the Code) and is a governmental plan within the meaning of Section 414(d) of the Code. Since it is a governmental plan, the plan is not subject to the Employee Retirement Income Security Act of 1974 as amended. Since inception, 227 faculty members have elected to enroll in the plan. As of June 30, 2014, 75 participants remain, including 13 new participants who retired under this plan during fiscal year 2014. In order to satisfy IRS requirements, a trust fund has been established as a means to make the payments to the plan participants. The University prepaid approximately \$2.1 million of the fiscal year 2015 plan contribution in 2014.

The Center for Innovative Technology (CIT) is a blended component unit of the Innovation and Entrepreneurship Investment Authority (nonmajor).

The CIT has a defined contribution retirement plan covering substantially all employees. Under the plan, contributions are fixed at a percentage of each employee's compensation to pay premiums for individual retirement annuity contracts written by TIAA-CREF. Contributions for the plan totaled \$662,369 in fiscal year 2014.

#### **K. Other Component Units**

Note 1.B. outlines the component units included in the Commonwealth's reporting entity. The Virginia Public Building Authority (blended - primary government), the Virginia Public School Authority (major), the Virginia College Building Authority (major), the Virginia University Research Partnership (nonmajor), and the Virginia School for the Deaf and Blind Foundation (nonmajor) have no employees. The Virginia Economic Development Partnership, the Virginia Small Business Financing Authority, the Hampton Roads Sanitation District Commission, the Virginia Biotechnology Research Partnership Authority, the A. L. Philpott Manufacturing Extension Partnership, the Virginia Tourism Authority, the Tobacco Indemnification and Community Revitalization Commission, the Virginia Foundation for Healthy Youth, the Virginia Land Conservation Foundation, the Virginia Arts Foundation, and the Library of Virginia Foundation (all nonmajor) contribute solely to the VRS, a mixed-agent and cost-sharing multiple-employer retirement plan. The System issues a separate stand-alone report that is publicly available as previously discussed.

Full-time employees of the Virginia Housing Development Authority (major) participate in a defined contribution employees' retirement savings plan administered by the Authority. This is a noncontributory plan where the Authority incurs employment retirement savings expense equal to between 8.0 and 11.0 percent of full-time employees' compensation. Total retirement savings expense under this plan was \$2.9 million in fiscal year 2014.

The Virginia Outdoors Foundation (nonmajor) maintains a 401(k) contribution plan and provides an employer contribution to all eligible employees of 2.0 percent of their salary. Employees can contribute to the plan up to the IRS limit and the Foundation will match up to an additional 2.0 percent for a maximum of 4.0 percent of an employees' contribution.

The Virginia Port Authority (nonmajor) contributes to the VRS. The Authority also sponsors two single-employer noncontributory defined benefit pension plans. The Virginia Port Authority Pension Plans are administered by the Authority and provide retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions and obligations are established and may be amended by the board of commissioners of the Authority.

The components of annual pension cost and prepaid pension obligation for the first single-



employer noncontributory defined benefit pension plan are as follows:

**Trend Information**

*(Dollars in Thousands)*

	<u>2014 (1)</u>	<u>2013 (1)</u>	<u>2012 (1)</u>
Annual pension cost	2,467	2,607	3,253
Contributions made	<u>(3,000)</u>	<u>(7,035)</u>	<u>(2,583)</u>
Increase (Decrease) in prepaid pension obligation	(533)	(4,428)	670
Prepaid pension obligation, beginning of year	<u>(8,301)</u>	<u>(3,873)</u>	<u>(4,543)</u>
Prepaid pension obligation, end of year	<u>\$ (8,834)</u>	<u>\$ (8,301)</u>	<u>\$ (3,873)</u>

(1) Reflects the adoption of GASB accounting standards as discussed in Note 2.

The annual pension costs for the current year was determined as part of the June actuarial valuation using the aggregate cost method, which does not identify and separately amortize unfunded actuarial liabilities. Because of this, information about the funded status and funding progress is presented using age actuarial cost method. The information presented is intended to serve as a surrogate for the funded status and funding progress of the plan. Actual value of assets was determined using market value. The discount rate used in determining the actuarial liability was based on a 7.5 percent discount rate and a 4.0 percent projected payroll growth rate was used for future years.

The following table (dollars in thousands) sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2014, 2013, and 2012.

**Trend Information**

<u>Fiscal Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Prepaid Pension Obligation</u>
2014	\$ 2,467	122 %	\$ (8,834)
2013	\$ 2,607	270 %	\$ (8,301)
2012	\$ 3,253	255 %	\$ (3,873)

In November 2001, the second plan was amended to provide benefits to sworn police officers that more closely resemble the new retirement benefits provided to members of the Virginia Law Officers Retirement System. In January 2014, the second plan was amended to freeze participation and to provide that no new participants shall be admitted or readmitted after January 28, 2014. The effect of those changes is included in the accompanying pension data.

The components of annual pension cost and prepaid pension obligation for the second single-employer noncontributory defined benefit pension plan are shown in the following schedule.

<b>Trend Information</b>			
<i>(Dollars in Thousands)</i>			
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Service cost - benefits earned during the year	\$ 791	\$ 884	\$ 966
Interest cost on projected benefit obligation	59	66	72
Expected return on assets	(190)	(164)	(134)
Net amortization and deferral	266	232	215
Annual pension cost	926	1,018	1,119
Contributions made	(525)	(1,358)	(1,523)
Increase (Decrease) in pension obligation	401	(340)	(404)
Pension obligation, beginning of year	(2,532)	(2,192)	(1,788)
Prepaid pension obligation, end of year	\$ (2,131)	\$ (2,532)	\$ (2,192)

The annual pension cost for the current year was determined as part of the July 2014 actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities. Because of this, information about the funded status and funding progress is presented using the entry age actuarial cost method. The information presented is intended to serve as a surrogate for the funded status and funding progress of the plan. Actual value of assets was determined using market value. The discount rate used in determining the actuarial liability was based on a 7.5 percent discount rate and a 4.0 percent future compensation level was used for future years.

The following table (dollars in thousands) sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2014, 2013, and 2012.

<b>Trend Information</b>			
<b>Fiscal Year Ended June 30</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Prepaid Pension Obligation</b>
2014	\$ 926	57 %	\$ (2,131)
2013	\$ 1,018	133 %	\$ (2,532)
2012	\$ 1,119	136 %	\$ (2,192)

The Authority also sponsors two noncontributory supplemental plans covering certain key employees. The plans had assets of \$2.7 million and an accrued liability of \$3.0 million. No contributions were made to the plans for the year ended June 30, 2014.

As of January 1, 2005, the Virginia Resources Authority (major) began mandatory participation for all new employees and optional participation for then-current employees who chose to enroll in the VRS. For the year ended June 30, 2014, the Authority's annual pension cost of \$93,879 was equal to the Authority's required and actual contributions.

The Assistive Technology Loan Fund Authority (nonmajor) sponsors a Simple Employee Plan (SEP) for all of its employees. The Authority contributes 5.0 percent of each employee's wages, which is paid into their account managed by the Virginia Retirement System each pay period.

Employees of the Virginia Museum of Fine Arts Foundation (nonmajor) who are age 21 or older are eligible to participate in the Employee's Savings Plan (the plan), a 401(k) defined contribution profit sharing plan. Under the plan, the Foundation may make a discretionary contribution. For the plan years ended June 30, 2014 and 2013, the Foundation contributed 8.4 percent of employees' gross income to the plan. In addition, contributions made by an employee up to 3.0 percent are matched 100.0 percent and contributions between 3.0 and 5.0 percent of the employee's gross income are matched 50.0 percent by the Foundation. Employees may contribute up to 100.0 percent of gross income each year as long as it is within the IRS limitation. Contributions paid to the plan by the Foundation on behalf of its employees were \$148,594 for the fiscal year ended June 30, 2014. Also, the Foundation entered into a supplemental retirement agreement to pay a key employee of the Museum upon retirement the difference between the amount accrued under the VRS defined benefit plan, based on salary, and the amount based on the supplemental salary. The plan vested on July 31, 2011. Therefore, the Foundation accrued a

\$38,104 liability related to this agreement for the year ended June 30, 2014. Contributions made to the plan were \$15,764 in 2014 and \$12,611 in 2013.

The Science Museum of Virginia Foundation (nonmajor) has a 403(b) defined contribution pension plan through the Teachers Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF) Retirement Plan for employees meeting age and service requirements. The Foundation contributes an amount not to exceed 3.0 percent of the regular salary of each participant. The Foundation's employer contributions totaled \$14,467 in 2014.

## 16. OTHER EMPLOYMENT BENEFITS

In addition to the pension plans, the Commonwealth participates in two other employment benefit plans, Group Life Insurance and the Virginia Sickness and Disability Program, which are administered by the Virginia Retirement System (the System). The System administers a third other employment benefit plan, the Volunteer Firefighters' and Rescue Squad Workers' Fund, in which the Commonwealth does not participate, but may provide funding. The significant accounting policies for all three plans are the same as those described in Note 15 for pension plans. A separately issued financial report that includes financial statements for the Group Life Insurance and Virginia Sickness and Disability Program is publicly available. Copies may be obtained by writing to the Virginia Retirement System, P. O. Box 2500, Richmond, Virginia 23218-2500.

### Group Life Insurance

The Group Life Insurance Plan was established for Commonwealth employees, teachers, employees of political subdivisions participating in the VRS, state police officers, other state law enforcement and correctional officers, judges, and other qualifying employees. The program provides life insurance for natural death coverage equal to a member's annual compensation rounded to the next highest \$1,000 and then doubled. Accidental death coverage is double the natural death benefit. The program also provides coverage for accidental dismemberment and accidental blindness, a safety belt benefit, a repatriation benefit, a felonious assault benefit and an accelerated death benefit for terminal conditions. Approximately 358,971 members participate in the program at June 30, 2014.

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

An optional Group Life Insurance Fund was established for members covered under the group life program as a supplement to that plan. Members may purchase optional life insurance coverage for themselves, their spouses and/or their dependent children. The optional program provides natural death coverage equal to one, two, three or four times the member's annual compensation rounded to the next highest \$1,000, up to

a maximum of \$700,000. Spouse coverage is available for up to one-half of the member's optional insurance amount. Minor children who are at least 15 days old can be insured for \$10,000, \$20,000 or \$30,000, depending on the option chosen by the member. An additional accidental death and dismemberment benefit is payable for death or bodily injuries. Approximately 67,731 members were covered under this program at June 30, 2014.

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

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

### Virginia Sickness and Disability Program

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

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

Full-time permanent salaried state employees, including state police officers and other Virginia law and correctional officers, are automatically enrolled in the VSDP. Part-time permanent salaried state employees who work at least 20 hours a week and accrue leave also are automatically enrolled. Teaching, administrative and research faculty of Virginia public

colleges and universities who elect VRS as their retirement plan must make an irrevocable election to participate in either the VSDP or the institution's disability program. If there is no institution program, the faculty member is covered under VSDP.

Eligible state employees and state police officers employed before January 1, 1999, had the option to elect to participate in the VSDP or remain under the Commonwealth's existing sick leave program and retain their eligibility for disability retirement benefits under VRS and SPORS. (Members of VaLORS have been automatically enrolled in the VSDP since October 1, 1999, when VaLORS was created.) Eligible employees enrolled in the VSDP are not eligible for disability retirement benefits under VRS, SPORS, or VaLORS. Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work related short-term disability coverage and certain income replacement levels. Approximately 74,394 members were covered under the program at June 30, 2014.

#### **Volunteer Firefighters' and Rescue Squad Workers' Fund**

Volunteer firefighters and rescue squad workers may participate in an optional employment benefit plan. This optional plan is authorized by the *Code of Virginia*. The Board of Trustees of the System manages the investments of the fund as custodian. Members of the plan contribute \$30 per quarter. The Commonwealth will contribute an amount determined by the Board and appropriated by the General Assembly, if such funds are appropriated, for a period not to exceed 20 years. For fiscal year 2014, there were no monies appropriated for administration of the program. At June 30, 2014, there were 1,752 workers participating in the fund.

#### **Group Life Insurance Benefits**

Employees who retire or terminate from service after age 50 with at least ten years of service credit or at age 55 with at least five years of service credit (age 50 for vested state police officers, other state law enforcement and correctional officers and hazardous duty employees of participating political subdivisions), or who retire because of disability, are entitled to postemployment group life insurance benefits. Employees enrolled in JRS who retire or terminate from service after age 60 with at least 30 years of service credit or at age 65 with at least five years of service credit are entitled to postemployment group life insurance benefits. At retirement or termination, accidental death benefits cease and natural death coverage reduces at a rate equal to 25.0 percent on January 1 of the first full calendar year following retirement or termination and on January 1 of each year thereafter, until it reaches 25.0 percent of its original value. These group life insurance benefit provisions and requirements are established by Title 51.1 of the *Code of Virginia*. There were approximately 156,549 retirees in the Basic Group Life Insurance Program and 2,628 retirees were covered under the Optional Group Life Insurance Program in fiscal year 2014.

Since 1960, when the group life insurance program was established, a portion of the premium contributions collected during members' active careers has been placed in an advance premium deposit reserve. This reserve was established to pre-fund death benefits to members after retirement.

Employers providing life insurance benefits are part of a cost-sharing pool. Therefore, separate measurements of assets and actuarial accrued liabilities are not made for individual employers participating in the program.

#### **Retiree Health Insurance Credit Program**

The Retiree Health Insurance Credit Program was established on January 1, 1990, to provide benefits for retired state employees, state police officers, other state law enforcement and correctional officers and judges who have at least 15 years of service credit under the retirement plans. The program provides a credit reimbursement of \$4 per month per year of service credit against the monthly health insurance premiums of eligible retirees.

A similar program was established on July 1, 1993, to provide a health insurance credit for retired teachers and employees of participating political subdivisions with at least 15 years of service credit under the retirement plans. Retired teachers are eligible for a monthly credit of \$4 per month per year of service credit. Local government retirees may receive a maximum credit of \$1.50 per month per year of service with a maximum monthly credit of \$45.

### **17. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

#### **A. Virginia Retirement System (The System) Administered Plans**

The Government Accounting Standards Board (GASB) issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which requires additional reporting and disclosures for OPEB plans. The statement became effective for System-administered OPEB plans beginning with the fiscal year ended June 30, 2007. The assets and actuarial accrued liabilities for the following other postemployment benefits were determined through an actuarial valuation performed as of June 30, 2013, by Millman, Inc. for the long-term care component of the Disability Insurance Trust Fund and by Cavanaugh MacDonald Consulting, LLC, and are presented in the Required Supplemental Schedule of Funding Progress for Other Postemployment Benefit Plans. The significant accounting policies for all five plans are the same as those described in Note 15 for pension plans and a separately issued report is available as previously discussed.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the *Code of Virginia*. The amount required to fund all credits is financed by the employers based on contribution rates determined by the System's actuary. Approximately 108,076 retired members were covered under this program at June 30, 2014. The Retiree Health Insurance Credit Program is an agent, multiple-employer defined benefit OPEB plan.

#### **Disability Insurance Trust Fund**

The Commonwealth provides OPEB disability insurance benefits, in accordance with state statutes, to eligible retired and terminated employees. State agencies are required by Title 51.1 of the *Code of Virginia* to contribute to the cost of providing long-term disability benefits and administering the program. There were approximately 2,764 former members receiving benefits from the program during fiscal year 2014. The Disability Insurance Trust Fund is a single-employer defined benefit OPEB plan.

#### **Line of Duty Death and Disability**

The Commonwealth provides death and health benefits to the beneficiaries of certain law enforcement and rescue personnel disabled or killed in the line of duty. A trust fund has been established to account for this activity. Benefit provisions and eligibility requirements are established by Title 9.1 Chapter 4 of the *Code of Virginia*. The significant accounting policies for this plan are the same as those described in Note 15 for pension plans. There were approximately 874 retirees and 822 other participants in the program in fiscal year 2014. The Line of Duty Death and Disability Program is a cost-sharing, multiple-employer defined benefit OPEB plan. The employer contribution rate was determined by the System's actuary using the anticipated costs and the number of covered individuals associated with all of the covered employers. Additionally, the Department of Accounts provides certain administrative support in claims administration.

#### **Virginia Local Disability Program**

The Virginia Local Disability Program (VLDP) was a new program for the System in fiscal year 2014. The program provides eligible local government employees who are members of the Hybrid retirement plan with sick, family and personal leave and short-term and long-term disability benefits for non-work-related and work-related illnesses and injuries. The System is responsible for administering the disability program and the payment of long-term disability benefits. Local employers are responsible for administering the leave program and the payment of short-term disability benefits.

During fiscal year 2014, the System collected contributions for eligible employees and implemented the structure for administering the program going forward. At June 30, 2014, there were 1,127 participants in the program.

#### **B. Pre-Medicare Retiree Healthcare**

The Commonwealth provides a healthcare plan established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. For a retiree to participate in the Plan, the participant must be eligible for a monthly annuity from the VRS or a periodic benefit from one of the qualified Optional Retirement Plan (ORP) vendors, and:

- be receiving (not deferring) the annuity or periodic benefit immediately upon retirement;
- have his or her last employer before retirement be the state;
- be eligible for coverage as an active employee in the State Health Benefits Program until his or her retirement date (not including Extended Coverage); and,
- have submitted within 31 days of his or her retirement date an Enrollment Form to his or her Benefits Administrator to enroll.

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. The significant accounting policies for this plan are the same as those described in Note 15 for pension plans. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan and is administered by the Department of Human Resource Management. There were approximately 7,317 retirees in the program in fiscal year 2014.

#### **C. Annual OPEB Cost and Net OPEB Obligation**

The Government Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which required additional reporting and disclosures for OPEB plans beginning with the fiscal year ending June 30, 2008. The Commonwealth calculated an OPEB liability as of June 30, 2014 for each of the five OPEB plans covering Commonwealth employees. The Retiree Health Insurance Credit Fund, Disability Insurance Trust Fund, and Pre-Medicare Retiree Healthcare OPEB liabilities were \$163.6 million, \$176.3 million, and \$911.7 million, respectively. These amounts are reported in the accompanying financial statements as a component of Long-Term Liabilities Due in More than One year. There is no liability for the Group Life Insurance Fund or Line of Duty Death and Disability.

The following table (dollars in thousands) shows the Commonwealth's annual OPEB cost and net OPEB obligation (asset) for the current and prior years.

	<u>Group Life Insurance Fund</u>			<u>Retiree Health Insurance Credit Fund</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 63,250	\$ 60,457	\$ 15,483	\$ 72,322	\$ 67,804	\$ 65,412
Interest on net OPEB obligation	-	-	-	10,515	9,626	5,934
Adjustment to annual required contribution	-	-	-	(9,092)	(8,336)	(5,341)
Annual OPEB cost	63,250	60,457	15,483	73,745	69,094	66,005
Contributions made	(63,250)	(60,457)	(15,483)	(60,219)	(56,636)	(7,667)
Increase in net OPEB obligation	-	-	-	13,526	12,458	58,338
Net OPEB obligation (asset), beginning of year	-	-	-	150,026	137,568	79,230
Net OPEB obligation (asset), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,552</u>	<u>\$ 150,026</u>	<u>\$ 137,568</u>
Percentage of annual OPEB cost contributed	100.0%	100.0%	100.0%	81.7%	82.0%	11.6%

	<u>Disability Insurance Trust Fund</u>			<u>Line of Duty Death and Disability</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2014 (3)</u>	<u>2013 (2)</u>	<u>2012 (1)</u>
Annual required contribution	\$ 30,302	\$ 29,862	\$ 37,578	\$ 6,486	\$ 5,925	\$ 2,901
Interest on net OPEB obligation	11,262	10,247	8,204	-	-	-
Adjustment to annual required contribution	(9,763)	(8,900)	(7,387)	-	-	-
Annual OPEB cost	31,801	31,209	38,395	6,486	5,925	2,901
Contributions made	(16,644)	(16,986)	(1,092)	(6,486)	(5,925)	(2,901)
Increase in net OPEB obligation	15,157	14,223	37,303	-	-	-
Net OPEB obligation (asset), beginning of year	161,116	146,893	109,590	-	-	-
Net OPEB obligation (asset), end of year	<u>\$ 176,273</u>	<u>\$ 161,116</u>	<u>\$ 146,893</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Percentage of annual OPEB cost contributed	52.3%	54.4%	2.8%	100.0%	100.0%	100.0%

	<u>Pre-Medicare Retiree Healthcare</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 198,451	\$ 182,566	\$ 172,532
Interest on net OPEB obligation	30,013	23,274	19,149
Adjustment to annual required contribution	(31,007)	(24,117)	(19,268)
Annual OPEB cost	197,457	181,723	172,413
Contributions made	(34,229)	(15,479)	(36,600)
Increase in net OPEB obligation	163,228	166,244	135,813
Net OPEB obligation (asset), beginning of year	748,467	582,223	446,410
Net OPEB obligation (asset), end of year	<u>\$ 911,695</u>	<u>\$ 748,467</u>	<u>\$ 582,223</u>
Percentage of annual OPEB cost contributed	17.3%	8.5%	21.2%

- (1) During fiscal year 2012, the required annual contributions of \$2.9 million were paid by the Commonwealth. Additionally, the loan increased to \$13.9 million that will be repaid in future periods with contributions received.
- (2) During fiscal year 2013, the required annual contributions of \$5.9 million were paid by the Commonwealth. Additionally, the loan increased to \$14.9 million that will be repaid in future periods with contributions received.
- (3) During fiscal year 2014, the required annual contributions of \$6.5 million were paid by the Commonwealth. Additionally, the loan decreased to \$8.3 million that will be repaid in future periods with contributions received. This amount is reflected as both a receivable and a contribution in the accompanying statements.

The amounts in the previous table include Governmental and Component Unit activity for which the Commonwealth is considered the employer. It does not include the OPEB liability for the following nonmajor component units: the Virginia Economic Development Partnership, the Virginia Tourism Authority, the Fort Monroe Authority, and the Virginia Outdoors Foundation of \$1.6 million, \$937,116, \$288,329, and \$52,100, respectively. The table also excludes non-Commonwealth sponsored OPEB liabilities of \$40.9 million for all other component units and includes the fiduciary OPEB liability of \$6.1 million.

The annual required contributions for the current year were determined during the actuarial valuations conducted as of June 30, 2011, as that is the most recent report that reflects the current funding policies. Employer contributions by the Commonwealth for Group Life Insurance, Retiree Health Insurance Credit and Disability Insurance were 1.2 percent, 1.0 percent, and 0.5 percent, respectively, of covered payrolls for fiscal year 2014. The valuations were prepared using the entry age normal cost method for all plans except for the Disability Insurance trust fund and the Line of Duty Act trust fund for which the Projected Unit Credit actuarial cost method was used. The Pre-Medicare Retiree Healthcare plan uses a 4.0 percent investment rate of return, per year compounded annually, which approximates the projected rate of return on the State Treasurer's Portfolio. The Group Life Insurance, Retiree Health Insurance Credit and Disability Insurance use a 7.0

percent investment rate of return, per year compounded annually. The Line of Duty Act trust fund uses a 4.8 percent rate of return compounded annually. The actuarial assumptions for all but the Pre-Medicare Retiree Healthcare plan included a projected salary increase of 3.0 percent, including a 2.5 percent inflation component. Valuation techniques were applied to smooth the effects of short-term volatility in the market value of investments over a five year period. The remaining open amortization period at the June 30, 2012 valuation, was 29 years. The actuarial assumptions for the Pre-Medicare Retiree Healthcare plan as to current claim cost, projected increases in health insurance costs, mortality, turnover, retirement, disability and discount rate include (a) projected salary increases ranging from 3.8 percent to 5.6 percent, including a 2.5 percent inflation component; and, (b) assumption that there is no liability associated with those retirees eligible for Medicare, as costs for members aged 65 and older are not subsidized by the active population (no implicit subsidy), participants pay 100.0 percent of the costs, and the liability associated with the health insurance credit is measured and held by the Virginia Retirement System. Initial healthcare costs trend rates used were 10.0 percent, 11.0 percent, and 6.0 percent for medical, pharmacy, and dental benefits, respectively. The ultimate trend rates used were 5.0 percent, 5.0 percent, and 4.0 percent for medical, pharmacy, and dental benefits, respectively. The remaining open amortization period at June 30, 2012 was 30 years.

#### D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, per the most recent actuarial valuation, was as follows:

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
<b>Group Life Insurance Fund</b>						
2013	\$ 837	\$ 2,572	\$ 1,735	32.5%	\$ 17,132	10.1%
<b>Retiree Health Insurance Credit Fund</b>						
2013	\$ 139	\$ 2,273	\$ 2,134	6.1%	\$ 14,688	14.5%
<b>Disability Insurance Trust Fund</b>						
2013	\$ 359	\$ 228	\$ (131)	157.4%	\$ 3,473	(3.8%)
<b>Line of Duty Death and Disability</b>						
2013	\$ 10	\$ 204	\$ 194	4.9%	N/A	N/A
<b>Pre-Medicare Retiree Healthcare</b>						
2013	\$ -	\$ 1,342	\$ 1,342	-	\$ 4,011	33.5%

Actuarial valuations of ongoing plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Amounts determined regarding the funded status of the plans and the annual contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The schedule of funding progress presented as required supplementary information following the notes to the financial statements presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

#### **E. Higher Education Fund (Component Unit)**

The University of Virginia (nonmajor) has a Retiree Health Plan that covers employees who retire before becoming eligible for Medicare until they reach age 65 and can then participate in the Commonwealth's Medicare Supplement Plan. Additional information on this plan can be found in the individually published financial statements of the University.

#### **F. Other Component Units**

The Virginia Housing Development Authority (major) has a Retiree Health Care Plan, a single-employer defined benefit plan which is administered through the Virginia Housing Development Authority Retiree Health Care Plan Trust, an irrevocable trust to be used solely for providing benefits to eligible participants. Effective January 1, 2006, eligible retirees must be at least 55 years of age with 15 years of service or at least 55 years of age with 10 years of service if employed by the Authority prior to such date. For the year ended June 30, 2014, the Authority's Annual OPEB cost was \$293,482; the percentage of Annual OPEB Cost Contributed was 404.0 percent; and the ending Net OPEB asset was \$2.1 million.

Hampton Roads Sanitation District Commission (nonmajor) provides other postemployment benefits for its employees through a single employer defined benefit plan. The plan was established and may be amended by the Commission. The plan furnishes health and dental benefits for life for all employees with at least 15 years of service and who also qualify for an unreduced retirement benefit through the VRS. The plan allows the retiree at their expense to cover their spouse and dependents under the district's health care provider. Contribution requirements are actuarially determined and funding is subject to approval by the Commission. The current rate is 6.0 percent of

annual covered payroll. For 2014, the Commission's annual OPEB cost was \$2.2 million; the percentage of annual OPEB cost contributed was 100.0 percent.

The Virginia Port Authority (VPA) (nonmajor) offers post retirement medical and dental benefits to employees who retire under either VRS or the VPA pension plan. For employees and their spouses, who are participants in the VPA medical plan, not participants under the state health care plan VRS, benefit provisions and obligations are established and may be amended by the board of commissioners of the Authority. For the year ended June 30, 2014, the Authority's annual OPEB cost was \$68,053; contribution towards OPEB cost was \$83,683; the percentage of annual OPEB cost contributed was 123.0 percent; and the ending net OPEB obligation was \$194,709.

### **18. DEFERRED COMPENSATION PLANS**

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The Virginia Retirement System (the System) administers the deferred compensation plan, pursuant to the Government Employees Deferred Compensation Plan Act, Section 51.1, Chapter 6 et seq. of the *Code of Virginia*. The System contracts with private corporations or institutions subject to the standards set forth in the *Code* to provide investment products as well as any other goods and services related to the administration of the deferred compensation plan. The Department of Accounts is responsible for the accounting, reconciliation, payment to the plan through payroll deductions, and timely transfer of withheld funds to the trustee designated by the System for investment. The plan provides a number of investment options and is designed so that each participant retains investment control of his/her individual account. The plan, available to all state employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of plan participants and their beneficiaries and is not available to employees until termination, retirement, death, unforeseeable emergency, or an in-service distribution at age 70 ½ or later. Since the System has no fiduciary relationship with plan participants, plan assets of \$2.0 billion are not included in the financial statements.

In addition, the Commonwealth provides a cash match under Internal Revenue Code Section 401(a) for employees participating in the deferred compensation plan. The match amount for an employee was established at 50.0 percent of the voluntary contributions to the deferred compensation plan. During the current fiscal year, the maximum match was \$20 per pay period or \$40 per month. The fair value of assets in the cash match savings plan at June 30, 2014, was \$353.3 million, which is also excluded from the financial statements.

Most employees of the Commonwealth's colleges and universities may participate in the Commonwealth's deferred compensation plan in accordance with Internal Revenue Code Section 457(b) and/or the institution's



deferred compensation plan in accordance with Internal Revenue Code Section 403(b). Under either plan, the institution's cash match under the Internal Revenue Code Section 401(a) during fiscal year 2014 was a maximum match up to \$20 per pay period or \$40 per month. This employer match is for either plan but not both plans. Employer contributions under these plans were approximately \$13.1 million for fiscal year 2014.

The deferred compensation plan for the University of Virginia Medical Center (part of the University of Virginia – nonmajor component unit) employees hired on or after September 30, 2002 allows employee contributions up to 4.0 percent of their salary and the employer match is 50.0 percent of the 4.0 percent deferral not to exceed 2.0 percent of the employees' salary. Employer contributions under this plan were approximately \$1.4 million for fiscal year 2014.

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

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

The Virginia Port Authority (VPA) (nonmajor component unit) offers three deferred compensation plans and two matching savings plans under Internal Revenue Code Sections 457 and 401(a), respectively. Employees who maintain status under VRS are covered under the deferred compensation plan administered by the System as discussed above. The VPA deferred compensation plan covers all employees hired between July 1, 1997 and February 1, 2014, and those employees electing coverage under the authority's deferred compensation plan. Employees hired after February 1, 2014 are eligible for a defined contribution plan. In January 2014, the VPA Board of Commissioners voted to amend the VPA defined Benefit Plan to freeze participation and to provide that no new participants shall be admitted or readmitted after January 28, 2014. The VPA also offers a matching savings plan that covers substantially all employees. The matching savings plan requires the VPA to match contributions in an amount equal to half of the first 6.0 percent of the participant's base pay contributed to the plan. VPA's total contribution to the matching savings plan was \$113,878 for the fiscal year ended June 30, 2014. Further, the rights to modify, alter, amend, or terminate the deferred compensation plan and matching savings plan rests with the VPA Board of Commissioners.

The third deferred compensation plan and second matching savings plan covers substantially all non-union employees with 90 days or more of service. The

matching savings plan requires the VPA to match employee contributions in an amount equal to half of the first 3.0 percent of the participant's base pay contributed to the deferred compensation plan. VPA's total contribution to the matching savings plan was \$287,325 for the fiscal year ended June 30, 2014.

## 19. STATE NON-ARBITRAGE POOL

The Commonwealth sponsors the Virginia State Non-Arbitrage Program (SNAP) for use by the Commonwealth and local governments to invest bond proceeds. The Commonwealth's responsibility is limited to hiring service providers to manage SNAP. The investment manager and the custodian have the fiduciary responsibility for SNAP.

The SNAP fund is a class of the PFM Funds Prime Series, a money market mutual fund registered with the Securities and Exchange Commission. PFM Funds is a diversified, open-end management investment company organized as a Virginia business trust. Shares of the SNAP fund are solely available to investors participating in the SNAP program. The PFM Funds Board of Trustees has overall responsibility for supervising the SNAP fund's business and affairs, including the oversight of organizations providing investment advisory, administration, and distribution services to the SNAP fund. PFM Asset Management LLC serves as the investment adviser of the SNAP fund. The SNAP individual investment portfolios are the responsibility of the SNAP investment manager and the governments investing proceeds in the portfolios. These investments are held solely in the SNAP participants' names. Since the Commonwealth has no fiduciary relationship with local governmental entities participating in the plan, these assets of \$2.4 billion are not included in the financial statements.

## 20. COMMITMENTS

### A. Construction Projects

#### Primary Government

#### Highway Projects

At June 30, 2014, the Department of Transportation had contractual commitments of approximately \$4.4 billion for construction of various highway projects. Funding for these expenditures is expected to be provided as follows: (1) federal funds – approximately 25.0 percent or \$1.1 billion, (2) state funds – approximately 48.0 percent or \$2.1 billion, and (3) Proceeds from Bonds – approximately 27.0 percent or \$1.2 billion.

At June 30, 2014, the Route 460 Funding Corporation of Virginia (Corporation) (nonmajor enterprise fund) had contractual commitments of approximately \$114.7 million for the U.S Route 460 Corridor Improvements Project. Additionally, the Corporation had outstanding contractor invoices of \$17.8 million for work performed subsequent to the date of the stop work order (see Note 39). These

invoices will require a future event to occur to make payment probable.

### Mass Transit Projects

At June 30, 2014, the Department of Rail and Public Transportation had contractual commitments of approximately \$236.7 million for various public transportation, rail preservation, and rail enhancement projects. Funding of the future expenditures is expected to be as follows: (1) State Funds – approximately 58.0 percent or \$137.2 million, and (2) Federal Funds – approximately 42.0 percent or \$99.5 million.

### Wastewater Treatment Projects

At June 30, 2014, the Department of Environmental Quality was committed to grant contracts with localities to reimburse a portion of construction costs for nutrient reduction facilities at wastewater treatment plants totaling \$134.7 million provided by bond proceeds and the Water Quality Improvement Fund.

### Other Construction Projects

At June 30, 2014, the Department of Forensic Science had contractual commitments of approximately \$31.5 million and non-contractual commitments of \$569,379 for construction and energy performance contracts.

At June 30, 2014, the Department of Behavioral Health and Developmental Services had construction commitments of approximately \$31.1 million.

At June 30, 2014, the Department of Military Affairs had construction commitments of approximately \$13.3 million.

At June 30, 2014, the Jamestown-Yorktown Foundation had construction commitments of approximately \$11.3 million for the Yorktown Museum Project.

At June 30, 2014, the Department of Veterans Services had construction commitments of approximately \$7.5 million for an addition to the Sitter and Barfoot Veterans Care Center.

At June 30, 2014, the Department of General Services had construction commitments of approximately \$7.2 million for renovations to the Ninth Street Office Building.

### Component Units

#### Port Projects

At June 30, 2014, the Virginia Port Authority (nonmajor) was committed to construction contracts totaling \$73.0 million.

### Wallops Island Project

At June 30, 2014, the Virginia Commercial Space Flight Authority (nonmajor) was committed to construction programs totaling \$5.0 million.

### Treatment Plant

At June 30, 2014, the Hampton Roads Sanitation District Commission (nonmajor) was committed to construction contracts totaling \$217.4 million.

### Higher Education Institutions

Colleges and universities (nonmajor) had contractual commitments as of June 30, 2014, of approximately \$709.0 million primarily for construction contracts. Higher education foundations' commitments total approximately \$49.8 million and are primarily for construction contracts.

## B. Operating Leases

The Commonwealth has entered into numerous agreements to lease land, buildings, and equipment. Most of the operating leases contain the provision that the Commonwealth may renew the operating leases at the expiration date of the lease on a month-to-month basis. In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases of a similar nature. Rental expense for the primary government under these operating leases for the year ended June 30, 2014, was \$67.8 million for governmental activities (including internal service funds) and \$24.0 million for business-type activities. Rental expense for the discrete component units (excluding foundations) for the year ended June 30, 2014, was \$142.6 million. The Commonwealth has, as of June 30, 2014, the following minimum rental payments due under the above leases (dollars in thousands):

	Primary Government		Component Units (1)
	Governmental Activities	Business-type Activities	
2015	\$ 63,536	\$ 21,555	\$ 119,898
2016	50,317	17,829	109,800
2017	40,095	13,005	103,667
2018	31,556	8,895	98,719
2019	22,023	5,079	94,382
2020-2024	51,624	4,941	456,604
2025-2029	5,711	-	502,838
2030-2034	1,180	-	119,173
2035-2039	61	-	5,657
2040-2044	23	-	5,657
2045-2049	23	-	5,657
2050-2054	5	-	4,999
2055-2059	-	-	4,834
2060-2064	-	-	886
Total	\$ 266,154	\$ 71,304	\$ 1,632,771

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

**Foundations (2)**

2015	\$	3,268
2016		2,438
2017		2,139
2018		1,493
2019		1,216
Thereafter		3,664
Total	\$	<u>14,218</u>

Note (2): Foundations represent FASB reporting entities defined in Note 1.B. Rental expense for the year ended June 30, 2014, was approximately \$4.2 million.

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

**C. Investment Commitments – Virginia Retirement System**

The Virginia Retirement System extends investment commitments in the normal course of business, which, at June 30, 2014, amounted to \$7.3 billion.

**D. Virginia Transportation Infrastructure Bank**

Section 33.2-1500 (formerly 33.1-23.6) of the *Code of Virginia* states the Virginia Transportation Infrastructure Bank (Bank) is intended to help alleviate a critical financing need for present and future roads and highways within the Commonwealth. As of June 30, 2014, the Department of Transportation had \$24.3 million in outstanding loans to the City of Chesapeake for the Dominion Boulevard Project coordinated through the Virginia Resources Authority.

The Bank has established a revolving line of credit for the benefit of the Route 460 Funding Corporation of Virginia (Corporation) (nonmajor enterprise fund) and the trustee not to exceed \$80.0 million at 3.3 percent. Amounts issued under this line of credit will be designated as Toll Road Junior Lien Revenue Bond Series 2012C. In the event of issue, the Series 2012C bond is a Junior Lien Bond within the meaning of the Master Indenture and payable from and secured by the Trust Estate in accordance with the terms of the Master Indenture and the Second Supplemental Indenture. It will be paid from the Junior Lien Bond Fund. In the event the Series 2012C bonds are issued, the bonds are junior to any Senior Lien bonds and any subordinate lien bonds including without limitation, the Corporation's Toll Road Senior Lien Revenue Bonds, Series 2012A and Series 2012B. The term of the line of credit commenced on the date the series 2012A and 2012B bonds were issued, December 20, 2012. The term will continue until the earliest of the repayment or defeasance of the Series 2012A and 2012B bonds, the provisions for release as set forth in the Master Indenture, the Comprehensive Agreement or otherwise have been satisfied in full

and the 35<sup>th</sup> anniversary of the substantial completion date. In no event will the term end any later than 40 years from the date of the issuance of the Series 2012A and Series 2012B bonds. The Corporation has no outstanding amounts under this line of credit as of June 30, 2014.

**E. Tobacco Grants**

The Tobacco Indemnification and Community Revitalization Commission (nonmajor component unit) had \$173.6 million in grant award commitments not reflected in the accompanying financial statements since eligibility requirements were not met as of June 30, 2014, in accordance with GASB Statement No. 33.

The Virginia Foundation for Healthy Youth (nonmajor component unit) had \$7.6 million in grant commitments and outstanding contracts not reflected in these statements since eligibility requirements were not met as of June 30, 2014, in accordance with GASB Statement No. 33.

**F. Other Commitments**

**Primary Government**

At June 30, 2014, the Department of Motor Vehicles had contractual commitments of approximately \$33.2 million for security technology services.

At June 30, 2014, the Department of Corrections had contractual commitments of approximately \$156.7 million and non-contractual commitments of approximately \$228.8 million for inmate education, medical care, and food services.

At June 30, 2014, the Virginia Department of Health had commitments of approximately \$29.5 million to localities, trauma centers, trainers, grants to rescue squads, and water supply assistance grants.

At June 30, 2014, the Virginia Employment Commission had contractual commitments of approximately \$13.5 million and non-contractual commitments of approximately \$10.4 million for an information systems modernization project. The agency also had approximately \$5.2 million in other contractual commitments.

At June 30, 2014, the Virginia College Savings Plan (major enterprise fund) had \$146.1 million in private equity commitments.

The Virginia Wireless E-911 (nonmajor enterprise fund) had \$3.6 million in outstanding grants awarded but not yet disbursed to localities as of June 30, 2014, since all of the eligibility criteria have not been met in accordance with GASB Statement No. 33.

## Component Units

The Virginia Housing Development Authority (major) had \$486.4 million in commitments to fund new loans as of June 30, 2014, since all of the eligibility criteria have not been met in accordance with GASB Statement No. 33.

The Virginia Resources Authority (major) was obligated to disburse \$149.7 million in loan commitments to various localities and other governmental entities in the Commonwealth of Virginia as of June 30, 2014, since all of the eligibility criteria have not been met in accordance with GASB Statement No. 33.

The Virginia Small Business Financing Authority (nonmajor) had \$7.8 million in loan commitments to banks and borrowers as of June 30, 2014, since all of the eligibility criteria have not been met in accordance with GASB Statement No. 33.

within one year consist of an estimate of the amount that will be used by active employees for paid time off and/or paid upon termination, plus the actual amount paid after June 30 for employees terminating on or before June 30. In the governmental fund statements, amounts to be paid from expendable resources are recognized as fund liabilities in the applicable governmental fund types as long-term liabilities and represent payments to employees for separations that occurred on or before June 30. Amounts not payable from expendable resources are reflected in the governmental activities column in the Government-wide Statement of Net Position (see Note 26). All amounts related to the fiduciary funds are recognized in those funds.

The liability at June 30, 2014, was computed using salary rates effective at that date, and represents vacation, compensatory, overtime, recognition, and sick leave earned, or disability credits held by employees, up to the allowable ceilings.

## 21. ACCRUED LIABILITY FOR COMPENSATED ABSENCES

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

All employees hired after January 1, 1999, are required to enroll in the Virginia Sickness and Disability Program (VSDP) (see Note 16). Under the VSDP, employees receive a specified number of sick and personal leave hours, depending on their length of service, and any balances at the end of the leave year revert. Individuals employed at January 1, 1999, had the option of converting to the VSDP or remaining in the traditional sick leave plan. If converting, the employee's sick leave balance could be used to purchase retirement credits or be converted to disability credits. If an employee opted to remain in the traditional sick leave program, sick leave accrues at a rate of five hours semimonthly. Employees who leave state service after a minimum of five years employment receive the lesser of 25.0 percent of the value of their disability credits or accumulated sick leave at their current earnings rate or \$5,000. All employees leaving state service are paid for accrued annual leave up to the maximum leave year limit at their current earnings rate.

In conformance with Section C60 of the GASB Codification, the monetary value of accumulated vacation, compensatory, overtime, recognition, and sick leave payable upon termination is included in the accompanying financial statements and is reported as Compensated Absences. In the government-wide statements, proprietary fund statements, and discrete component unit fund statements, compensated absence amounts are segregated into two components – the amount due within one year and the amount due in more than one year. Compensated absences due

## 22. POLLUTION REMEDIATION OBLIGATIONS

The Commonwealth has pollution remediation obligations of \$13.2 million, of which \$2.1 million is due within one year. With the exception of the Department of Environmental Quality (DEQ), agencies estimated future obligations based on professional consultant estimates and/or historical project expenses of similar projects; however, there is the potential for change in estimates due to price increases or reductions, technology, or applicable laws and regulations. Remediations for DEQ are not estimates but contractual obligations between the Commonwealth and the U.S. Environmental Protection Agency (EPA), and any change due to a reconciliation of incurred costs requires mutual consent and contract amendment.

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

Agencies involved in remediation include:

- Department of Behavioral Health and Developmental Services (DBHDS)
- Department of Corrections (DOC)
- Department of Emergency Management (VDEM)
- Department of Environmental Quality (DEQ)
- Department of Juvenile Justice (DJJ)
- Department of Transportation (VDOT)

A Facility Lead Agreement was signed between the EPA and VDOT to resolve an issue concerning the storage of lab wastewater in an outdoor lined surface impoundment that operated between 1979 and 1983 for which contamination is present in soil and groundwater. DOC was fined by the EPA in September/October 2003. DOC proposed to conduct a Supplemental Environmental Project (SEP) which included the

formation of the Pollution Prevention Section of the Environmental Services Unit, disclosure of all environmental deficiencies to both the EPA and DEQ and corrections of those deficiencies.

The following pollution remediation outlays could not reasonably be estimated as of June 30, 2014:

- VDEM relating to cleanup of an emergency fuel storage facility
- VDOT relating to groundwater contamination

## 23. INSURANCE

### A. Self-Insurance

The Commonwealth maintains two types of self-insurance plans. The first type of self-insurance is a health care plan administered by the Department of Human Resource Management for Commonwealth employees. The plan is accounted for in the Health Care Internal Service Fund. Interfund premiums are accounted for as internal activity receipts from other funds. At June 30, 2014, \$124.9 million is reported as the estimated claims payable for this fund, which is undiscounted as nearly all health care claims are current in nature. The estimated liability is based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported as described in Note 1.U. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

		Current			
	Balance	Year Claims	Claim	Balance	
	July 1,	and Changes	Payments	June 30, (1)	
	in Estimates	in Estimates	in Estimates	in Estimates	
2013-2014	\$ 116,432	\$ 1,112,747	\$ (1,104,289)	\$ 124,890	
2012-2013	\$ 109,591	\$ 1,085,886	\$ (1,079,045)	\$ 116,432	

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

The second type of plan, Risk Management, is administered by the Department of the Treasury, Division of Risk Management and the Department of Human Resource Management, Worker's Compensation Program. These plans are accounted for in the Risk Management Internal Service Fund. The Department of the Treasury administers risk management programs providing property, general (tort) liability, medical malpractice, automobile and surety bond exposures for the Commonwealth of Virginia as provided in Sections 2.2-1834 through 1838 and Section 2.2-1840 of the *Code of Virginia*. Established subject to the approval of the Governor, risk management plans provide state agencies with protection through purchased insurance, self-insurance or a combination thereof. Interfund premiums for the fund are accounted for as internal activity receipts from other funds. The claims payable is an estimated liability based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported. At

June 30, 2014, \$624.6 million is reported as the estimated claims payable for the risk management plan. This amount is discounted to present value at a rate of 3.0 percent. Undiscounted claims payable at June 30, 2014, is \$921.2 million. The estimated losses are based upon actual claims that have been submitted, as well as claims incurred but not reported. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

		Current			
	Balance	Year Claims	Claim	Balance	
	July 1,	and Changes	Payments	June 30, (1)	
	in Estimates	in Estimates	in Estimates	in Estimates	
2013-2014	\$ 622,835	\$ 71,103	\$ (69,345)	\$ 624,593	
2012-2013	\$ 608,714	\$ 84,681	\$ (70,560)	\$ 622,835	

- (1) Of the balance shown above, \$82.2 million is due within one year.

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

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

The Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – nonmajor component unit) is self-insured for medical malpractice and provides for the liability on an undiscounted basis, based on the ultimate cost of known claims and claims incurred but not yet reported. The Authority is also self-insured for workers' compensation and provides for the liability on a blended discounted and undiscounted basis, based on the ultimate cost of known claims and claims incurred but not yet reported. These liabilities include assumptions and factors related to the frequency and severity of claims, claims development history, and claims settlement practices.

Estimated losses on malpractice and workers' compensation claims for the current and prior fiscal years are as follows (dollars in thousands):

#### Estimated Malpractice Losses

	Balance July 1,	Claims Expense (2)	Claims Settled	Balance June 30, (1)
2013-2014	\$ 23,931	\$ 6,621	\$ (4,360)	\$ 26,192
2012-2013	\$ 23,467	\$ 5,797	\$ (5,333)	\$ 23,931

- (1) Of the balance shown above, \$4.2 million is due within one year.
- (2) This column represents malpractice claims expense, net of actuarial adjustments.

#### Estimated Workers' Compensation Losses

	Balance July 1,	Claims Expense (2)	Claims Settled	Balance June 30, (1)
2013-2014	\$ 15,081	\$ 4,754	\$ (2,022)	\$ 17,813
2012-2013	\$ 17,527	\$ (355)	\$ (2,091)	\$ 15,081

- (1) Of the balance shown above, \$2.1 million is due within one year.
- (2) This column represents workers' compensation expense, net of actuarial adjustments.

In addition, expenses and liabilities arising from services rendered to VA Premier's Plan (component unit of the Authority) HMO members are reported when it is probable that services have been provided and the amount of the claim can be reasonably estimated. The claims payable includes an estimate of claims that have been incurred but not reported. At June 30, 2014, the amount of these liabilities is approximately \$65.4 million and is reported as Claims Payable – Due Within One Year. This liability is VA Premier's best estimate based on available information.

Additional information on the claims payable amounts reported by the Authority can be found in the individually published financial statements of the Authority.

Virginia International Terminals, LLC (VIT) (a blended component unit of the Virginia Port Authority – nonmajor) is partially self-insured for certain workers' compensation claims. The Authority maintains insurance coverage of \$5.0 million per claim, but is obligated to pay the first \$1.0 million of any individual's claims per incident. The Authority is also partially self-insured for employee health coverage. The Authority is responsible for actual claim costs up to \$125,000 per individual per calendar year. Insurance coverage is maintained for claims in excess of the individual employee limit and for aggregate claims in excess of \$5.4 million.

## B. Public Entity Risk Pools

The Commonwealth administers two types of public entity risk pools for the benefit of local governmental units: health care and risk management insurance. The Local Choice Health Care plan was established to make comprehensive health care insurance available to localities and political subdivisions at affordable rates and with stable premiums. During the fiscal year, there were 314 local government units participating in the pool. This includes 34 school districts, 39 counties, 115 cities/towns, and 126 other subdivisions. This program is accounted for in the Local Choice Health Care Enterprise Fund (nonmajor).

The Department of Human Resource Management, under Section 2.2-1204 of the *Code of Virginia*, has the authority to design, set rates, and administer the Local Choice Health Care fund. The pool's standard contract period is one year. However, a member group may withdraw on the last day of any month with three month's written notice. Contributions are based on the current necessary contribution and the amortization of experience adjustments in the pool. At June 30, 2014, \$33.0 million is reported as the actuarially determined estimated claims payable for this fund based on claims incurred but not reported.

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

The Department of the Treasury, Division of Risk Management administers risk management programs for political subdivisions, constitutional officers and others in accordance with Section 2.2-1839 of the *Code of Virginia*. These pools were established to provide an economical, low-cost alternative to the commercial insurance market for the Commonwealth's political subdivisions. These risk programs are accounted for in the Risk Management Enterprise Fund (nonmajor). The pool is established subject to approval by the Governor. It may be insurance, self-insurance, or any combination thereof, and must provide protection and legal defense against liability. Participation is voluntary and open to those identified in Section 2.2-1839, *Code of Virginia*. As of June 30, 2014, there were 490 units of local government in the pool, including 3 cities, 24 towns, and 30 counties. The remaining 433 units include a large variety of boards, commissions, authorities, and special districts.

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

The pool is actuarially valued annually and is considered sound. No excess insurance or reinsurance is provided, but a "stability fund" is incorporated into the actuarially determined required reserves. For the liability insurance pool, participation is voluntary and open to those identified in Section 2.2-1839 of the *Code of Virginia*. The risk assumed by the local public entity pool for member liability is \$1.0 million per occurrence.

At June 30, 2014, \$30.1 million is reported as estimated claims payable for these programs. This figure is actuarially determined for the fund in total and is reported at gross and does not reflect possible reimbursements for insurance recoveries.

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

	Local Choice Health Care		Risk Management	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Unpaid Claims and Claim				
Adjustment Expenses at Beginning of Fiscal Year	\$ 31,225	\$ 26,507	\$ 27,404	\$ 24,533
Incurred Claims and Claim Adjustment Expenses:				
Provision for Insured Events of the Current Fiscal Year	293,514	279,842	204	(1,684)
Changes in Provision for Insured Events of Prior Fiscal Years	-	-	2,261	2,431
Total Incurred Claims and Adjustment Expenses	293,514	279,842	2,465	747
Payments:				
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	291,711	275,124	367	335
Total Payments	291,711	275,124	367	335
Change in Provision for Discounts	-	-	641	578
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Discounted) (1) (2) (3)	\$ 33,028	\$ 31,225	\$ 30,143	\$ 25,523
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Undiscounted)	\$ 33,028	\$ 31,225	\$ 32,337	\$ 27,404

Note (1): The entire balance for Local Choice Health Care, \$33,028 (dollars in thousands) is due within one year.

Note (2): Of the balance shown above for Risk Management, \$8,896 (dollars in thousands) is due within one year.

Note (3): The interest rate used for discounting is 3.0 percent.

## 24. ACCOUNTS PAYABLE

The following table (dollars in thousands) summarizes Accounts Payable as of June 30, 2014.

	<u>Vendor</u>	<u>Salary/ Wage</u>	<u>Retainage</u>	<u>Other</u>	<u>Foundations (1)</u>	<u>Total</u>
<b>Primary Government:</b>						
General	\$ 162,219	\$ 95,082	\$ 189	\$ -	\$ -	\$ 257,490
Major Special Revenue Funds:						
Commonwealth Transportation	277,051	30,222	4,071	-	-	311,344
Federal Trust	105,720	16,127	3,533	-	-	125,380
Literary	20	-	-	-	-	20
Nonmajor Governmental Funds	33,588	20,536	4,150	317	-	58,591
Major Enterprise Funds:						
Virginia Lottery (2)	6,736	1,169	-	6,277	-	14,182
Virginia College Savings Plan (2)	219	409	-	667	-	1,295
Unemployment Compensation	190	-	-	-	-	190
Nonmajor Enterprise Funds	48,072	5,719	-	4	-	53,795
Internal Service Funds	52,739	3,022	1,603	-	-	57,364
Private Purpose Trust Funds	302	153	-	2,736	-	3,191
Pension and Other Employee Benefit Trust (3)	520	1,766	-	39,462	-	41,748
Agency Funds	1,853	-	-	3,793	-	5,646
<b>Total Primary Government (4)</b>	<b>\$ 689,229</b>	<b>\$ 174,205</b>	<b>\$ 13,546</b>	<b>\$ 53,256</b>	<b>\$ -</b>	<b>\$ 930,236</b>
<b>Discrete Component Units:</b>						
Virginia Housing Development Authority	\$ 2,579	\$ 1,839	\$ -	\$ 19,203	\$ -	\$ 23,621
Virginia Public School Authority	149	-	-	-	-	149
Virginia Resources Authority	134	6	-	-	-	140
Virginia College Building Authority	7	-	-	-	-	7
Nonmajor Component Units	519,429	382,314	29,195	11,189	106,405	1,048,532
<b>Total Component Units</b>	<b>\$ 522,298</b>	<b>\$ 384,159</b>	<b>\$ 29,195</b>	<b>\$ 30,392</b>	<b>\$ 106,405</b>	<b>\$ 1,072,449</b>

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

Note (2): Other Accounts Payable for the Virginia Lottery represents administrative costs payable. Other Accounts Payable for the Virginia College Savings Plan represents program distributions payable.

Note (3): Other Accounts Payable for the Pension and Other Employee Benefit Trust Fund consists of \$27,280 (dollars in thousands) in investment management expense and \$12,182 (dollars in thousands) in program benefit liabilities.

Note (4): Fiduciary liabilities of \$50,585 (dollars in thousands) are not included in the Government-wide Statement of Net Position. In addition, governmental fund liabilities of \$111,996 (dollars in thousands) are included in the Government-wide Statement of Net Position, but excluded from the above amounts.

## 25. OTHER LIABILITIES

The following table (dollars in thousands) summarizes Other Liabilities as of June 30, 2014.

	<u>Primary Government</u>				
	<u>General</u>	<u>Commonwealth Transportation</u>	<u>Federal Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Virginia Lottery</u>
Lottery Prizes Payable	\$ -	\$ -	\$ -	\$ -	\$ 61,978
Due to Program Participants, Escrows, and Providers	-	-	-	-	-
Medicaid Payable	312,609	-	315,334	-	-
Family Access to Medical Insurance Security Payable	4,134	-	7,677	-	-
Accrued Interest Payable	-	-	-	-	-
Tax Refunds Payable	390,682	-	-	-	-
Insurance Carrier Surety Deposit	-	-	-	-	-
Deposits Pending Distribution	5,428	6,860	-	3,338	-
Car Tax Payable	263,025	-	-	-	-
Other Liabilities	348	9	4	1,089	-
<b>Total Other Liabilities</b>	<b>\$ 976,226</b>	<b>\$ 6,869</b>	<b>\$ 323,015</b>	<b>\$ 4,427</b>	<b>\$ 61,978</b>



Primary Government					
	Virginia College Savings Plan	Unemployment Compensation	Nonmajor Enterprise Funds	Internal Service Funds (1)	Private Purpose Trust Funds
Lottery Prizes Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Program Participants, Escrows, and Providers	215	35,477	-	-	3,819
Medicaid Payable	-	-	-	-	-
Family Access to Medical Insurance Security Payable	-	-	-	-	-
Accrued Interest Payable	-	-	5,863	-	-
Tax Refunds Payable	-	-	-	-	-
Insurance Carrier Surety Deposit	-	-	-	-	-
Deposits Pending Distribution	-	-	178	344	-
Car Tax Refund Payable	-	-	-	-	-
Other Liabilities	-	-	163	508	73
Total Other Liabilities	<u>\$ 215</u>	<u>\$ 35,477</u>	<u>\$ 6,204</u>	<u>\$ 852</u>	<u>\$ 3,892</u>

Note (1): The Other Liabilities amount of \$508 (dollars in thousands) is due to third party clearing amounts that have decreased from the prior year due to the closing of an account therefore less timing issues with checks clearing the bank.

Primary Government			
	Pension and Other Employee Benefit Trust Funds (2)	Agency Funds	Total Primary Government (3)
Lottery Prizes Payable	\$ -	\$ -	\$ 61,978
Due to Program Participants, Escrows, and Providers	-	41,355	80,866
Medicaid Payable	-	-	627,943
Family Access to Medical Insurance Security Payable	-	-	11,811
Accrued Interest Payable	-	-	5,863
Tax Refunds Payable	-	-	390,682
Insurance Carrier Surety Deposit	-	438,617	438,617
Deposits Pending Distribution	-	73,814	89,962
Car Tax Refund Payable	-	-	263,025
Other Liabilities	118,444	1,887	122,525
Total Other Liabilities	<u>\$ 118,444</u>	<u>\$ 555,673</u>	<u>\$ 2,093,272</u>

Note (2): Other Liabilities of \$118,444 (dollars in thousands) reported in pension and other employee benefit trust funds are made up of \$35,424 (dollars in thousands) in funds held for the Commonwealth Health Research Fund; \$27,945 (dollars in thousands) in other funds managed by the System; \$49,491 (dollars in thousands) in pending investment transactions, including \$1,681 (dollars in thousands) for futures contracts, \$47,793 (dollars in thousands) for net foreign exchange contracts, \$17 (dollars in thousands) in other investment payables; \$2,326 (dollars in thousands) in other payables related to the System benefit plans; \$2,444 (dollars in thousands) in foreign taxes payables related to the System benefit plans, and \$814 (dollars in thousands) in interest and dividends payable related to the System benefit plans.

Note (3): Fiduciary liabilities of \$678,009 (dollars in thousands) are not included in the Government-wide Statement of Net Position. Governmental fund liabilities of \$186,951 (dollars in thousands) are included in the Government-wide Statement of Net Position, but excluded from the above amounts.

Component Units						
	Virginia Housing Development Authority	Virginia Public School Authority	Virginia Resources Authority	Virginia College Building Authority	Nonmajor Component Units	Total Component Units
Accrued Interest Payable	\$ 64,393	\$ 57,449	\$ 27,748	\$ 84,375	\$ 65,478	\$ 299,443
Other Liabilities	1,028	-	12,224	442	235,677	249,371
Deposits Pending Distribution	-	-	-	-	607,759	607,759
Short-term Debt	157,000	-	-	-	256,451	413,451
Grants Payable	-	-	-	-	4,081	4,081
Total Other Liabilities	<u>\$ 222,421</u>	<u>\$ 57,449</u>	<u>\$ 39,972</u>	<u>\$ 84,817</u>	<u>\$ 1,169,446</u>	<u>\$ 1,574,105</u>

## Medicaid Payable

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

The Department of Medical Assistance Services (DMAS) estimates, based on past experience, the total amount of Medicaid claims that will be paid from the Medicaid program in the future which relate to services provided before year-end. At June 30, 2014, the estimated liability related to Medicaid claims totaled \$627.9 million. Of this amount, \$312.6 million is reflected in the General Fund (major governmental) and \$315.3 million in the Federal Trust Special Revenue Fund (major governmental).

## Family Access to Medical Insurance Security Payable

DMAS estimates the total amount of claims that will be paid from the Family Access to Medical Insurance Security program in the future which relate to services provided before year-end. At June 30, 2014, the estimated liability related to claims totaled \$11.8 million. Of this amount, \$4.1 million is reflected in the General Fund (major governmental) and \$7.7 million in the Federal Trust Special Revenue Fund (major governmental).

## Tax Refunds Payable

Tax refunds payable represent refunds due on individual tax returns filed for the calendar year ended on or before December 31, 2013, and on business tax returns filed for corporate fiscal years ending on or before June 30, 2014. The individual tax return filing deadline is May 1 of each year for the preceding calendar year. The corporate tax return filing deadline is the 15th day of the fourth month following the close of the corporate fiscal year.

## Car Tax Refund Payable

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

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

## Termination Benefits

During fiscal year 2014, the Commonwealth laid off 498 employees. The affected employees had the option of volunteering for enhanced retirement benefits or severance benefits. The enhanced retirement benefits option was elected by 26 employees, and the remaining 472 employees elected severance benefits. The severance benefits include salary payments based on years of service and insurance premium payments for health and life insurance. All severance benefits were initiated during fiscal year 2014 and will end no later than June 30, 2015. The benefit cost expended and the outstanding liability as of June 30, 2014, are \$3.9 million and \$2.2 million, respectively. Since the severance benefits last for a maximum of 12 months, discounting of future cash flows is unnecessary. Additionally, the estimated payments are calculated using the Department of Human Resources' Termination Benefits Calculator and actual costs.

## Short-term Debt

Short-term debt results from borrowings from anticipation notes, lines of credit, and similar loans with parties external to the primary government. The primary government's policy is to disclose activity related to short-term borrowings occurring during the fiscal year. For fiscal year 2014, the primary government's agencies did not participate in short-term borrowings with external parties.

Various higher education institutions and foundations (nonmajor component units) have short-term debt totaling \$256.4 million. Of this amount, \$217.1 million provides bridge financing for capital projects. The remaining short-term debt is for working capital, property acquisition, and operating costs. The Virginia Housing Development Authority (major component unit) has borrowing from lines of credit in the amount of \$157.0 million. The Library of Virginia Foundation (nonmajor component unit) has a \$37,000 note with a related party.

The balance of Other Liabilities is spread among various other funds.

## 26. LONG-TERM LIABILITIES

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

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

The 9(d) Route 460 Funding Corporation of Virginia Bonds (primary government) are special, limited obligations of the Corporation, secured by a gross revenue pledge and payable solely from revenues.

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

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

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

<b>Total Long-term Liabilities</b>		
June 30, 2014		
<i>(Dollars in Thousands)</i>	<b>Balance At June 30</b>	<b>Amount Due Within One Year</b>
<b>Primary Government:</b>		
Governmental Activities:(1)		
<b>General Obligation Bonds: (2)</b>		
9(b) Public Facilities (3)	\$ 706,192	\$ 67,225
9(c) Parking Facilities (3)	17,045	848
9(c) Transportation Facilities (3)	19,632	2,405
Total General Obligation Bonds	<u>742,869</u>	<u>70,478</u>
<b>Nongeneral Obligation Bonds - 9(d):</b>		
Transportation Debt (3) (4)	3,181,100	170,360
Virginia Public Building Authority (3)	2,374,835	182,730
Total Nongeneral Obligation Bonds	<u>5,555,935</u>	<u>353,090</u>
<b>Other Long-term Obligations:</b>		
Pension Liability	2,114,803	-
OPEB Liability	568,764	-
Compensated Absences	321,520	165,046
Capital Lease Obligations	60,916	11,822
Pollution Remediation Obligations	13,186	2,079
Notes Payable	529	222
Installment Purchase Obligations	113,936	10,901
Economic Development Authority Obligations (3)	57,621	5,425
Other Liabilities	36,632	5,000
Total Other Long-term Obligations	<u>3,287,907</u>	<u>200,495</u>
Total Governmental Activities (3)	<u>9,586,711</u>	<u>624,063</u>
Business-type Activities: (1) (5)		
<b>Nongeneral Obligation Bonds - 9(d):</b>		
Route 460 Funding Corporation of Virginia Bonds	317,305	-
<b>Other Long-term Obligations:</b>		
Pension Liability	57,400	-
OPEB Liability	18,709	-
Compensated Absences	10,102	5,398
Capital Lease Obligations	6,072	364
Tuition Benefits Payable	2,140,430	224,344
Lottery Prizes Payable	152,693	23,317
Total Other Long-term Obligations	<u>2,385,406</u>	<u>253,423</u>
Total Business-type Activities	<u>2,702,711</u>	<u>253,423</u>
<b>Total Primary Government</b>	<u>12,289,422</u>	<u>877,486</u>

**Total Long-term Liabilities**

June 30, 2014

<i>(Dollars in Thousands)</i>	<b>Balance At June 30</b>	<b>Amount Due Within One Year</b>
<b>Component Units:</b>		
<b>General Obligation Bonds: (2)</b>		
Higher Education Fund - 9(c) Bonds (3)	925,086	47,317
<b>Nongeneral Obligation Bonds:</b>		
Higher Education Institutions - 9(d) (3) (5)	1,826,603	28,078
Virginia College Building Authority (3)	3,286,119	189,005
Virginia Port Authority (3) (6)	494,873	14,840
Virginia Housing Development Authority (3) (5)	4,931,982	255,175
Virginia Resources Authority (3) (7)	3,367,876	139,355
Virginia Public School Authority (3) (5)	3,523,633	227,845
Hampton Roads Sanitation District Commission (5)	766,353	53,644
Virginia Biotechnology Research Park Authority (3)	34,355	3,385
Foundations (5) (8)	1,034,675	28,135
Total Nongeneral Obligation Bonds	<u>19,266,469</u>	<u>939,462</u>
<b>Other Long-term Obligations:</b>		
Pension Liability (9)	1,066,638	-
OPEB Liability (10)	701,715	-
Compensated Absences	280,237	194,147
Capital Lease Obligations	82,189	5,520
Notes Payable (5)	2,067,038	155,080
Installment Purchase Obligations	76,526	15,270
Trust and Annuity Obligations (5) (11)	3,687	-
Other Liabilities (5)	249,042	71,895
Total Other Long-term Obligations (Excluding Foundations)	<u>4,527,072</u>	<u>441,912</u>
<b>Other Long-term Obligations (Foundations): (5) (8)</b>		
Pension Liability	103,591	-
Compensated Absences	11,885	9,581
Capital Lease Obligations	2,601	460
Notes Payable	265,161	14,626
Trust and Annuity Obligations (11)	81,481	3,236
Other Liabilities	169,847	17,849
Total Other Long-term Obligations - Foundations	<u>634,566</u>	<u>45,752</u>
Total Other Long-term Obligations	<u>5,161,638</u>	<u>487,664</u>
<b>Total Component Units</b>	<u>25,353,193</u>	<u>1,474,443</u>
<b>Total Long-term Liabilities</b>	<u>\$ 37,642,615</u>	<u>\$ 2,351,929</u>

- Pursuant to GASB Statement No. 34, governmental activities include internal service funds. Business-type activities are considered enterprise funds.
- Total general obligation debt of the Commonwealth is \$1.7 billion.
- Amounts are net of any unamortized discounts and premiums.
- This debt includes \$807.7 million that is not supported by taxes.
- This debt is not supported by taxes.
- This debt includes \$272.8 million that is not supported by taxes.
- This debt is not supported by taxes; however, \$831.2 million is considered moral obligation debt.
- Foundations represent FASB reporting entities defined in Note 1.B.
- This includes pension obligations that do not relate to the Virginia Retirement System from Virginia Commonwealth University of \$2.9 million and Virginia Port Authority of \$3.0 million. It does not include pension obligations from fiduciary funds of \$16.4 million.
- This includes OPEB obligations that do not relate to the Virginia Retirement System from University of Virginia of \$40.7 million and Virginia Port Authority of \$194,709. It does not include OPEB obligations from fiduciary funds of \$6.1 million.
- These generally represent split-interest agreements that represent donor contributed assets with the requirement that an annual distribution be made to the donor or specified beneficiary. The annual distributions are usually for a fixed dollar amount or a fixed percentage of the trust's fair market value. The present value of these commitments is reported as Trust and Annuity Obligations.

**Primary Government**

**Transportation Facilities Debt**

Transportation Facilities Bonds include \$19.6 million of Section 9(c) general obligation bonds and \$3.2 billion of Transportation Facilities Section 9(d) debt. The Section 9(d) debt includes \$2.4 billion of Section 9(d) revenue bonds, \$60.9 million of outstanding Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes, and \$746.8 million of Grant Anticipation Revenue Vehicles (GARVEES) in addition to the outstanding Section 9(d) revenue bonds. 9(c) principal and interest requirements for the current year totaled \$3.2 million. 9(d) principal and interest requirements for the current year totaled \$292.7 million. The Section 9(c) Transportation Facilities Bonds were issued to fund the construction and improvement of the George P. Coleman Bridge. The Section 9(d) Transportation Facilities Bonds were issued to fund the construction of State Route 28, U.S. Route 58, the Northern Virginia Transportation District Program, and the Oak Grove Connector (Chesapeake). The Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes were issued to finance various capital transportation projects throughout the Commonwealth. The interest rates for these bonds range from 3.0 percent to 5.0 percent and the issuance date was September 28, 2005. The GARVEES were issued to finance various Federal Aid Transportation projects throughout the Commonwealth. The interest rates for these bonds range from 1.0 percent to 5.0 percent and the issuance dates range from March 15, 2012 to November 21, 2013.

The following schedules detail the annual funding requirements necessary to amortize Transportation Facilities 9(c) bonds and 9(d) debt. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of \$110.2 million for Build America Bonds (BABs) issued. The BABs are applicable to Commonwealth of Virginia Transportation Series 2010A Capital Project Revenue Bonds and Series 2009A Northern Virginia Transportation District Revenue Bonds.

**9(c) TRANSPORTATION FACILITIES BONDS  
Debt Service Requirements to Maturity**

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2015	\$ 2,405,000	\$ 786,100	\$ 3,191,100
2016	2,520,000	665,850	3,185,850
2017	2,620,000	568,200	3,188,200
2018	2,730,000	463,400	3,193,400
2019	2,840,000	354,200	3,194,200
2020-2024	6,015,000	363,200	6,378,200
Add:			
Unamortized Premium	501,953	-	501,953
<b>Total</b>	<b>\$ 19,631,953</b>	<b>\$ 3,200,950</b>	<b>\$ 22,832,903</b>

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

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2015	\$ 170,360,000	\$ 135,179,116	\$ 305,539,116
2016	177,490,000	127,368,041	304,858,041
2017	154,620,000	119,502,376	274,122,376
2018	161,220,000	112,146,594	273,366,594
2019	159,380,483	104,936,176	264,316,659
2020-2024	712,845,473	420,593,978	1,133,439,451
2025-2029	648,839,315	251,620,825	900,460,140
2030-2034	483,655,000	120,060,296	603,715,296
2035-2039	219,335,000	16,053,408	235,388,408
Less:			
Unamortized Discount	(100,420)	-	(100,420)
Add:			
Accretion on Capital Appreciation Bonds	20,761,750	-	20,761,750
Unamortized Premium	272,692,925	-	272,692,925
<b>Total</b>	<b>\$ 3,181,099,526</b>	<b>\$ 1,407,460,810</b>	<b>\$ 4,588,560,336</b>

**Fairfax Economic Development Authority Obligations**

In fiscal year 2006, the Fairfax County Economic Development Authority (EDA) issued Section 9(d) revenue bonds to pay for the Commonwealth's (VDOT) costs of the planning, design and construction of a transportation infrastructure and related public safety operations complex to be developed on the contiguous sites in the county commonly referred to as "Camp 30" for the joint use of VDOT and the county. In fiscal year 2014, Fairfax County EDA issued a series of revenue refunding bonds, which partially refunded Series 2006 revenue bonds. The Commonwealth's obligation is set out in a payment agreement between Fairfax County EDA and the Commonwealth of Virginia, Department of Transportation, in which the Commonwealth agrees to make payments equal to the debt service from amounts appropriated by the General Assembly. The interest rates for these bonds range from 1.0 percent to 5.0 percent and the issue dates were April 12, 2006 and March 26, 2014. The principal and interest requirements for the current year totaled \$7.8 million. The following schedule details the annual funding requirements necessary to repay these bonds.

**FAIRFAX COUNTY ECONOMIC DEVELOPMENT AUTHORITY  
Debt Service Requirements to Maturity**

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2015	\$ 5,425,000	\$ 2,399,750	\$ 7,824,750
2016	5,590,000	2,237,000	7,827,000
2017	5,870,000	1,957,500	7,827,500
2018	6,165,000	1,664,000	7,829,000
2019	6,470,000	1,355,750	7,825,750
2020-2024	20,645,000	2,060,500	22,705,500
Unamortized Premium	7,456,363	-	7,456,363
<b>Total</b>	<b>\$ 57,621,363</b>	<b>\$ 11,674,500</b>	<b>\$ 69,295,863</b>

## Route 460 Funding Corporation of Virginia Debt

At June 30, 2014, Route 460 Funding Corporation of Virginia (nonmajor enterprise) bonds included \$231.6 million of Current Interest bonds, \$61.8 million of Capital Appreciation bonds, and \$4.8 million of accreted value in Capital Appreciation bonds. No principal payments were required for fiscal year 2014; however, interest payments of \$12.1 million were paid during fiscal year 2014. An interest payment of \$5.9 million is due July 1, 2014, and is therefore recorded as accrued interest payable. On December 20, 2012, the Route 460 Funding Corporation of Virginia issued \$231.6 million of Toll Road Senior Revenues Bonds (Current Interest Bonds), Series 2012A. Series 2012A will be maturing in annual installments on July 1 in the years 2045 to 2052 and interest is payable on January 1 and July 1 at rates varying from 5.0 percent to 5.1 percent beginning July 1, 2013 through July 1, 2052. The proceeds of the series 2012A bonds will be used to pay a portion of the costs of the design, construction, and financing of the Project including, without limitation, to pay interest payable on the series 2012A bonds through January 1, 2018, and to pay certain costs of issuance of the Series 2012 Senior Lien Bonds or as otherwise permitted by the Indenture. On December 20, 2012, the Route 460 Funding Corporation of Virginia issued \$61.8 million of Toll Road Senior Revenues Bonds (Capital Appreciation Bonds), Series 2012B. Series 2012B will be maturing in annual installments on July 1 in the years 2024 to 2045. The Series 2012B Bonds will not bear current interest but each Series 2012B will accrete in value, compounded semiannually from its date of issuance on January 1 and July 1 at interest rates varying from 3.9 percent to 5.2 percent and interest will be payable only upon maturity or early redemption date. The proceeds of the series 2012B bonds will be used to pay a portion of the costs of the design, construction, and financing of the Project including, without limitation, and to pay certain costs of issuance of the Series 2012 Senior Lien Bonds or as otherwise permitted by the Indenture.

**9(d) ROUTE 460 FUNDING CORPORATION OF VIRGINIA BONDS**  
Debt Service Requirements to Maturity

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2015	\$ -	\$ 11,725,913	\$ 11,725,913
2016	-	11,725,913	11,725,913
2017	-	11,725,913	11,725,913
2018	-	11,725,913	11,725,913
2019	-	11,725,913	11,725,913
2020-2024	-	58,629,562	58,629,562
2025-2029	11,630,000	58,629,562	70,259,562
2030-2034	32,205,000	58,629,562	90,834,562
2035-2039	54,095,000	58,629,562	112,724,562
2040-2044	80,940,000	58,629,562	139,569,562
2045-2049	120,045,000	51,826,638	171,871,638
2050-2054	146,950,000	15,443,800	162,393,800
Less:			
Unaccreted Capital Appreciation Bonds	(147,691,080)	-	(147,691,080)
Add:			
Unamortized Premium	19,131,141	-	19,131,141
Total	\$ 317,305,061	\$ 419,047,813	\$ 736,352,874

## Public Facilities Bonds

Section 9(b) general obligation bonds consist of Public Facilities Bonds, Series 2005A, Series 2006A Refunding, Series 2006B, Series 2007A, Series 2007B, Series 2008A, Series 2008B, Series 2009A, Series 2009D Refunding, Series 2009E, Series 2012A Refunding, Series 2013B Refunding, and Series 2014B Refunding. Bonds were issued to fund construction projects for higher educational institutions, behavioral health, and/or park facilities. The Series 2006A bonds were issued to advance refund outstanding Series 1996 bonds. The Series 2009D bonds were issued to advance refund outstanding Series 2004A, Series 2005A, and Series 2006B bonds. The Series 2012A bonds were issued to advance refund outstanding Series 2002, Series 2003A, Series 2004A, and Series 2005A bonds. The Series 2013B bonds were issued to advance refund outstanding Series 2005A, Series 2006B, Series 2007A, and Series 2007B. The Series 2014B bonds were issued to advance refund outstanding Series 2004B Refunding. Principal and interest requirements for the current year totaled \$98.2 million. The interest rates for all bonds range from 2.0 percent to 5.0 percent and the issuance dates range from November 16, 2005, to April 16, 2014. The following schedule details the annual funding requirements necessary to repay these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of \$4.5 million for Build America Bonds (BABs) issued. The BABs are applicable to Series 2009E Public Facilities Revenue Bonds.

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

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2015	\$ 67,225,000	\$ 29,475,523	\$ 96,700,523
2016	60,795,000	26,489,323	87,284,323
2017	53,110,000	23,632,195	76,742,195
2018	49,815,000	21,041,353	70,856,353
2019	48,940,000	18,757,198	67,697,198
2020-2024	243,035,000	58,906,145	301,941,145
2025-2029	120,255,000	12,348,389	132,603,389
Add:			
Unamortized Premium	63,017,524	-	63,017,524
Total	\$ 706,192,524	\$ 190,650,126	\$ 896,842,650

## Parking Facilities Bonds

Section 9(c) general obligation bonds consist of Parking Facilities Bonds, Series 2009B and 2009D Refunding, and 2012A Refunding. The Series 2009B bonds were issued to fund the construction of a new 1,000 vehicle parking structure at 7th and Franklin Streets. The Series 2009D Refunding bonds were issued to advance refund outstanding Series 2004A bonds. The Series 2012A Refunding bonds were issued to advance refund outstanding Series 2002 Refunding and Series 2004A bonds. The interest rates for these bonds range from 4.0 percent to 5.0 percent, and the issuance dates range from October 21, 2009, to March 7, 2012. Current year principal and interest requirements totaled \$1.6 million.

The following schedule details the annual funding requirements necessary to repay these bonds.

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

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2015	\$ 182,730,000	\$ 100,109,967	\$ 282,839,967
2016	180,165,000	91,466,371	271,631,371
2017	164,445,000	83,387,743	247,832,743
2018	147,490,000	75,913,375	223,403,375
2019	131,375,000	69,219,586	200,594,586
2020-2024	633,720,000	256,464,699	890,184,699
2025-2029	580,265,000	113,891,605	694,156,605
2030-2034	207,365,000	13,196,876	220,561,876
Add:			
Unamortized Premium	147,280,622	-	147,280,622
Total	\$ 2,374,835,622	\$ 803,650,222	\$ 3,178,485,844

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

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2015	\$ 847,843	\$ 743,436	\$ 1,591,279
2016	722,093	704,073	1,426,166
2017	890,000	667,610	1,557,610
2018	940,000	623,110	1,563,110
2019	985,000	576,110	1,561,110
2020-2024	5,704,045	2,099,173	7,803,218
2025-2029	4,915,000	761,000	5,676,000
Add:			
Unamortized Premium	2,041,348	-	2,041,348
Total	\$ 17,045,329	\$ 6,174,512	\$ 23,219,841

**Virginia Public Building Authority**

Virginia Public Building Authority Section 9(d) bonds consist of Series 2003A Refunding, 2004A Refunding, 2004B, 2004C Refunding, 2004D Refunding, 2005A Refunding, 2005B Refunding, 2005C, 2005D, 2006A, 2006B, 2007A, 2008B, 2009A, 2009B, 2009C, 2009D Refunding, 2010A, 2010B-1, 2010B-2, 2010B-3 Refunding, 2011A, 2011B, 2012A Refunding, 2013A, and 2013B Refunding. All bonds were issued for the purpose of constructing, improving, furnishing, maintaining, and acquiring public buildings for the use of the Commonwealth and also to reimburse localities, regional jail authorities or other combination of localities under the Regional Jail Financing Program. The Series 2003A were issued to advance refund outstanding Series 1993A bonds. The Series 2004A bonds were issued to advance refund outstanding Series 1994A, 1995, and 1997A bonds. The Series 2004C and 2005A bonds were issued to refinance certain capital lease obligations of the Commonwealth. The Series 2004D bonds were issued to advance refund outstanding Series 1997A, Series 1999B, and Series 2000A bonds. The Series 2005B bonds were issued to advance refund outstanding Series 1996A, Series 1998B, and Series 1999A bonds. The Series 2009D bonds were issued to advance refund outstanding series 2001A and 2002A Revenue bonds. The Series 2010B-3 bonds were issued to advance refund outstanding series 2002A and 2004B Revenue bonds. The Series 2012A bonds were issued to advance refund outstanding series 2004B and 2005C Revenue bonds. The Series 2013B bonds were issued to advance refund 2006A and 2006B revenue bonds. The interest rates for all fixed rate bonds range from 0.1 percent to 5.9 percent and the issuance dates range from February 20, 2003, to February 21, 2013. The Series 2005D bonds are variable rate bonds and the rates are reset weekly by the remarketing agent. Current year principal and interest requirements totaled \$276.4 million. The following schedule details the annual funding requirements necessary to repay these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of \$89.1 million for Build America Bonds (BABs) issued. The BABs are applicable to Series 2010 Revenue Bonds.

**Component Units**

**Higher Education Institution Bonds**

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

College and university bonds backed by pledge of general revenue or revenue from specific revenue-producing capital projects	\$ 1,315,358
College and university debt backed exclusively by pledged revenues of an institution	<u>511,244</u>
Total Higher Education Institution 9(d) debt	<u>\$ 1,826,602</u>

The interest rates for these bonds range from 0.1 percent to 6.4 percent and the issuance dates range from April 23, 1982, to May 1, 2014. The Virginia College Building Authority Series 2006B and 2006C bonds, the Virginia Commonwealth University Series 2012A and 2012B bonds, the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – nonmajor) Series 2013A and 2013B bonds, and the University of Virginia Series 2003A bonds are variable rate bonds and the rates are reset weekly by the remarketing agent.

The following schedules detail the annual funding requirements necessary to amortize Higher Education Institution 9(c) and 9(d) bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of \$343.9 million for Build America Bonds (BABs) issued. The BABs are applicable to General Obligation Series 2010A Bonds, Series 2009F and 2010B 21<sup>st</sup> Century Virginia College Building Authority Education Facilities Bonds, and the University of Virginia's Series 2009 and 2010 General Revenue Bonds.



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

Maturity	Principal	Interest	Total
2015	\$ 47,317,157	\$ 38,052,876	\$ 85,370,033
2016	51,072,907	35,509,670	86,582,577
2017	50,525,000	33,381,928	83,906,928
2018	47,660,000	31,069,608	78,729,608
2019	47,780,000	28,948,358	76,728,358
2020-2024	242,030,955	112,534,891	354,565,846
2025-2029	227,440,000	59,380,117	286,820,117
2030-2034	121,810,000	19,361,056	141,171,056
2035-2039	21,730,000	2,449,985	24,179,985
2040-2044	1,785,000	83,895	1,868,895
Add:			
Unamortized Premium	65,935,255	-	65,935,255
Total	\$ 925,086,274	\$ 360,772,384	\$ 1,285,858,658

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

Maturity	Principal	Interest (1)	Total
2015	\$ 28,077,894	\$ 73,471,769	\$ 101,549,663
2016	24,445,775	72,545,158	96,990,933
2017	19,199,307	71,756,286	90,955,593
2018	19,976,785	71,249,566	91,226,351
2019	20,044,933	70,702,567	90,747,500
2020-2024	139,026,764	343,430,562	482,457,326
2025-2029	123,528,154	321,263,215	444,791,369
2030-2034	212,030,242	303,813,784	515,844,026
2035-2039	378,740,000	266,836,245	645,576,245
2040-2044	803,125,000	82,353,763	885,478,763
Add:			
Unamortized Premium	58,407,197	-	58,407,197
Total	\$ 1,826,602,051	\$ 1,677,422,915	\$ 3,504,024,966

Note (1): The future interest requirements exclude any net payments associated with hedging derivative instruments. See Note 14 for more details on hedging derivative instruments.

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

Maturity	Principal	Interest	Total
2015	\$ 189,005,000	\$ 136,662,955	\$ 325,667,955
2016	192,430,000	127,541,779	319,971,779
2017	200,845,000	119,026,124	319,871,124
2018	188,020,000	110,026,808	298,046,808
2019	181,960,000	101,537,020	283,497,020
2020-2024	846,720,000	387,555,751	1,234,275,751
2025-2029	812,155,000	200,036,822	1,012,191,822
2030-2034	441,630,000	42,947,029	484,577,029
Add:			
Unamortized Premium	233,354,353	-	233,354,353
Total	\$ 3,286,119,353	\$ 1,225,334,288	\$ 4,511,453,641

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

FOUNDATIONS' BONDS (1)  
Debt Service Requirements to Maturity

Maturity	Principal
2015	\$ 28,134,993
2016	32,053,388
2017	31,200,509
2018	137,497,269
2019	107,631,212
Thereafter	698,158,216
Total	\$ 1,034,675,587

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

Virginia Port Authority

The Virginia Port Authority (VPA) (nonmajor) has issued Section 9(d) revenue bonds and notes pursuant to powers provided to its board of commissioners by the *Code of Virginia*. The interest rates for these bonds range from 0.1 percent to 5.5 percent, and the issuance dates range from June 26, 2003, to October 22, 2013. Series 2006A bonds were issued to advance refund \$22.9 million of outstanding Series 1996 bonds. Series 2010 bonds were issued to currently refund in full the outstanding principal amount of the Authority's Series 2009 Bond Anticipation Note. Series 2012 bonds were issued to currently refund in full the outstanding principal amount of the Authority's Commonwealth Port Fund Revenue Bonds and to pay all or a portion of the expenses incurred with respect to the issuance of the Series 2012 Bonds and the refunding of the Series 2002 Bonds. Series 2012B and 2012C bonds were issued to pay the cost of refunding all or a portion of the Series 2005A and 2005B bonds, and to pay costs of issuance of the 2012B and 2012C bonds. Series 2013 bonds were issued to pay the costs of refunding all or a portion of Series 2003 and 2006 bonds and series 2013 issuance costs. The following schedule details the annual funding requirements necessary to amortize VPA bonds.

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

Maturity	Principal	Interest	Total
2015	\$ 14,840,000	\$ 19,570,469	\$ 34,410,469
2016	15,295,000	19,087,459	34,382,459
2017	16,240,000	18,605,825	34,845,825
2018	16,770,000	18,135,608	34,905,608
2019	17,260,000	17,642,330	34,902,330
2020-2024	95,015,000	79,069,808	174,084,808
2025-2029	107,925,000	59,720,268	167,645,268
2030-2034	106,685,000	37,217,722	143,902,722
2035-2039	85,750,000	9,820,000	95,570,000
2040-2044	8,965,000	453,625	9,418,625
Add:			
Unamortized Premium	10,128,249	-	10,128,249
Total	\$ 494,873,249	\$ 279,323,114	\$ 774,196,363

## Virginia Housing Development Authority

The Virginia Housing Development Authority (VHDA) (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 2.1 percent to 6.8 percent and the origination dates range from March 20, 2002, to December 19, 2013. The following schedule details the annual funding requirements necessary to amortize these bonds.

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

Maturity	Principal	Interest	Total
2015	\$ 255,174,601	\$ 343,041,263	\$ 598,215,864
2016	223,075,000	197,617,919	420,692,919
2017	233,340,000	189,665,553	423,005,553
2018	217,105,000	180,953,023	398,058,023
2019	228,660,000	172,692,280	401,352,280
2020-2024	976,945,000	729,174,936	1,706,119,936
2025-2029	682,770,000	554,642,513	1,237,412,513
2030-2034	670,067,564	406,952,612	1,077,020,176
2035-2039	711,181,705	246,653,012	957,834,717
2040-2044	715,041,812	92,062,727	807,104,539
2045-2049	18,825,000	1,156,734	19,981,734
Less:			
Unamortized Discount	(203,481)	-	(203,481)
Total	\$ 4,931,982,201	\$ 3,114,612,572	\$ 8,046,594,773

## Virginia Resources Authority

The Virginia Resources Authority (VRA) (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 0.6 percent to 6.3 percent and the origination dates range from March 1, 2000, to May 21, 2014. The following schedule details the annual funding requirements necessary to amortize these bonds.

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

Maturity	Principal	Interest	Total
2015	\$ 139,355,000	\$ 141,186,501	\$ 280,541,501
2016	147,660,000	135,403,607	283,063,607
2017	163,260,000	128,760,185	292,020,185
2018	173,985,000	121,268,567	295,253,567
2019	155,600,000	113,815,939	269,415,939
2020-2024	781,045,000	460,351,180	1,241,396,180
2025-2029	767,030,000	281,087,388	1,048,117,388
2030-2034	508,010,000	127,853,203	635,863,203
2035-2039	242,605,000	47,033,477	289,638,477
2040-2044	98,180,000	8,237,152	106,417,152
2045-2049	1,535,000	29,688	1,564,688
Less:			
Unaccrued Capital Appreciation Bonds	(37,350,404)	-	(37,350,404)
Add:			
Unamortized Premium	226,960,909	-	226,960,909
Total	\$ 3,367,875,505	\$ 1,565,026,887	\$ 4,932,902,392

## Virginia Public School Authority

The Virginia Public School Authority (VPSA) (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 0.0 percent to 5.5 percent, and the origination dates range from December 21, 2001, to May 15, 2014. The following schedule details the annual funding requirements necessary to amortize

these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of \$198.3 million for Qualified School Construction Bonds (QSCBs) issued. The QSCBs are applicable to Series 2010-1, 2011-1, 2011-2, and 2012-1 Revenue Bonds.

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

Maturity	Principal	Interest	Total
2015	\$ 227,845,000	\$ 144,100,891	\$ 371,945,891
2016	228,444,060	136,355,376	364,799,436
2017	224,168,003	125,498,077	349,666,080
2018	217,825,000	114,758,777	332,583,777
2019	209,620,000	104,374,048	313,994,048
2020-2024	939,415,000	379,671,186	1,319,086,186
2025-2029	859,500,000	177,247,731	1,036,747,731
2030-2034	380,455,000	39,914,044	420,369,044
2035-2039	56,165,000	3,742,485	59,907,485
2040-2044	7,000,000	301,597	7,301,597
Add:			
Unamortized Premium	173,195,609	-	173,195,609
Total	\$ 3,523,632,672	\$ 1,225,964,212	\$ 4,749,596,884

## Hampton Roads Sanitation District Commission

The Hampton Roads Sanitation District Commission (nonmajor) issued bonds under a Master Trust Indenture and a Trust Agreement dated December 1, 1993 and March 1, 2008. The interest cost for these bonds range from 0.3 percent to 5.9 percent. The following schedule details the annual funding requirements necessary to amortize these bonds.

HAMPTON ROADS SANITATION DISTRICT COMMISSION  
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2015	\$ 53,644,000	\$ 31,092,000	\$ 84,736,000
2016	28,084,000	30,273,000	58,357,000
2017	22,828,000	29,544,000	52,372,000
2018	23,295,000	28,829,000	52,124,000
2019	24,424,000	27,991,000	52,415,000
2020-2024	132,786,000	124,551,000	257,337,000
2025-2029	151,309,000	94,599,000	245,908,000
2030-2034	147,992,000	60,173,000	208,165,000
2035-2039	126,480,000	25,012,000	151,492,000
2040-2044	33,115,000	3,316,000	36,431,000
Add:			
Unamortized Premium	22,396,000	-	22,396,000
Total	\$ 766,353,000	\$ 455,380,000	\$ 1,221,733,000

**Virginia Biotechnology Research Partnership Authority**

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

**VIRGINIA BIOTECH RESEARCH PARTNERSHIP AUTHORITY  
Debt Service Requirements to Maturity**

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2015	\$ 3,385,000	\$ 1,370,150	\$ 4,755,150
2016	3,525,000	1,231,950	4,756,950
2017	3,665,000	1,088,150	4,753,150
2018	3,815,000	938,550	4,753,550
2019	3,990,000	762,500	4,752,500
2020-2024	13,255,000	1,016,125	14,271,125
Add:			
Unamortized Premium	<u>2,719,599</u>	<u>-</u>	<u>2,719,599</u>
Total	<u>\$ 34,354,599</u>	<u>\$ 6,407,425</u>	<u>\$ 40,762,024</u>

Total principal outstanding at June 30, 2014, on all component unit bonds amounted to \$20.2 billion.

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

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

(Dollars in Thousands)

	Balance July 1 as restated (3)	Issuances and Other Increases	Retirements and Other Decreases	Subtotal June 30
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
<b>Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:</b>				
General Obligation Bonds - 9(b) and 9(c):				
Public Facilities Bonds	\$ 710,115	\$ 22,855	\$ (89,795)	\$ 643,175
Parking Facilities Bonds	15,810	-	(806)	15,004
Transportation Facilities Bonds	21,420	-	(2,290)	19,130
Add: Unamortized Premium	77,359	1,619	(13,418)	65,560
<b>Total General Obligation Bonds</b>	<b>824,704</b>	<b>24,474</b>	<b>(106,309)</b>	<b>742,869</b>
<b>Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:</b>				
Transportation Facilities Bonds	2,800,146	471,425	(383,825)	2,887,746
Virginia Public Building Authority Bonds	2,397,330	-	(169,775)	2,227,555
Regional Jails Financing Payable	837	-	(837)	-
Economic Development Authority Obligations	74,830	55,875	(80,540)	50,165
Add: Unamortized Premium	408,323	72,923	(53,815)	427,431
Accretion on Capital Appreciation Bonds	18,497	2,262	-	20,759
Less: Unamortized Discount	(105)	5	-	(100)
Installment Purchase Obligations	106,367	21,092	(13,523)	113,936
Notes Payable - Transportation	8,000	-	(8,000)	-
Notes Payable - Aviation	764	-	(235)	529
Notes Payable - Tax Refund	20,319	-	(20,319)	-
Compensated Absences	317,528	195,009	(191,017)	321,520
Capital Lease Obligations	71,835	367	(11,286)	60,916
Pension Liability	1,875,011	239,792	-	2,114,803
OPEB Liability	493,443	75,321	-	568,764
Pollution Remediation Liability	3,494	10,002	(310)	13,186
Other	29,606	11,260	(4,234)	36,632
<b>Total Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth</b>	<b>8,626,225</b>	<b>1,155,333</b>	<b>(937,716)</b>	<b>8,843,842</b>
<b>Total Governmental Activities</b>	<b>9,450,929</b>	<b>1,179,807</b>	<b>(1,044,025)</b>	<b>9,586,711</b>
<b>Business-type Activities:</b>				
<b>Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:</b>				
Non-General Obligation Bonds - 9(d)				
Route 460 Funding Corporation of Virginia Bonds	445,865	-	-	445,865
Add: Unamortized Premium	19,673	-	(542)	19,131
Less: Unaccreted Capital Appreciation Bonds	(150,876)	3,185	-	(147,691)
Capital Lease Obligations	6,453	-	(381)	6,072
Compensated Absences	9,727	2,930	(2,555)	10,102
Pension Liability	48,798	8,607	(5)	57,400
OPEB Liability	15,688	3,023	(2)	18,709
Lottery Prizes Payable	172,474	1,529	(21,310)	152,693
Tuition Benefits Payable	2,189,079	79,025	(127,674)	2,140,430
<b>Total Business-type Activities</b>	<b>2,756,881</b>	<b>98,299</b>	<b>(152,469)</b>	<b>2,702,711</b>
<b>Total Primary Government</b>	<b>\$ 12,207,810</b>	<b>\$ 1,278,106</b>	<b>\$ (1,196,494)</b>	<b>\$ 12,289,422</b>

<u>Foundations (4)</u>	<u>Balance June 30</u>	<u>Due Within One Year</u>
\$ -	\$ 643,175	\$ 67,225
-	15,004	848
-	19,130	2,405
-	65,560	-
-	<u>742,869</u>	<u>70,478</u>
-	2,887,746	170,360
-	2,227,555	182,730
-	-	-
-	50,165	5,425
-	427,431	-
-	20,759	-
-	(100)	-
-	113,936	10,901
-	-	-
-	529	222
-	-	-
-	321,520	165,046
-	60,916	11,822
-	2,114,803	-
-	568,764	-
-	13,186	2,079
-	36,632	5,000
-	<u>8,843,842</u>	<u>553,585</u>
-	<u>9,586,711</u>	<u>624,063</u>
-	445,865	-
-	19,131	-
-	(147,691)	-
-	6,072	364
-	10,102	5,398
-	57,400	-
-	18,709	-
-	152,693	23,317
-	2,140,430	224,344
-	2,702,711	253,423
<u>\$ -</u>	<u>\$ 12,289,422</u>	<u>\$ 877,486</u>

Continued on next page

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

*(continued)*

*(Dollars in Thousands)*

	<b>Balance July 1 as restated</b>	<b>Issuances and Other Increases</b>	<b>Retirements and Other Decreases</b>	<b>Subtotal June 30</b>
<b>Component Units</b>				
<b>Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:</b>				
General Obligation Bonds - Higher Education 9(c) (5)	\$ 900,492	\$ 121,354	\$ (96,760)	\$ 925,086
<b>Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:</b>				
Bonds (5) (6)	18,417,027	2,234,500	(2,419,733)	18,231,794
Installment Purchase Obligations	86,315	10,917	(20,706)	76,526
Capital Lease Obligations	85,631	1,954	(5,396)	82,189
Notes Payable (7)	2,057,305	174,577	(164,844)	2,067,038
Compensated Absences (8)	265,285	273,258	(258,306)	280,237
Pension Liability (9)	920,606	150,842	(4,810)	1,066,638
OPEB Liability	582,714	119,142	(141)	701,715
Trust and Annuity Obligations	3,058	629	-	3,687
Other	282,755	859,470	(893,183)	249,042
<b>Total Component Units</b>	<b>\$ 23,601,188</b>	<b>\$ 3,946,643</b>	<b>\$ (3,863,879)</b>	<b>\$ 23,683,952</b>

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

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

Note (3) Bonds payable of the primary government have been restated by \$61,033 (dollars in thousands) for the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

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

Note (5) Amounts are net of any unamortized discounts and premiums.

Note (6) Bonds payable of component units have been restated for the implementation of GASB Statement No. 65 for the following: Virginia College Building Authority (major) for \$12,646 (dollars in thousands); higher education institutions (nonmajor) for \$96,197 (dollars in thousands); Virginia Housing Development Authority (major) for \$17,754 (dollars in thousands), Virginia Public School Authority (major) for \$97,440 (dollars in thousands), and other nonmajor component units for \$9,402 (dollars in thousands). These restatements are for prior year's deferral on debt defeasance amounts that are no longer netted with the debt and are reported as deferred outflows of resources for losses and deferred inflows of resources for gains.

Note (7) Notes payable amount of \$121,876 (dollars in thousands) has been reclassified as follows: Virginia Housing Development Authority (major) of \$151,046 (dollars in thousands) reclassified to short-term debt; higher education institutions (nonmajor) of \$30,124 (dollars in thousands) for the implementation of GASB Statement No. 65; and Virginia Biotechnology Research Partnership Authority (nonmajor) of \$954 (dollars in thousands) reclassified to short-term debt.

Note (8) The Fort Monroe Authority (nonmajor) restated compensated absences by \$38,824. This amount was reported as accounts payable in fiscal year 2013.

Note (9) Pension liability has been restated by \$3,906 (dollars in thousands) due to a change in accounting principle for the Virginia Port Authority (nonmajor).

<u>Foundations (4)</u>	<u>Balance June 30</u>	<u>Due Within One Year</u>
\$ -	\$ 925,086	\$ 47,317
1,034,675	19,266,469	939,462
-	76,526	15,270
2,601	84,790	5,980
265,161	2,332,199	169,706
11,885	292,122	203,728
103,591	1,170,229	-
-	701,715	-
81,481	85,168	3,236
169,847	418,889	89,744
<u>\$ 1,669,241</u>	<u>\$ 25,353,193</u>	<u>\$ 1,474,443</u>

## Bond and Note Defeasance

### Primary Government

In February 2014, the Commonwealth Transportation Board issued \$54.6 million in Transportation Revenue Refunding Bonds Series 2014A and \$143.4 million in Transportation Revenue Refunding Bonds Series 2014B with a varying interest rate of 3.0 to 5.0 percent. The bonds that were refunded include \$61.5 million of Series 2004A and \$161.4 million of Series 2004B. The net proceeds from the sale of the Refunding Bonds of \$228.5 million (after payment of underwriter's fees and other issuance costs) were deposited into an irrevocable trust with an escrow agent to provide future debt service payments on the Refunded Bonds and to pay the costs related to issuance and refunding. As a result, the Refunded Bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$5.3 million. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt or the new debt, whichever is shorter. Total debt service payments will be reduced by \$31.2 million resulting in an economic gain of \$29.4 million.

In March 2014, Virginia Department of Transportation and Fairfax County Economic Development Authority issued \$55.9 million in Camp 30 Commonwealth of Virginia Lease Revenue Refunding Bonds Series 2014 with a varying interest rate of 1.0 to 5.0 percent. The bonds that were refunded include \$61.5 million of Series 2006A. The net proceeds from the sale of the Refunding bonds of \$82.5 million were deposited into an irrevocable trust with an escrow agent to provide future debt service payments on the Refunded Bonds and to

pay the costs related to issuance and refunding. As a result, the Refunded Bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$7.7 million. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt or the new debt, whichever is shorter. Total debt service payments will be reduced by \$12.8 million resulting in and economic gain of \$7.9 million.

In April 2014, the Commonwealth issued \$64.8 million General Obligation Refunding Bonds, Series 2014B, pursuant to Sections 9(b) and 9(c) of Article X of the Constitution of Virginia, with a true interest cost (TIC) of 0.9 percent to refund \$69.8 million of certain outstanding bonds. The bonds that were refunded include \$46.0 million of outstanding Higher Education Institution Bonds, Series 2004B and \$23.8 million of Public Facilities Bonds, Series 2004B. The net proceeds from the sale of the Refunding Bonds of \$71.5 million (after payment of underwriter's fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the refunded bonds. The debt defeasance resulted in an accounting loss of \$5.1 million. It will, however, reduce total debt service payments over the next six years by \$6.6 million, resulting in an economic gain of \$6.3 million discounted at the rate of 2.4 percent.

### Component Units

Higher education institutions (nonmajor) participate in the Virginia College Building Authority Pooled Bond Program.

In November 2013, the Virginia College Building Authority (VCBA) (nonmajor) issued \$9.1 million of Series 2013B Pooled Bond Program refunding notes. The notes were issued to refund \$6.5 million of Series 2006A and \$1.6 million of Series 2009A Pooled Bond Program notes. The net proceeds from the sale of the refunding notes of \$9.1 million were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the defeased notes. This defeasance resulted in an accounting loss of \$850,000. Total debt service payments over the next 16 years will be increased by \$621,357 resulting in a present value loss of \$467,346 discounted at the rate of 3.5 percent.

In May 2014, VCBA issued \$28.0 million of Series 2014B 21st Century College and Equipment Programs refunding bonds. The bonds were issued to refund \$25.0 million of Series 2004B and \$4.8 million of Series 2005A 21st Century College and Equipment Programs bonds. The net proceeds from the sale of the refunding bonds of \$30.6 million were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the defeased bonds. This defeasance resulted in an accounting loss of \$964,000. Total debt service payments over the next 11 years will be reduced by \$2.8 million resulting in a present value savings of \$2.8 million discounted at the rate of 2.7 percent.

Virginia Commonwealth University (nonmajor) issued \$12.2 million of Series 2014B to refund \$12.0 million of Series 2004A. For additional information regarding these refundings, see the institution's individually published financial statements.

GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of June 30, 2014, there were \$460.9 million in bonds from the primary government that have been refunded and defeased in-substance from the governmental activities column by placing existing assets and the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments. In addition, there were \$1.4 billion in bonds and notes outstanding considered defeased from the component units.

### Arbitrage Rebate

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

Although rebatable arbitrage need only be calculated for tax purposes every fifth year that debt is outstanding, and consistent with modified accrual basis of accounting, is not recognized as a liability in governmental funds until amounts actually become due and payable, a liability is recognized in accrual basis government-wide statements as soon as the underlying event has occurred. Accordingly, as of June 30, 2014, the Commonwealth has recognized a government-wide liability of \$1.2 million and the Virginia Resources Authority (major component unit) has recognized a liability of \$631,080.

Amounts remitted to the federal government for rebate liability are generally paid from earnings derived from the issue. However, if all proceeds (including earnings) have been expended and depending on the type of issue, it may be necessary to use project revenues or general or nongeneral fund appropriations to satisfy any rebate liability. During fiscal year 2014, no rebate payments were owed on the Commonwealth's General Obligation Bonds, Virginia Public Building Authority, Commonwealth Transportation Board, or the Virginia

College Building Authority 21<sup>st</sup> Century or Pooled Bond Programs, Virginia Public School Authority, or the Commonwealth Transportation Board.

### Capital Leases

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

Gross minimum lease payments, together with the present value of the net minimum lease payments as of June 30, 2014, are shown in the following table (dollars in thousands).

	Governmental Activities	Business-Type Activities	Component Units (1)
2015	\$ 16,222	\$ 547	\$ 8,432
2016	16,044	561	8,767
2017	9,035	575	7,085
2018	8,100	589	6,771
2019	6,017	604	6,367
2020-2024	19,318	3,252	27,771
2025-2029	2,362	3,679	26,069
2030-2034	2,110	4,163	18,500
2035-2039	2,291	4,710	720
2040-2044	1,369	5,329	837
2045-2049	-	4,762	1,242
Total Gross Minimum Lease Payments	82,868	28,771	112,561
Less: Amount Representing Executory Costs	(7,578)	-	-
Net Minimum Lease Payments	75,290	28,771	112,561
Less: Amount Representing Interest	(14,374)	(22,699)	(30,372)
Present Value of Net Minimum Lease Payments	\$ 60,916	\$ 6,072	\$ 82,189

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

	Foundations (2)
2015	\$ 465
2016	456
2017	351
2018	311
2019	302
Thereafter	1,027
Net Minimum Lease Payments	2,912
Less: Amount Representing Interest	(311)
Present Value of Net Minimum Lease Payments	\$ 2,601

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



At June 30, 2014, assets purchased under capital leases were included in depreciable capital assets as follows (dollars in thousands). The amounts are net of accumulated depreciation where applicable. For a portion of these assets, ownership will pass to the Commonwealth at the end of the lease term.

	Buildings	Equipment	Total
<b>Governmental Activities:</b>			
Gross Capital Assets	\$ 166,837	\$ 3,905	\$ 170,742
Less: Accumulated Depreciation	(67,304)	(1,987)	(69,291)
<b>Total Governmental Activities</b>	<b>\$ 99,533</b>	<b>\$ 1,918</b>	<b>\$ 101,451</b>
<b>Business-Type Activities:</b>			
Gross Capital Assets	\$ 8,800	\$ -	\$ 8,800
Less: Accumulated Depreciation	(701)	-	(701)
<b>Total Business-Type Activities</b>	<b>\$ 8,099</b>	<b>\$ -</b>	<b>\$ 8,099</b>
<b>Component Units:</b>			
Gross Capital Assets	\$ 131,872	\$ 3,804	\$ 135,676
Less: Accumulated Depreciation	(42,811)	(1,836)	(44,647)
Subtotal (excluding Foundations)	89,061	1,968	91,029
Foundations:			
Gross Capital Assets	2,655	662	3,317
Less: Accumulated Depreciation	(569)	(287)	(856)
Subtotal Foundations	2,086	375	2,461
<b>Total Component Units (3)</b>	<b>\$ 91,147</b>	<b>\$ 2,343</b>	<b>\$ 93,490</b>

Note (3): Land purchased under capital leases by the University of Virginia (nonmajor) is \$8,095 (dollars in thousands).

## Notes Payable

Notes Payable consist of several items as shown in the following schedule (dollars in thousands):

<b>Primary Government</b>	
Aviation Note	\$ 529
Installment Notes	113,936
<b>Total Primary Government</b>	<b>114,465</b>
<b>Component Units</b>	
Virginia Public School Authority	174,975
Virginia Resources Authority	1,737
Nonmajor Component Units	1,890,326
Installment Notes	76,526
Subtotal (excluding Foundations)	2,143,564
Foundations:	
Notes Payable	265,161
Subtotal - Foundations	265,161
<b>Total Component Units</b>	<b>2,408,725</b>
<b>Total Notes Payable</b>	<b>\$ 2,523,190</b>

The Aviation (primary government) Note represents a loan agreement with the Virginia Resources Authority (major component unit) with an outstanding balance of \$529,145. The purpose of the loan was to finance and refinance grants-in-aid made to the Peninsula Airport Commission to provide funding for capital improvements at the Newport News/Williamsburg International Airport. The principal amount shall be paid semi-annually with the final payment due in 2017.

The Virginia Public School Authority (major component unit) notes of \$175.0 million are for the School Equipment Financing Notes Educational Technology program. The note proceeds were used to make grants to school divisions for the purchase of educational technology equipment. The notes will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund (major special revenue fund).

The Virginia Resources Authority (major component unit) notes of \$1.7 million are Equipment and Term Financing loans.

An additional amount of \$1.9 billion is comprised primarily of higher education institutions' (nonmajor component unit) promissory notes with the Virginia College Building Authority (VCBA) (major component unit) to finance the construction of various higher education facilities. Interest rates range from 1.0 percent to 5.6 percent and shall be paid semi-annually. The final principal payment is due in 2043. The following higher education institutions (nonmajor component units) reported notes payables primarily for construction: University of Virginia \$53,000; Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – nonmajor component unit) \$19.5 million, which includes \$11.7 million reported by the University Health Services (a component unit of the Authority); Virginia State University \$1.2 million; Norfolk State University \$132,066; and the Institute for Advanced Learning and Research \$902,429.

Various foundations (component units) have notes outstanding as of year-end. The purpose of a majority of these notes is for property acquisition, working capital, and construction. Future principal payments as of June 30, 2014, are shown in the following table (dollars in thousands).

Foundations' Notes Payable (Component Units) (1)		
Maturity		Principal
2015	\$	14,627
2016		70,864
2017		89,274
2018		19,783
2019		3,260
Thereafter		67,353
Total	\$	265,161

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

Installment purchase obligations have been entered into by agencies and institutions of the Commonwealth. These agreements, other than those in the component units and certain institutions of higher education, contain nonappropriation clauses indicating that continuation of the installment purchase obligations is subject to funding by the General Assembly. Installment purchase obligations represent \$190.5 million of the total outstanding debt of the Commonwealth. Presented in the following tables are repayment schedules for installment purchase obligations as of June 30, 2014.

**Installment Purchase Obligations - Governmental Funds**  
June 30, 2014

<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 10,901,165	\$ 2,885,153	\$ 13,786,318
2016	11,840,338	3,022,462	14,862,800
2017	11,574,491	2,664,432	14,238,923
2018	11,049,572	2,353,370	13,402,942
2019	10,786,064	2,052,375	12,838,439
2020-2024	39,528,534	6,184,917	45,713,451
2025-2029	17,255,473	1,140,503	18,395,976
2030-2034	999,932	29,425	1,029,357
<b>Total</b>	<b>\$ 113,935,569</b>	<b>\$ 20,332,637</b>	<b>\$ 134,268,206</b>

**Installment Purchase Obligations - Component Units**

<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 15,270,312	\$ 1,542,159	\$ 16,812,471
2016	12,297,256	1,296,257	13,593,513
2017	11,673,164	1,043,281	12,716,445
2018	11,513,594	802,184	12,315,778
2019	9,202,087	556,080	9,758,167
2020-2024	14,131,028	1,068,160	15,199,188
2025-2029	2,439,532	133,016	2,572,548
<b>Total</b>	<b>\$ 76,526,973</b>	<b>\$ 6,441,137</b>	<b>\$ 82,968,110</b>

The foundations (component units) had no installment purchase obligations as of June 30, 2014.

**Lottery Prizes Payable**

Lottery prizes are paid in 20, 25, 26, or 30 installments. The first installment is paid on the day the prize is claimed. The subsequent annual payments are funded with U.S. Treasury STRIPS purchased by the Virginia Lottery. For Life prizes payable represent estimated prizes payable monthly, quarterly or annually for the life of the winner based on life expectancy tables from the Virginia Bureau of Insurance, and funded with a pool of U.S. Treasury STRIPS.

Lottery prizes payable represent the future annual prize payments valued at cost plus accrued interest (present value of securities held to maturity) of the investment securities funding the payments.

Lottery prizes payable for the fiscal year ended June 30, 2014, are shown in the following table:

	<b>Jackpot</b>	<b>Win For Life</b>	<b>Total</b>
Due within one year	\$ 18,382,862	\$ 4,934,615	\$ 23,317,477
Due in subsequent years	66,380,004	62,996,108	129,376,112
Total (present value)	84,762,866	67,930,723	152,693,589
Add:			
Interest to Maturity	30,477,134	37,705,277	68,182,411
Lottery Prizes Payable at Maturity	\$ 115,240,000	\$ 105,636,000	\$ 220,876,000

**Tuition Benefits Payable**

The Virginia College Savings Plan administers the Virginia 529 prePAID Program. Virginia 529 prePAID offers contracts which, for actuarially determined amounts, provide for guaranteed full future tuition payments at state higher education institutions. The contract provisions also allow the benefits to be used for private or out-of-state institutions at a prorated amount based upon the amounts charged by the state's higher education institutions.

At June 30, 2014, tuition benefits payable of \$2.1 billion have been recorded for the Virginia 529 prePAID Program on the balance sheet for the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for the Virginia 529 prePAID program. In addition, a receivable in the amount of \$217.8 million has been recorded to reflect the actuarially determined present value of future payments anticipated from contract holders.

## 27. OTHER REVENUE

The following table (dollars in thousands) summarizes Other Revenue for the fiscal year ended June 30, 2014.

	Assessments and Receipts for Support of Special Services	Fines, Forfeitures, Court Fees, Penalties, and Escheats	Receipts from Cities Counties, and Towns	Private Gifts, Grants, and Contracts	Sales of Property
<b>Primary Government:</b>					
General	\$ 959	\$ 212,254	\$ 16,317	\$ 423	\$ 30,679
Major Special Revenue Funds:					
Commonwealth Transportation	19,189	11,603	79,937	9,872	2,764
Federal Trust	-	95,347	-	-	222
Literary	-	63,085	-	-	-
Nonmajor Governmental Funds	112,329	52,946	66,553	7,517	22,654
Major Enterprise Funds:					
Unemployment Compensation	-	121	-	-	-
Nonmajor Enterprise Funds	-	13,628	-	-	-
Internal Service Funds	-	-	-	-	-
Private Purpose Trust Funds	-	-	-	-	-
Pension and Other Employee Benefit Trust	-	-	-	-	-
Total Primary Government	<u>\$ 132,477</u>	<u>\$ 448,984</u>	<u>\$ 162,807</u>	<u>\$ 17,812</u>	<u>\$ 56,319</u>

	Tobacco Master Settlement	Taxes	E-Z Pass	Other (1)	Total Other Revenue
<b>Primary Government:</b>					
General	\$ 48,693	\$ -	\$ -	\$ 184,308	\$ 493,633
Major Special Revenue Funds:					
Commonwealth Transportation	-	-	11,760	2,773	137,898
Federal Trust	-	-	-	143,457	239,026
Literary	-	-	-	75,244	138,329
Nonmajor Governmental Funds	-	-	-	90,586	352,585
Major Enterprise Funds:					
Unemployment Compensation	-	-	-	-	121
Nonmajor Enterprise Funds	-	3,983	-	808	18,419
Internal Service Funds	-	-	-	2	2
Private Purpose Trust Funds	-	-	-	1	1
Pension and Other Employee Benefit Trust	-	-	-	796	796
Total Primary Government	<u>\$ 48,693</u>	<u>\$ 3,983</u>	<u>\$ 11,760</u>	<u>\$ 497,975</u>	<u>\$ 1,380,810</u>

Note (1): \$136,810 (dollars in thousands) is related to prior year expenditures refunded in the current fiscal year for the General Fund. \$129,099 (dollars in thousands) is related to indirect costs and prior year expenditures refunded in the current fiscal year in the Federal Trust Fund. \$75,000 (dollars in thousands) of the total amount recorded for the Literary Fund is related to unclaimed property.

## 28. PRIZES AND CLAIMS

The following table summarizes Prizes and Claims Expense for the fiscal year ended June 30, 2014.

*(Dollars in Thousands)*

	<u>Insurance Claims</u>	<u>Lottery Prize Expense</u>	<u>Total Prizes and Claims</u>
<b>Proprietary Funds:</b>			
Major Enterprise Funds:			
Virginia Lottery	\$ -	\$ 1,072,636	\$ 1,072,636
Unemployment Compensation	535,731	-	535,731
Nonmajor Enterprise Funds	302,496	-	302,496
Total Enterprise Funds	<u>\$ 838,227</u>	<u>\$ 1,072,636</u>	<u>\$ 1,910,863</u>
Internal Service Funds	<u>\$ 1,177,130</u>	<u>\$ -</u>	<u>\$ 1,177,130</u>

## 29. OTHER EXPENSES

The following table summarizes Other Expenses for the fiscal year ended June 30, 2014.

*(Dollars in Thousands)*

	<u>Grants and Distributions To Localities</u>	<u>Expendable Equipment/ Improvements</u>	<u>Other (1)</u>	<u>Total Other Expenses</u>
<b>Proprietary Funds:</b>				
Major Enterprise Funds:				
Virginia College Savings Plan	\$ -	\$ 427	\$ 2,146	\$ 2,573
Nonmajor Enterprise Funds	91	2,332	976	3,399
Total Enterprise Funds	<u>\$ 91</u>	<u>\$ 2,759</u>	<u>\$ 3,122</u>	<u>\$ 5,972</u>
Internal Service Funds	<u>\$ 1,551</u>	<u>\$ 2,035</u>	<u>\$ 8,532</u>	<u>\$ 12,118</u>
Pension and Other Employee Benefit Trust (2)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,047</u>	<u>\$ 9,047</u>

Note (1): \$7,840 (dollars in thousands) can be attributed to expenses related to closing cases and cyber insurance in the Risk Management internal service fund. \$2,146 (dollars in thousands) can be attributed to the SOAR scholarship program for Virginia College Savings Plan Fund.

Note (2): Fiduciary expenses of \$9,047 (dollars in thousands) are not included in the Government-wide Statement of Activities.

### 30. OTHER NON-OPERATING REVENUE/EXPENSES

The following table summarizes Other Non-Operating Revenue/Expenses for the fiscal year ended June 30, 2014.

*(Dollars in Thousands)*

	<b>Loss on Sale of Capital Assets</b>	<b>Expenses for Securities Lending Transactions</b>	<b>Interest Expense</b>	<b>Federal Unemployment Tax Act</b>	<b>Other (1)</b>	<b>Total Other Non- Operating Revenue/ (Expenses)</b>
<b>Proprietary Funds:</b>						
Major Enterprise Funds:						
Virginia Lottery	\$ -	\$ (278)	\$ -	\$ -	\$ 358	\$ 80
Virginia College Savings Plan	-	-	(153)	-	-	(153)
Unemployment Compensation	-	-	-	315	-	315
Nonmajor Enterprise Funds	-	-	(11,830)	-	8,704	(3,126)
Total Enterprise Funds	<u>\$ -</u>	<u>\$ (278)</u>	<u>\$ (11,983)</u>	<u>\$ 315</u>	<u>\$ 9,062</u>	<u>\$ (2,884)</u>
Internal Service Funds	<u>\$ 1,598</u>	<u>\$ -</u>	<u>\$ (3,162)</u>	<u>\$ -</u>	<u>\$ 277</u>	<u>\$ (1,287)</u>

Note (1): Other Non-Operating Revenue/Expenses of the nonmajor enterprise funds are comprised of \$9,088 (dollars in thousands) reported by the Department of Alcoholic Beverage Control and offset by \$384 (dollars in thousands) of expenses reported by the Route 460 Funding Corporation of Virginia.

### 31. SPECIAL ITEM

The Commonwealth authorized an Internal Service Fund to account for the activities associated with the development and operation of the Commonwealth's Performance Budgeting and Cardinal (General Ledger replacement) Systems. Prior to the authorized establishment of the Internal Service Fund, the related activities were reported in the Other Special Revenue Fund (nonmajor governmental fund). For fiscal year 2014, Cardinal (General Ledger replacement) Systems had a transfer of assets and working capital advance that occurred in June 2014 as a result of this authorized reporting change.

### 32. TRANSFERS

The following table summarizes Transfers In and Transfers Out for the fiscal year ended June 30, 2014 (dollars in thousands).

<b>Transfers In (Reported In):</b>					
<b>Transfers Out (Reported In):</b>	<b>General</b>	<b>Commonwealth Transportation</b>	<b>Federal Trust</b>	<b>Literary</b>	<b>Nonmajor Governmental Funds</b>
<b>Primary Government</b>					
General	\$ -	\$ 65,493	\$ 115	\$ -	\$ 404,291
Major Special Revenue Funds:					
Commonwealth Transportation	25,569	-	67	-	339,434
Federal Trust	308	15,561	-	-	9,834
Nonmajor Governmental Funds	62,138	-	2,090	-	1,858
Major Enterprise Funds:					
Virginia Lottery	538,552	-	-	9,834	-
Virginia College Savings Plan	197	-	-	-	-
Unemployment Compensation	-	-	11,148	-	-
Nonmajor Enterprise Funds	149,134	-	-	32	15,153
Internal Service Funds	1,113	-	-	-	9,427
<b>Total Primary Government</b>	<b>\$ 777,011</b>	<b>\$ 81,054</b>	<b>\$ 13,420</b>	<b>\$ 9,866</b>	<b>\$ 779,997</b>

Transfers are used to (1) move revenues from the fund that the *Code of Virginia* or budget requires to collect them to the fund that the *Code of Virginia* or budget requires to expend them; (2) move receipts restricted for debt service from the funds holding the resources to the debt service fund as principal and interest payments become due; (3) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and (4) reimburse the General Fund for expenses incurred on behalf of nongeneral funds.

During the fiscal year, the following significant transfers were made that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer.

Various nongeneral funds transferred approximately \$4.4 million to the General Fund as required by Chapter 1, 2014 Special Session I, Acts of Assembly.

Nonmajor Enterprise Funds	Internal Service Funds	Total Primary Government
\$ -	\$ -	\$ 469,899
-	388	365,458
49	-	25,752
300	-	66,386
-	-	548,386
-	-	197
-	-	11,148
-	-	164,319
-	-	10,540
<u>\$ 349</u>	<u>\$ 388</u>	<u>\$ 1,662,085</u>

### 33. ON-BEHALF PAYMENTS

Higher education institutions (nonmajor component units) received various on-behalf payments from foundations primarily for salary supplements and stipends during fiscal year 2014. Since the foundations are included as part of the higher education entity, most on-behalf payments were considered intrafund and were eliminated from the financial statements. On-behalf payments not eliminated for fiscal year 2014 totaled \$43,479 and were recorded as program revenue – operating grants and contributions with corresponding expenses.

### 34. ENDOWMENTS

Donor restricted endowments reside primarily within the higher education institutions. The net appreciation available for expenditure is \$1.4 billion. Of this amount, \$1.3 million is reported as unrestricted net position and the remainder is reported as restricted net position. The *Code of Virginia* authorizes acceptance of donations. The governing boards of these entities and the donor agreements determine whether net appreciation can be spent and the accepted spending rate. These policies are entity specific and vary with each institution.

### 35. CASH FLOWS – ADDITIONAL DETAILED INFORMATION

The following table (dollars in thousands) summarizes specific cash flows for the fiscal year ended June 30, 2014.

	<u>Virginia Lottery</u>	<u>Virginia College Savings Plan</u>	<u>Unemployment Compensation</u>
Cash Flows Resulting from:			
Payments for Prizes, Claims, and Loss Control:			
Lottery Prizes	\$ (1,173,142)	\$ -	\$ -
Claims and Loss Control	-	-	(560,891)
Total	<u>\$ (1,173,142)</u>	<u>\$ -</u>	<u>\$ (560,891)</u>
Other Operating Revenue:			
Other Operating Revenue	\$ -	\$ -	\$ 25
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25</u>
Other Operating Expense:			
Other Operating Expenses (1)	\$ -	\$ (2,880)	\$ -
Total	<u>\$ -</u>	<u>\$ (2,880)</u>	<u>\$ -</u>
Other Noncapital Financing Receipt Activities:			
Advances/Contributions from the Commonwealth	\$ -	\$ -	\$ -
Receipts from Taxes	-	-	-
Other Noncapital Financing Receipt Activities	720	-	771
Total	<u>\$ 720</u>	<u>\$ -</u>	<u>\$ 771</u>
Other Noncapital Financing Disbursement Activities:			
Repayments of Advances/Contributions from the Commonwealth	\$ -	\$ -	\$ -
Other Noncapital Financing Disbursement Activities	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Capital and Related Financing Disbursement Activities:			
Other Capital and Related Financing Disbursement Activities	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note (1): \$2,880 (dollars in thousands) can be attributed to disbursements related to Virginia College Savings Plan for the SOAR scholarship. Also, \$7,840 (dollars in thousands) can be attributed to disbursements related to closing cases and cyber insurance in the Risk Management internal service fund.



Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ -	\$ (1,173,142)	\$ -
(298,783)	(859,674)	(1,179,164)
<u>\$ (298,783)</u>	<u>\$ (2,032,816)</u>	<u>\$ (1,179,164)</u>
\$ 9,405	\$ 9,430	\$ 1
<u>\$ 9,405</u>	<u>\$ 9,430</u>	<u>\$ 1</u>
\$ (2,223)	\$ (5,103)	\$ (11,216)
<u>\$ (2,223)</u>	<u>\$ (5,103)</u>	<u>\$ (11,216)</u>
\$ 26,563	\$ 26,563	\$ -
203,531	203,531	-
525	2,016	240
<u>\$ 230,619</u>	<u>\$ 232,110</u>	<u>\$ 240</u>
\$ (31,265)	\$ (31,265)	\$ (7,930)
(61)	(61)	-
<u>\$ (31,326)</u>	<u>\$ (31,326)</u>	<u>\$ (7,930)</u>
\$ -	\$ -	\$ (1,500)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,500)</u>

### 36. TOBACCO SETTLEMENT AND SECURITIZATION

On November 23, 1998, 46 states' Attorneys General and the major tobacco companies signed a proposed settlement that reimburses states for smoking-related medical expenses paid through Medicaid and other health care programs. At the time of the settlement, it was estimated that the Commonwealth could receive approximately \$4.1 billion over the duration of the settlement. The settlement was approved in a Consent Decree in December 1998. On March 29, 1999, the General Assembly enacted a law approving the establishment of the Virginia Tobacco Indemnification and Community Revitalization Commission (Commission) (nonmajor component unit), in compliance with the Consent Decree, to help communities in Virginia hurt by the decline of tobacco.

The Commission was established for the purposes of determining the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund. The monies are to be used to provide payments to tobacco farmers as compensation for the tobacco equipment and barns and lost tobacco production opportunities associated with a decline in quota. The monies are also to be used to revitalize tobacco dependent communities.

The General Assembly also created the Virginia Foundation for Healthy Youth (Foundation) (nonmajor component unit). The purpose of the Foundation is to determine the appropriate recipients of monies in the Virginia Tobacco Settlement Fund. The Foundation will also be responsible for distributing monies for the purposes provided in the legislation. Disbursements can be made to assist in financing efforts to restrict the use of tobacco products by minors, through educational and awareness programs describing the health effects of tobacco use on minors, and laws restricting the distribution of tobacco products to minors.

Additionally, the General Assembly created two special non-reverting funds. The Tobacco Settlement monies were accounted for in these funds and in the General Fund. Of the Settlement monies, 50.0 percent was deposited into the Tobacco Indemnification and Community Revitalization Fund at the Commission and 10.0 percent continues to be deposited into the Virginia Tobacco Settlement Fund at the Foundation. The remaining 40.0 percent continues to be reported in the General Fund.

Pursuant to Purchase and Sale Agreements executed in 2005 and 2007, the Commonwealth, acting as an agent on behalf of the Commission, sold the Commission's future right, title and interest in the Tobacco Settlement Revenues (TSRs) to the Tobacco Settlement Financing Corporation (Corporation) (related organization).

Consideration paid by the Corporation to the Commission for TSRs consisted of a cash amount deposited into an endowment to fund the long-term spending plan approved by the Commission. Bonds issued by the Corporation to finance the purchase price are asset-backed instruments secured solely by the Corporation's right to receive TSRs. At the time of issuance these revenues were expected to produce

sufficient funds to repay the bond obligations issued by the Corporation.

The Commission is a nonmajor component unit of the Commonwealth, and the Corporation is disclosed as a related organization.

### 37. SERVICE CONCESSION ARRANGEMENTS

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, describes the criteria for when an arrangement is classified as a Service Concession Arrangement (SCA). The basic criteria are: the operator of the capital asset owned by the transferor has the right to provide services in exchange for significant consideration; the operator's revenue must come from a third party; the transferor must retain some level of control over the asset; and the transferor must receive significant residual interest at the conclusion of the arrangement.

The Commonwealth of Virginia has four SCAs as of June 30, 2014: Pocahontas 895, the 495 Express Lanes, Elizabeth River – Midtown Tunnel, and the 95 Express Lanes. They are all related to highway construction and operation and were established per the Public-Private Transportation Act of 1995, as amended (PPTA). PPTA project goals are to provide highway projects to the public in a timely and cost effective manner with private funding and support.

#### Pocahontas 895

On June 21, 2006, the Pocahontas Parkway Association (Association – previously reported as a blended component unit of the Virginia Department of Transportation (VDOT), part of primary government) signed an agreement with Transurban (895) LLC (Transurban). Under the terms of the agreement, all assets and rights of the Association under the Comprehensive Agreement with VDOT were transferred to Transurban. In exchange for the existing toll road and other assets, Transurban transferred sufficient funds and securities to pay or defease all outstanding bonds of the Association and pay all other outstanding obligations owed to VDOT. Additionally, Transurban agreed to construct an enhancement to the original toll road, and this enhancement was completed and placed in service in 2011.

During the 99-year agreement term, VDOT will have fee title or good and valid interest in the asset. VDOT retains the right of inspection of the asset and has outlined maximum toll charges and increases in the terms of the agreement. Capital assets of \$337.2 million and deferred inflow balances of \$523.8 million are included in the government-wide financial statements. No contractual liabilities exist for this arrangement as of June 30.

During fiscal year 2014, the Transurban Board approved the transfer of Pocahontas 895 to the lenders of the asset due to lower revenues than anticipated. On May 15, 2014, DBi Services assumed control of Pocahontas 895.

### **495 Express Lanes**

On December 19, 2007, VDOT signed an 80-year public-private partnership agreement with Capital Beltway Express, LLC. The purpose of this agreement is to build new express lanes to provide users with a faster and more reliable travel option. The construction of the express lanes was completed in November 2012.

During the 80-year agreement, VDOT maintains regulatory control and jurisdiction of the express lanes. VDOT will have fee title or good and valid interest in the express lanes. The lanes will remain open for the public as long as the applicable tolls are paid. Capital assets of \$989.5 million and deferred inflows of \$1.0 billion are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement.

### **Elizabeth River – Midtown Tunnel**

On December 5, 2011, VDOT signed a 58-year public private partnership agreement with Elizabeth River Crossings OPCO, LLC. The purposes of this agreement are to build and operate a new tunnel that will be adjacent to the existing Midtown Tunnel for crossing the Elizabeth River, provide improvements to the existing Midtown Tunnel and the Downtown Tunnel, and to provide various extensions and improvements of the MLK Freeway and I-264.

During the agreement, Elizabeth River Crossings OPCO, LLC will operate and maintain the road. The revenue source for the concessionaire will be toll collections which will be used for maintenance, operating and return on investment for constructing the project. At the end of the 58-year term, control of and the rights to operate the facilities will revert back to VDOT. Since assets related to this project will not be operational until fiscal year 2017, no capital assets, liabilities, or deferred inflows of resources have been included in the financial statements.

### **95 Express Lanes**

On July 31, 2012, VDOT signed a 73-year public private partnership agreement with 95 Express Lanes, LLC. This project will create approximately 29 miles of Express Lanes on I-95 in Northern Virginia. The project will also add capacity to the existing HOV Lanes.

During the agreement, 95 Express Lanes LLC will operate and maintain the road. The revenue source for the concessionaire will be toll collections which will be used for maintenance, operating and return on investment for constructing the project. At the end of the 73-year term, control of and the rights to operate the facilities will revert back to VDOT. Since assets related to this project will not be operational until fiscal year 2015, no capital assets, liabilities, or deferred inflows of resources have been included in the financial statements.

## **38. INFORMATION TECHNOLOGY INFRASTRUCTURE PARTNERSHIP – NORTHROP GRUMMAN**

The Comprehensive Infrastructure Agreement (CIA) is a contract, executed on November 13, 2005, between the Commonwealth of Virginia (Commonwealth) acting through the Virginia Information Technologies Agency (VITA) and Northrop Grumman Systems Corporation (NG). The Commonwealth's primary goal is to significantly improve the Commonwealth's IT infrastructure and the manner in which such infrastructure is operated, supported, and maintained for the following service towers: Cross-Functional Services, Desktop Computing Services, Data Network Services, Voice and Video Telecom Services, Mainframe and Server Services, Help Desk Services, Messaging Services, Security Services, Internal Application Services, and Data Center facilities.

On March 31, 2010, contract revisions to the CIA were completed between the Commonwealth and Northrop Grumman. As a result of the contract changes, the Commonwealth renewed the contract for an additional three years, the parties established the products and services covered in the contractual cap including the baseline quantities to be billed and the prices at which those quantities will be billed, a shortened formula for contract year ten cost of living adjustment, and increased resolution and disentanglement fees. These contract changes are intended to provide improved performance to the VITA customer agencies, provide greater accountability and operational efficiencies for the services provided, and resolve outstanding financial issues. Additional contract revisions to the CIA were completed between the Commonwealth and Northrop Grumman during fiscal years 2011, 2012, 2013 and 2014. The contract term expires June 30, 2019.

Expenses associated with the CIA in fiscal year 2014 are \$288.4 million, including payments to Northrop Grumman of \$238.7 million. The Commonwealth expects to spend an additional \$1.3 billion over the next five fiscal years.

The Commonwealth may terminate the CIA due to a variety of reasons including the Commonwealth's convenience; a significant change of control in the equity interests in NG; NG's failure to implement satisfactory improvements; or, NG's failure to prevent service interruption of 15 days or more. In these instances, the Commonwealth will be required to pay exit and resolution fees as outlined in the CIA. Additional causes for termination that do not require the payment of exit or resolution fees are NG's default on the CIA terms, the Commonwealth's lack of funds, or NG's incurrence of liabilities equal to or more than 75.0 percent of the direct damages cap. NG may terminate the CIA only if the Commonwealth owes an aggregate amount in excess of \$100.0 million that is more than 30 days past due and not being disputed in good faith. The Commonwealth may be required to pay exit and resolution fees, as outlined in the CIA, if NG terminates the CIA. Fees resulting from the termination of the agreement are expected to be significant to the Commonwealth. However, exit fees are subject to the appropriation, allocation and availability of Commonwealth funds. Further, if the Commonwealth and NG terminate the business relationship at the

conclusion of the CIA term, the Commonwealth could incur significant costs to obtain and transition the IT infrastructure necessary to continue the Commonwealth's operations.

### **39. CONTINGENCIES**

#### **A. Grants and Contracts**

The Commonwealth has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Commonwealth.

Institutions of higher education (component units) and other state agencies are required to comply with various federal regulations issued by the Office of Management and Budget, if such agencies are recipients of federal grants, contracts, or other sponsored agreements. Failure to comply with certain requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. It is believed that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the Commonwealth.

The U.S. Department of Health and Human Services (DHHS) Office of the Inspector General conducted a review and indicated that the Commonwealth's Statewide Indirect Cost Allocation Plan rates have allowed over-recoveries and transfers in the internal service funds. The U.S. DHHS has received the 2015 cost allocation plan, which is based on fiscal year 2013 data. The Commonwealth believes this liability has the potential to total \$3.2 million as of June 30, 2014. The Commonwealth believes an additional \$15.7 million representing the federal share of various rebates received may be owed.

Virginia's combined overpayment and underpayment SNAP error rate for fiscal year 2013 was 0.4 percent. The national performance measure (national average payment error rate) for fiscal year 2013 was 3.2 percent. Information for fiscal year 2014 is not yet available.

Under the Food and Nutrition Act of 2008 (the Act), a 2-year liability system for excessive payment error rates is in place. Under this system, a liability amount shall be established when, for the second or subsequent consecutive fiscal year, FNCS (Food, Nutrition, and Consumer Services) determines that there is a 95.0 percent statistical probability that a state's payment error rate exceeds 105.0 percent of the national performance measure for payment error rates. Virginia was notified that fiscal year 2013 fell within the tolerance level and therefore will not count as a first year for the Virginia Department of Social Services.

The Virginia Tourism Authority (nonmajor component unit) had unclaimed awards totaling \$1.5 million payable to awardees upon submission of proper claims for reimbursement for the Marketing Leverage Program. Additionally, the Authority had unclaimed awards totaling \$113,540 payable to awardees' upon submission of proper claims for reimbursement for the Sesquicentennial Marketing Program. In addition, the program has \$67,190 in funding that had not been awarded to specific grantees.

#### **B. Litigation**

The Commonwealth is named as a party in legal proceedings and investigations that occur in the normal course of governmental operations, some involving substantial amounts. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the Commonwealth in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits or investigations will not have a material, adverse effect on the financial condition of the Commonwealth.

#### **C. Subject to Appropriation**

Both the primary government and the discretely presented component units enter into agreements and issue debt secured solely by future appropriations from the General Fund of the Commonwealth. The primary government has leases and other agreements of such debt of \$2.5 billion. The discretely presented component units have such debt of \$3.3 billion.

#### **D. Bailment Inventory**

The Department of Alcoholic Beverage Control (ABC) houses and controls bailment inventory in the warehouse and is therefore responsible for the exercise of reasonable care to preserve the inventory until it is purchased by ABC or returned to the supplier. ABC uses the bailment system for payment of merchandise for resale. ABC initiates payments to the vendors based on shipments from the ABC warehouse to the retail stores, rather than receipt of invoice from the vendor. At June 30, 2014, the bailment inventory was valued at \$32.8 million.

#### **E. Route 460 Funding Corporation of Virginia**

The Route 460 Funding Corporation of Virginia (Corporation) (nonmajor enterprise fund), in consultation with VDOT, issued a contractually permitted stop work order to halt certain preliminary work with respect to the Project pending further environmental review. This review consists of working on the completion of a Supplemental Environmental Impact Statement (SEIS). The SEIS was submitted for public review and made available for public comment through November 17, 2014, during which public hearings on the SEIS were held. Thereafter, USACE, with FHWA's concurrence, will make a determination as to which of the design alternative corridors studied in the

SEIS appears to be designated as the least environmentally damaging practicable alternative (LEDPA). Once this determination is made, permitting activities can commence.

A draft SEIS had been approved by the FHWA and the USACE and made available to the public. A preliminary LEDPA determination is anticipated to be made by the USACE in December 2014 and action on the permit to follow in early 2015.

The Series 2012 Senior Lien Bonds are subject to extraordinary mandatory redemption by the Corporation if the Comprehensive Agreement is terminated. If the permit is not obtained from the USACE by June 30, 2015, the bonds will be subject to redemption.

#### **F. Loan Guarantees**

The Assistive Technology Loan Fund Authority (nonmajor component unit) has an alternative financing program which provides guarantees of loans made and serviced by its banking partner. As of June 30, 2014, there was approximately \$181,201 of guaranteed loans held by the Authority's banking partner.

The Virginia Small Business Financing Authority (VSBFA) (nonmajor component unit) has a loan guaranty program which provides guarantees up to the lesser of \$500,000, or 75.0 percent, of a bank loan for lines of credit and short-term working capital loans for small businesses authorized by Section 2.2-2285 of the *Code of Virginia*. The relationship of the Commonwealth to the issuer or issuers of the obligations are private banks that contact VSBFA to obtain guarantees if they deem it necessary to approve the loan. The VSBFA staff underwrites the request for guarantees, and the Board of Directors makes the credit decision to approve or decline the loan. The Board has given VSBFA staff delegated authority to approve requests up to, and including, \$500,000. The Board reviews all loan packages and ratifies all decisions. The length of time for the guarantees is up to five years for lines of credit and seven years for term loans. Upon a default or event of default under the loan documents and payment by VSBFA under the Guaranty Agreement, the borrower and the guarantor(s), jointly and severally, acknowledge and agree that VSBFA may set off, collect and retain any payments or monies due or owing the borrower or any guarantor from the Commonwealth of Virginia, and/or any governmental authority or agency of the Commonwealth. VSBFA submits collections to the Office of the Attorney General, Division of Debt Collection for legal action and collection of debt. As of June 30, 2014, the loan guaranty program has guarantees outstanding of \$7.6 million and cash pledged as collateral of \$5.7 million.

The Commonwealth implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the fiscal year ending June 30, 2014. As of June 30, 2014, the VSBFA recognized a nonexchange financial guarantee liability of \$149,878. This is a reduction of \$12,927 from the beginning balance of \$136,951. There were no required payments made during fiscal year 2014. Additionally, there have been no cumulative amounts paid on these outstanding loan guarantees nor are there any expected recoveries.

#### **G. Regional Wet Weather Management Plan**

Hampton Roads Sanitation District (HRSD) (nonmajor component unit) is party to a federal consent decree with the federal and state governments (the Consent Decree), which requires HRSD to evaluate the wet weather capacity of the regional sewer system, including collection systems owned by 13 of the localities which HRSD serves in the Hampton Roads area. Based upon that evaluation, HRSD, in consultation with the Localities, is required to develop a regional wet weather management plan (RWWMP) for submittal to the federal and state environmental agencies for their approval.

HRSD and the localities believe that addressing wet weather capacity issues from a regional perspective will result in the most affordable and cost-effective approach for rate payers throughout the region. Toward that end, HRSD and the localities entered into a legally binding Memorandum of Agreement in March of 2014 (the MOA). The MOA commits HRSD to (1) develop the RWWMP in consultation with the localities, (2) fund the approved plan through a regional rate imposed on all regional ratepayers, (3) design and construct the necessary improvements, and (4) assume responsibility for wet weather capacity throughout the region in each area once the RWWMP is implemented. In exchange, the localities have agreed to (1) cooperate with HRSD, (2) facilitate the construction of and accept ownership of any improvements which HRSD may need to construct in the localities' systems, and (3) maintain the integrity of their systems to industry standards. The Consent Decree and MOA also contemplate that the localities' obligation to maintain the integrity of their sewer systems to industry standards will be embodied in a State administrative order by the end of 2014. While HRSD is preparing the RWWMP, the Consent Decree also requires HRSD to implement approximately \$200.0 million in priority capital system upgrade projects over a 9-year period, which are included in the capital improvement and expansion program. Management currently believes that HRSD is on schedule to complete these projects.

## H. Virginia Horse Center Foundation Going Concern

The Virginia Horse Center Foundation (VHCF) (nonmajor component unit) has incurred recurring losses from operations and is in violation of selected covenants contained in agreements with USDA, banks and with the Commonwealth of Virginia. At June 30, 2014, the VHCF failed to make \$103,434 of the payments then due to USDA. In addition, resources have not been segregated to fulfill selected debt covenants.

with VRA in the amount of \$57.4 million. The prepayment was August 22, 2014. The local obligation was funded from bond proceeds from the Series 2004B, Series 2005C, Series 2006C and Series 2007B bonds. It is VRA's intention to defease the related bonds with the prepayment proceeds.

Effective July 1, 2014, the Virginia Commonwealth University Health System Authority (VCUHSA) (a blended component unit of the Virginia Commonwealth University (VCU) – nonmajor) and Community Memorial Healthcenter (CMH), a Virginia not-for-profit, nonstock corporation located in South Hill, Virginia, entered in to an affiliation agreement. VCUHSA became the sole member of CMH and, in addition to other contractual obligations, has committed to invest \$75.0 million in facility replacements and enhancements to assist CMH in carrying out certain strategic projects and initiatives to improve and enhance the delivery of health care services to the communities it serves as an affiliate of VCUHSA.

On July 1, 2014, Norfolk State University (NSU) (nonmajor) defeased two debt obligations that were close to maturity, Phyllis Wheatley and Rosa Alexander dormitories (Series 1982) and the Dick Price Stadium athletic facility (Series 1996). NSU used funds that were held in reserves by the State Treasury to extinguish the remaining debt of \$1.2 million for the dormitories and \$2.6 million for the stadium. The bonds were called on July 1, 2014.

On July 31, 2014, the University of Virginia (UVA) (nonmajor) renewed two of its revolving credit agreements and entered into a new revolving credit agreement with a new bank. The aggregate amount of revolving credit agreements outstanding is \$200.0 million. On August 26, 2014, UVA entered into an agreement with Aramark Educational Services, LLC (Aramark) for Aramark to provide a dining services program to UVA including board, retail, concessions, vending and athletic dining through June 30, 2034. Aramark is required to make an up-front payment to UVA in the amount of \$70.0 million, of which \$35.0 million was paid within thirty days of execution of the contract with the remaining amount to be paid by December 31, 2014. Additional financial commitments are required of Aramark over the term of the contract for capital improvements totaling \$22.6 million.

On August 15, 2014, George Mason University (GMU) (nonmajor) signed a \$1.6 million early construction work package contract with Whiting-Turner Contracting Company for the Central Plant Expansion project. On August 30, 2014, GMU signed a \$25.5 million PPEA Comprehensive Agreement with Belmont Mason, LLC for the Potomac Science Center Project.

In October 2014, it was announced that VCUHSA, VCU, and Bon Secours signed a memo of understanding with the Virginia Children's Hospital Alliance to begin negotiations toward an independent, free-standing children's hospital in the Richmond region. This memo recognizes the primary of VCU and VCUHSA as managing partners of any academic affiliation arrangements involved in an independent, free-standing children's hospital.

## 40. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement will require, in part, the Commonwealth to record a liability representing the net actuarially accrued pension liability in the government-wide and certain fund financial statements. This reporting change will further significantly impact the Commonwealth's reporting disclosures. The Commonwealth will implement this statement in fiscal year 2015.

## 41. SUBSEQUENT EVENTS

### Primary Government

#### Debt

On September 17, 2014, the Virginia Public Building Authority (VPBA) issued its \$132.9 million Public Facilities Revenue Bonds Series 2014A, \$29.7 million Public Facilities Revenue Bonds, Series 2014B (Taxable) and \$298.4 million Public Facilities Revenue Refunding Bonds, Series 2014C. The Bonds will provide funding for authorized VPBA projects, reimbursement of the Commonwealth's share of regional and local jail costs and refund certain prior Authority Bonds.

On December 3, 2014, the Commonwealth Transportation Board sold \$275.0 Capital Projects Revenue Bonds, Series 2014. Bond proceeds will be used to finance certain eligible transportation projects in the Commonwealth.

#### Component Units

#### Debt

Subsequent to June 30, 2014, the Virginia Housing Development Authority (major) issued bonds in the amount of \$12.6 million, dated August 19, 2014. The interest rates range from 1.3 percent to 5.0 percent with a final due date of November 1, 2038.

Subsequent to June 30, 2014, the Virginia Resources Authority (VRA) (major) issued bonds in the amount of \$134.5 million, dated August 13, 2014. The interest rates range from 1.3 percent to 5.0 percent with a final due date of November 1, 2038. Subsequent to June 30, 2014, a local borrower prepaid an outstanding obligation

On October 7, 2014, the Virginia Public School Authority (VPSA) (major) issued its Special Obligation School Financing Bonds, Prince William County Series, 2014 in the amount of \$82.6 million. The interest rates range from 2.5 percent to 5.0 percent with a final due date of July 15, 2034. The Bonds will be used by the County to finance a portion of the costs of certain capital improvements to the County school system.

In November 2014, VCU submitted the first draw of \$3.7 million on a \$60.0 million line of credit for use toward the basketball practice facility, with interest payments due monthly. This line of credit can be used for the construction, equipping and furnishings of a basketball training facility, an Institute of Contemporary Art, and a phase of renovation of Sanger Hall. Additionally, the line of credit can be used for other capital projects authorized by the Board and other capital projects below the threshold of requiring Board approval.

On November 13, 2014, the Virginia College Building Authority (VCBA) (major) issued its \$98.0 million Educational Facilities Revenue Bonds, Series 2014A and \$186.0 million Educational Facilities Revenue Refunding Bonds, Series 2014B under the Public Higher Education Financing Program (the Pool Program). VCBA will use the proceeds of the Series 2014A Bonds to acquire Institutional Notes from participating public institutions of higher education. Each participating Institution will use the proceeds of its Institutional Note to finance capital projects approved by the General Assembly. VCBA will use the proceeds of the Series 2014B Bonds to refund certain prior VCBA Bonds issued under the Pool Program.

On November 20, 2014, VPSA issued \$81.3 million of School Financing Bonds (1997 Resolution) Series 2014C. The interest rates range from 2.0 percent to 5.0 percent with a final due date of August 1, 2035. The Bonds will be used to purchase certain general obligation local school bonds to finance capital projects for public schools.

VPSA issued \$42.4 million of Special Obligation School Financing Bonds, Warren County Series, 2014 on December 9, 2014. The Bonds will be used by the County to finance a portion of the costs of certain capital improvements to the County school system.

#### **Other**

Subsequent to June 30, 2014, the Virginia International Terminals, LLC (VIT) (a blended component unit of the Virginia Port Authority (VPA) – nonmajor) and Hampton Roads Chassis Pool II (HRCP II) amended their respective operating agreements to incorporate relevant changes as a result of VIT's conversion from a nonstock, not-for-profit corporation to a single-member limited liability company, and to incorporate relevant changes related to VIT's and VPA's amended service agreement, dated August 8, 2014. In August 2014, a partnership comprising affiliates of investment funds managed by Alinda Capital Partners and Universities

Superannuation Scheme Limited purchased the APM Terminal (APMT). VPA continues to operate the terminal under the original 20-year lease agreement with APMT. APMT has been renamed to Virginia International Gateway (VIG). In October 2014, Portsmouth Marine Terminal was officially opened and received its first vessel ship. Annual volume is expected to be approximately 75,000 to 100,000 containers and will help alleviate container congestion at Norfolk International Terminal and VIG.

Subsequent to June 30, 2014, the Virginia Horse Center Foundation (VHCF) (nonmajor) has entered into performance agreements with Rockbridge County, Virginia, and Lexington City, Virginia. Under the agreements, the two local governments have dedicated up to 3.0 percent of local transient occupancy taxes collected to support the USDA loan payments. Any surplus over the required USDA debt service may be used for capital maintenance projects with advance permission of the local economic development authorities and appropriation by the board of supervisors and/or city council. The agreements impose operating and financial covenants on the VHCF.

On October 28, 2014 the Orbital Sciences Corporation's Antares launch vehicle experienced a catastrophic failure shortly after lift-off from Virginia Commercial Space Flight Authority's (nonmajor) Mid-Atlantic Regional Spaceport Pad 0A. Preliminary findings indicate that major elements of the Pad 0A launch complex infrastructure, including the Launch Pad which was purchased on behalf of the Authority by the Commonwealth, Liquid Fuel Facility and Water Tower, escaped severe damage. Additionally, the Pad 0B launch complex appears to be unaffected. However, an estimate of the financial impact of the damage to Pad 0A cannot be made as of the date of publication of these financial statements. A detailed inspection to identify the full extent of necessary repairs will continue. Until an in-depth engineering assessment is completed, the related cost to the Commonwealth and the time required to complete those repairs are unknown.





## Required Supplementary Information

**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –  
General and Major Special Revenue Funds**

Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	General Fund			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
<b>Taxes:</b>				
Individual and Fiduciary Income	\$ 11,624,600	\$ 11,669,100	\$ 11,253,348	\$ (415,752)
Sales and Use	3,532,965	3,414,100	3,400,486	(13,614)
Corporation Income	839,800	769,900	757,491	(12,409)
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Communications Sales and Use	440,000	440,000	422,823	(17,177)
Deeds, Contracts, Wills, and Suits	345,695	386,800	318,998	(67,802)
Premiums of Insurance Companies	280,700	289,400	320,421	31,021
Alcoholic Beverage Sales	194,000	196,800	199,225	2,425
Tobacco Products	183,200	183,500	180,626	(2,874)
Estate	-	-	196	196
Public Service Corporations	95,300	97,700	98,156	456
Other Taxes	18,305	19,705	28,760	9,055
Rights and Privileges	79,364	89,910	79,085	(10,825)
Sales of Property and Commodities	12,020	3,597	30,682	27,085
Assessments and Receipts for Support of Special Services	655	900	931	31
Institutional Revenue	42,761	41,485	36,143	(5,342)
Interest, Dividends, and Rents	65,264	50,572	78,333	27,761
Fines, Forfeitures, Court Fees, Penalties, and Escheats	215,650	213,345	211,512	(1,833)
Federal Grants and Contracts	9,453	9,457	9,454	(3)
Receipts from Cities, Counties, and Towns	10,017	9,232	16,318	7,086
Private Donations, Gifts and Contracts	708	486	438	(48)
Tobacco Master Settlement	50,337	49,727	48,693	(1,034)
Other	164,472	200,442	190,636	(9,806)
<b>Total Revenues</b>	<b>18,205,266</b>	<b>18,136,158</b>	<b>17,682,755</b>	<b>(453,403)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	2,464,104	2,272,147	2,215,179	56,968
Education	7,711,835	7,823,406	7,755,863	67,543
Transportation	1,030	1,312	773	539
Resources and Economic Development	381,735	460,327	406,052	54,275
Individual and Family Services	5,641,008	5,655,699	5,525,897	129,802
Administration of Justice	2,422,963	2,531,750	2,519,888	11,862
Capital Outlay	43,316	32,047	10,663	21,384
<b>Total Expenditures</b>	<b>18,665,991</b>	<b>18,776,688</b>	<b>18,434,315</b>	<b>342,373</b>
Revenues Over (Under) Expenditures	(460,725)	(640,530)	(751,560)	(111,030)
<b>Other Financing Sources (Uses):</b>				
<b>Transfers:</b>				
Transfers In	680,677	745,413	770,542	25,129
Transfers Out	(474,798)	(473,579)	(490,310)	(16,731)
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Total Other Financing Sources (Uses)	205,879	271,834	280,232	8,398
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(254,846)	(368,696)	(471,328)	(102,632)
<b>Fund Balance, July 1, as restated</b>	<b>1,820,629</b>	<b>1,820,629</b>	<b>1,820,629</b>	<b>-</b>
<b>Fund Balance, June 30</b>	<b>\$ 1,565,783</b>	<b>\$ 1,451,933</b>	<b>\$ 1,349,301</b>	<b>\$ (102,632)</b>

See notes on page 181 in this section.

**Special Revenue Funds**

**Commonwealth Transportation Fund**

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final/Actual Variance Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ -
1,103,829	1,288,970	1,111,929	(177,041)
-	-	-	-
1,099,053	703,025	790,053	87,028
647,672	832,915	780,807	(52,108)
-	-	-	-
74,000	79,000	75,349	(3,651)
131,000	131,000	130,769	(231)
-	-	-	-
-	-	-	-
-	-	-	-
67,692	65,452	56,343	(9,109)
545,670	610,845	547,462	(63,383)
-	-	6,765	6,765
17,859	17,169	19,190	2,021
-	-	-	-
10,250	11,486	18,565	7,079
11,247	10,971	11,158	187
929,090	1,278,249	1,329,027	50,778
189,280	181,115	73,183	(107,932)
-	25	9,888	9,863
-	-	-	-
26,204	33,119	13,021	(20,098)
4,852,846	5,243,341	4,973,509	(269,832)
83,511	87,575	84,285	3,290
2,417	2,417	1,954	463
4,319,509	5,790,601	5,041,733	748,868
14,042	12,833	12,479	354
-	-	-	-
9,767	9,767	9,767	-
24,836	46,288	11,016	35,272
4,454,082	5,949,481	5,161,234	788,247
398,764	(706,140)	(187,725)	518,415
61,029	61,029	101,497	40,468
(337,490)	(342,223)	(365,458)	(23,235)
273,390	273,390	273,390	-
34,488	34,488	34,488	-
31,417	26,684	43,917	17,233
430,181	(679,456)	(143,808)	535,648
2,378,740	2,378,740	2,378,740	-
\$ 2,808,921	\$ 1,699,284	\$ 2,234,932	\$ 535,648

Continued on next page

**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –  
General and Major Special Revenue Funds (Continued from previous page)**

Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Special Revenue Funds			
	Federal Trust			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
<b>Taxes:</b>				
Individual and Fiduciary Income	\$ -	\$ -	\$ -	\$ -
Sales and Use	-	-	-	-
Corporation Income	-	-	-	-
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Communications Sales and Use	-	-	-	-
Deeds, Contracts, Wills, and Suits	-	-	-	-
Premiums of Insurance Companies	-	-	-	-
Alcoholic Beverage Sales	-	-	-	-
Tobacco Products	-	-	-	-
Estate	-	-	-	-
Public Service Corporations	-	-	-	-
Other Taxes	-	-	-	-
Rights and Privileges	-	-	-	-
Sales of Property and Commodities	310	766	296	(470)
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	1,122	361	676	315
Fines, Forfeitures, Court Fees, Penalties, and Escheats	1,198	71,779	94,072	22,293
Federal Grants and Contracts	7,189,709	7,394,840	8,409,957	1,015,117
Receipts from Cities, Counties, and Towns	-	-	-	-
Private Donations, Gifts and Contracts	-	-	-	-
Tobacco Master Settlement	-	-	-	-
Other	23,367	156,177	141,021	(15,156)
<b>Total Revenues</b>	<b>7,215,706</b>	<b>7,623,923</b>	<b>8,646,022</b>	<b>1,022,099</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	137,368	160,361	148,319	12,042
Education	931,797	991,857	1,009,678	(17,821)
Transportation	34,917	31,195	16,396	14,799
Resources and Economic Development	163,336	194,906	171,839	23,067
Individual and Family Services	5,871,765	6,078,607	7,183,452	(1,104,845)
Administration of Justice	54,827	132,958	95,519	37,439
Capital Outlay	21,696	26,173	8,612	17,561
<b>Total Expenditures</b>	<b>7,215,706</b>	<b>7,616,057</b>	<b>8,633,815</b>	<b>(1,017,758)</b>
Revenues Over (Under) Expenditures	-	7,866	12,207	4,341
<b>Other Financing Sources (Uses):</b>				
<b>Transfers:</b>				
Transfers In	-	-	13,546	13,546
Transfers Out	-	(7,866)	(25,753)	(17,887)
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Total Other Financing Sources (Uses)	-	(7,866)	(12,207)	(4,341)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-
<b>Fund Balance, July 1, as restated</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See notes on page 181 in this section.

**Notes for Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds**

**1. Basis of Budgeting vs. Modified Accrual Basis Fund Balance (1)**

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2014, to the fund balance on a modified accrual basis follows.

**Fund Balance Comparison**  
**Budgetary Basis to GAAP Basis**

*(Dollars in Thousands)*

	<b>General Fund</b>	<b>Commonwealth Transportation Fund</b>	<b>Federal Trust Fund</b>
Fund Balance, Basis of Budgeting	\$ 1,349,301	\$ 2,234,932	\$ -
Adjustments from Budget to Modified Accrual:			
Accrued Revenues:			
Taxes	772,141	159,666	-
Tax Refunds	(390,683)	-	-
Other Revenue/Other Sources	90,216	72,193	589,889
Unearned Taxes (2)	(101,613)	-	-
Medicaid Payable	(312,609)	-	(323,011)
Accrued Expenditures/Other Uses	(777,116)	(202,047)	(131,616)
Fund Balance, Modified Accrual Basis	<u>\$ 629,637</u>	<u>\$ 2,264,744</u>	<u>\$ 135,262</u>

1. As discussed in Note 1.E., the Literary Fund has no approved budget.
2. See also Note 1.R.

**2. Appropriations**

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the General Fund and Major Special Revenue Funds, at June 30, 2014, except the Literary Fund which has no approved budget.

*(Dollars in Thousands)*

	<b>General Fund (9)</b>	<b>Commonwealth Transportation Fund</b>	<b>Federal Trust Fund (10)</b>
Appropriations (1)	\$ 18,665,991	\$ 4,454,082	\$ 7,215,706
Supplemental Appropriations:			
Reappropriations (2)	206,396	36,378	25,979
Subsequent Executive (3)	127,307	807,926	406,157
Subsequent Legislative (4)	(113,345)	671,855	(836)
Capital Outlay and Operating Reversions (5)	(770)	-	(1)
Transfers (6)	(25,444)	(921)	(9,446)
Capital Outlay Adjustment (7)	(83,447)	(14,925)	(21,502)
Debt Service Adjustment (8)	-	(4,914)	-
Appropriations, as adjusted	<u>\$ 18,776,688</u>	<u>\$ 5,949,481</u>	<u>\$ 7,616,057</u>

1. Represents the budget appropriated through Chapter 806, 2013 Acts of Assembly, as amended by Chapter 1, 2014 Special Session I, Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to carry forward any prior year unexpended balances, sum sufficient authority, and year 2 to year 1 reductions (General Fund) and actions taken to appropriate any additional revenues collected so that they can be legally spent (Special Revenue Funds).
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay and operating balances.
6. Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately \$1.6 billion (General Fund) and \$3.5 million (Commonwealth Transportation Fund) for transfers to component units and fiduciary funds that have been reclassified as expenditures in accordance with GASB Statement No. 34.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.
8. The Commonwealth Transportation Fund appropriations have been adjusted for debt service.
9. Budgetary reductions totaling \$21.6 million are excluded since they were not available for disbursement during the current fiscal year.
10. Appropriations do not include food stamp issuances of \$1.4 billion since this is a noncash item; however, this amount is included in actual expenditures.

## Funding Progress for Defined Benefit Pension Plans

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) Entry Age [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
<b>Virginia Retirement System (VRS)</b>						
2013	\$ 52,125	\$ 79,078	\$ 26,953	65.9%	\$ 15,269	176.5%
2012	51,212	77,859	26,647	65.8%	14,880	179.1%
2011	52,559	75,185	22,626	69.9%	14,709	153.8%
2010	52,729	72,801	20,072	72.4%	14,758	136.0%
* 2009	53,185	66,323	13,138	80.2%	14,948	87.9%
2008	52,548	62,554	10,006	84.0%	14,559	68.7%
2007	47,815	58,116	10,301	82.3%	13,834	74.5%
2006	42,669	52,822	10,153	80.8%	13,002	78.1%
* 2005	40,372	49,628	9,256	81.3%	12,212	75.8%
2004	39,691	43,958	4,267	90.3%	11,510	37.1%
<b>State Police Officers' Retirement System (SPORS)</b>						
2013	\$ 592	\$ 997	\$ 405	59.4%	\$ 109	371.6%
2012	587	1,013	426	57.9%	104	409.0%
2011	617	986	369	62.6%	100	370.3%
2010	634	949	315	66.8%	98	321.4%
* 2009	647	879	232	73.6%	101	229.7%
2008	646	844	198	76.5%	103	192.2%
2007	595	806	211	73.8%	101	208.9%
2006	539	730	191	73.8%	94	203.2%
* 2005	514	673	159	76.4%	91	174.7%
2004	510	656	146	77.7%	82	178.0%
<b>Virginia Law Officers' Retirement System (VaLORS)</b>						
2013	\$ 942	\$ 1,742	\$ 800	54.1%	\$ 342	233.9%
2012	909	1,753	844	51.9%	345	244.8%
2011	926	1,683	757	55.0%	356	212.5%
2010	925	1,579	654	58.6%	346	189.0%
* 2009	913	1,412	499	64.7%	359	139.0%
2008	873	1,281	408	68.1%	368	110.9%
2007	766	1,166	400	65.7%	341	117.3%
2006	656	1,096	440	59.9%	321	137.1%
* 2005	575	980	405	58.7%	307	131.9%
2004	509	927	418	54.9%	298	140.3%
<b>Judicial Retirement System (JRS)</b>						
2013	\$ 369	\$ 591	\$ 222	62.4%	\$ 57	389.5%
2012	361	582	221	62.0%	57	388.6%
2011	371	569	198	65.2%	59	336.8%
2010	372	560	188	66.4%	61	308.2%
* 2009	378	521	143	72.6%	63	227.0%
2008	374	495	121	75.6%	61	198.4%
2007	340	442	102	76.9%	58	175.9%
2006	302	424	122	71.2%	54	225.9%
* 2005	288	402	114	71.6%	52	219.2%
2004	285	366	81	77.9%	48	168.8%

\* Revised economic and demographic assumptions due to experience study.

See Notes on following page.

**Notes for Funding Progress for Defined Benefit Pension Plans**

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Valuation Date:		June 30, 2013
Actuarial Cost Method:		Entry Age Normal
Amortization Method:		
State Employees		Level percent, open
Teachers		Level percent, open
Political Subdivision Employees		Level percent, open
State Police/VA Law Officers/Judges		Level percent, open
Payroll Growth Rate:		
State Employees		3.0%
Teachers		3.0%
Political Subdivision Employees		3.0%
State Police/VA Law Officers/Judges		3.0%
Remaining Amortization Period:		
State Employees		8 and 28 years
Teachers		8 and 28 years
Political Subdivision Employees		28 years
State Police/VA Law Officers/Judges		8 and 28 years
Asset Valuation Method:		5 year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return (1)		7.0%
Projected Salary Increases (1)		
State Employees		3.5% to 5.4%
Teachers		3.5% to 6.0%
Political Subdivision Employees (Non-Hazardous Duty Employees)		3.5% to 5.4%
Political Subdivision Employees (Hazardous Duty Employees)		3.5% to 4.8%
State Police/VA Law Officers Judges		3.5% to 4.8% 4.5%
Cost of Living Adjustments	Plan 1	2.5%
	Plan 2	2.3%
(1) Includes inflation at 2.50%.		

**Schedule of Employer Contributions – Defined Benefit Pension Plans (1)**

(Dollars in Thousands)

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Statutory Required Contribution</u>	<u>Percentage Contributed</u>
<b>Virginia Retirement System (VRS)</b>				
2014	\$ 2,282,942	75.8%	\$ 1,730,116	100.0%
2013	2,227,090	75.8%	1,687,865	100.0%
2012	1,614,464	59.6%	961,653	100.0%
2011	1,577,131	46.7%	736,950	100.0%
2010	1,489,124	66.6%	991,334	100.0%
2009	1,501,018	81.3%	1,219,645	100.0%
2008	1,378,993	92.6%	1,276,645	100.0%
2007	1,299,606	85.9%	1,116,217	100.0%
2006	864,245	89.5%	773,553	100.0%
2005	810,944	85.3%	691,415	100.0%
<b>State Police Officers' Retirement System (SPORS)</b>				
2014	\$ 36,538	75.8%	\$ 27,711	100.0%
2013	34,535	75.8%	26,193	100.0%
2012	26,250	43.6%	11,441	100.0%
2011	24,570	30.4%	7,460	100.0%
2010	23,791	66.1%	15,714	100.0%
2009	24,241	83.2%	20,175	100.0%
2008	22,941	91.5%	20,989	100.0%
2007	19,402	84.3%	16,358	100.0%
2006	23,132	66.0%	15,258	100.0%
2005	21,946	66.0%	14,475	100.0%
<b>Virginia Law Officers' Retirement System (VaLORS)</b>				
2014	\$ 68,806	75.8%	\$ 52,169	100.0%
2013	66,463	75.8%	50,392	100.0%
2012	55,306	44.3%	24,481	100.0%
2011	53,686	32.1%	17,255	100.0%
2010	57,894	67.4%	39,027	100.0%
2009	60,059	84.8%	50,932	100.0%
2008	61,325	91.2%	55,929	100.0%
2007	56,190	86.0%	48,338	100.0%
2006	77,414	68.0%	52,611	100.0%
2005	74,301	68.0%	50,495	100.0%
<b>Judicial Retirement System (JRS)</b>				
2014	\$ 33,018	84.0%	\$ 27,727	100.0%
2013	32,185	84.0%	27,028	100.0%
2012	27,631	68.4%	18,907	100.0%
2011	28,101	61.6%	17,303	100.0%
2010	23,638	72.2%	17,065	100.0%
2009	23,148	90.7%	21,000	100.0%
2008	23,599	94.9%	22,386	100.0%
2007	22,557	91.0%	20,530	100.0%
2006	23,871	67.9%	16,206	100.0%
2005	22,490	67.9%	15,269	100.0%

(1) Contributions made by employers were not in all cases in accordance with the actuarially determined Annual Required Contribution (ARC), but they did meet statutory requirements.



## Funding Progress for Other Postemployment Benefit Plans

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
<b>Group Life Insurance Fund</b>						
2013	\$ 837	\$ 2,572	\$ 1,735	32.5%	\$ 17,132	10.1%
2012	756	2,458	1,702	30.7%	16,697	10.2%
2011	852	2,359	1,507	36.1%	16,543	9.1%
2010	929	2,245	1,316	41.4%	16,526	8.0%
2009	967	1,995	1,028	48.5%	16,728	6.1%
2008	975	1,772	797	55.0%	16,267	4.9%
2007	880	1,552	672	56.7%	14,822	4.5%
2006 (1)	751	1,436	685	52.3%	13,923	4.9%
<b>Retiree Health Insurance Credit Fund</b>						
2013	\$ 139	\$ 2,273	\$ 2,134	6.1%	\$ 14,688	14.5%
2012	130	2,258	2,128	5.8%	14,211	15.0%
2011	213	2,195	1,982	9.7%	14,111	14.0%
2010 (2)	281	2,162	1,881	13.0%	14,220	13.2%
2009 (2)	296	2,007	1,711	14.8%	14,339	11.9%
2008 (2)	264	1,943	1,679	13.6%	13,686	12.3%
2007 (2)	207	1,883	1,676	11.0%	11,935	14.0%
<b>Disability Insurance Trust Fund</b>						
2013	\$ 359	\$ 228	\$ (131)	157.4%	\$ 3,473	(3.8%)
2012	344	303	(41)	113.7%	3,433	(1.2%)
2011	369	296	(73)	124.6%	3,372	(2.2%)
2010 (3)	336	311	(25)	108.0%	3,168	(0.8%)
2009 (3)	290	291	1	99.7%	4,080	-
2008 (3)	313	392	79	79.9%	4,111	1.9%
2007	264	451	187	58.5%	3,909	4.8%
2006 (1)	192	423	231	45.4%	3,716	6.2%
<b>Line of Duty Death and Disability (2)</b>						
2013	\$ 10	\$ 204	\$ 194	4.9%	N/A	-
2012	6	226	220	2.7%	N/A	-
2011	-	399	399	-	N/A	-
2010 (4)	-	576	576	-	N/A	-
2009	-	373	373	-	N/A	-
2008	3	185	182	1.6%	N/A	-
2007	-	146	146	-	N/A	-
2006 (1)	-	99	99	-	N/A	-
<b>Pre-Medicare Retiree Healthcare</b>						
2013	\$ -	\$ 1,262	\$ 1,262	-	\$ 3,857	32.7%
2012	-	1,351	1,351	-	3,709	36.4%
2011	-	1,269	1,269	-	3,566	35.6%
2010 (3)	-	1,298	1,298	-	3,297	39.4%
2009	-	1,218	1,218	-	3,170	38.4%
2007 (5)	-	982	982	-	2,931	33.5%

- (1) 2006 was the first actuarial valuation prepared using the required parameters of GASB Statement No. 43.
- (2) Data for 2007-2010 has been restated to include the state-funded Retiree Health Insurance Credit benefit for local employees. Similar information for 2006 was not available so that year has been excluded.
- (3) Data for 2008-2010 has been restated to include state-funded Long-Term Care program. Prior years were funded by premiums paid to insurance carrier and the insurance carrier was responsible for the liability.
- (4) Contributions into the Line of Duty Act Trust Fund are based on the number of participants in the program using a per capita based contribution versus a payroll based contribution.
- (5) 2007 was the first actuarial valuation prepared for Pre-Medicare Retiree Healthcare.

See Notes on following page.

**Notes for Funding Progress for Other Postemployment Benefit Plans**

	<b>Group Life Insurance Fund</b>	<b>Retiree Health Insurance Credit Fund</b>	<b>Disability Insurance Trust Fund</b>	<b>Line of Duty Death and Disability</b>	<b>Pre-Medicare Retiree Healthcare</b>
Valuation Date	June 30, 2013	June 30, 2013	June 30, 2013	June 30, 2013	July 01, 2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Projected Unit Credit
Amortization Method	Level Percent of Pay, Closed	Level Percent of Pay, Closed	Level Percent of Pay, Closed	Level Percent of Pay, Closed	Level dollar, Open
Payroll Growth Rate:					
State Employees	3.0%	3.0%	3.0%	3.0%	3.0%
Teachers	3.0%	3.0%	N/A	N/A	N/A
Political Subdivision Employees	3.0%	3.0%	N/A	3.0%	N/A
State Police / Virginia Law Officers	3.0%	3.0%	3.0%	3.0%	3.0%
Judges	3.0%	3.0%	N/A	N/A	N/A
Remaining Amortization Period	30 years	30 years	30 years	3 and 30 years	30 years
Asset Valuation Method					
State Employees and Teachers	5-Year, Smoothed Market	5-Year, Smoothed Market	5-Year, Smoothed Market	Market Value	Market Value
Political Subdivision Employees and State-Funded Local Employees	5-Year, Smoothed Market	Market Value	N/A	Market Value	Market Value
Actuarial Assumptions:					
Investment Rate of Return (1)	7.0%	7.0%	7.0%	4.3% and 7.0%	4.0%
Projected Salary Increases (1)					
State Employees	3.5% to 5.4%	3.5% to 5.4%	3.5% to 5.4%	N/A	4.0%
Teachers	3.5% to 6.0%	3.5% to 6.0%	N/A	N/A	N/A
Political Subdivision Employees (Non-Hazardous Duty Employees)	3.5% to 5.4%	3.5% to 5.4%	N/A	N/A	N/A
Political Subdivision Employees (Hazardous Duty Employees)	3.5% to 4.8%	3.5% to 4.8%	N/A	N/A	N/A
State Police / Virginia Law Officers	3.5% to 4.8%	3.5% to 4.8%	3.5% to 4.8%	N/A	4.0%
Judges	4.5%	4.5%	N/A	N/A	N/A
Medical Trend Assumptions (Under Age 65)	N/A	N/A	N/A	8.5% to 5.0%	
Medical Trend Assumptions (Ages 65 and Older)	N/A	N/A	N/A	6.3% to 5.0%	
Year of Ultimate Trend Rate	N/A	N/A	N/A	2019	

(1) Includes inflation rate of 2.5 percent.

**Schedule of Employer Contributions – Other Postemployment Benefit Plans (1)**

(Dollars in Thousands)

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Statutory Required Contribution</u>	<u>Percentage Contributed</u>
<b>Group Life Insurance Fund</b>				
2014	\$ 228,086	90.2%	\$ 205,623	100.0%
2013	221,622	90.2%	199,796	100.0%
2012	181,527	26.1%	47,293	100.0%
2011	177,378	25.2%	44,744	100.0%
2010	145,228	65.5%	95,185	100.0%
2009	146,545	92.1%	135,019	100.0%
2008	158,740	100.0%	158,740	100.0%
<b>Retiree Health Insurance Credit Fund</b>				
2014	\$ 150,831	95.1%	\$ 143,425	100.0%
2013	145,416	95.1%	138,282	100.0%
2012	138,195	37.5%	51,882	100.0%
2011	133,655	36.5%	48,736	100.0%
2010	148,956	66.7%	99,356	100.0%
2009	150,048	96.6%	144,989	100.0%
2008	147,524	100.0%	147,524	100.0%
<b>Disability Insurance Trust Fund</b>				
2014	\$ 20,610	81.0%	\$ 16,701	100.0%
2013	21,032	81.0%	17,043	100.0%
2012	30,285	3.6%	1,096	100.0%
2011	28,646	-	-	-
2010	76,530	40.3%	30,861	100.0%
2009	78,120	91.3%	71,344	100.0%
2008	97,975	80.0%	78,380	100.0%
<b>Line of Duty Death and Disability (2)</b>				
2014	\$ 22,103	47.0%	\$ 10,381	100.0%
2013	21,895	42.7%	9,341	100.0%
2012	25,033	33.3%	8,323	100.0%
2011	-	-	-	-
2010	16,901	53.8%	9,084	100.0%
2009	16,523	51.5%	8,511	100.0%
2008	9,786	102.5%	10,026	100.0%
<b>Pre-Medicare Retiree Healthcare</b>				
2014	\$ 198,873	17.3%	\$ -	-
2013	182,970	8.5%	-	-
2012	172,910	21.2%	-	-

(1) Contributions made by employers were not in all cases in accordance with the actuarially determined Annual Required Contribution (ARC), but they did meet statutory requirements.

(2) Line of Duty Death and Disability became a cost sharing plan effective July 1, 2010. Accordingly, the net OPEB obligation at the beginning of the transition period has been reduced to zero.

**Change in Discount Rate (1)**

Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

<b>System/Plan</b>	<b>Net Pension Liability</b>		
	<b>1.0% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1.0% Increase (8.0%)</b>
Virginia Retirement System:			
State	\$ 8,201,094	\$ 5,598,398	\$ 3,415,966
Teacher	17,745,186	12,084,700	7,424,273
Political Subdivision	5,052,686	2,507,469	394,561
Total Virginia Retirement System	<u>30,998,966</u>	<u>20,190,567</u>	<u>11,234,800</u>
State Police Officers' Retirement System	434,119	310,866	207,412
Virginia Law Officers' Retirement System	921,139	674,127	471,033
Judicial Retirement System	230,771	174,486	125,641
Grand Total	<u>\$ 32,584,995</u>	<u>\$ 21,350,046</u>	<u>\$ 12,038,886</u>

- (1) The Commonwealth implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, during fiscal year 2014, and this schedule is now required.

**Schedule of Changes in Employers' Net Pension Liability (1)**

Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

	VRS State 2014	VRS Teacher 2014	VRS Political Subdivisions 2014	SPORS 2014	VaLORS 2014	JRS 2014	Total 2014
<b>Change in the Net Pension Liability</b>							
<b>Total pension liability:</b>							
Service cost	\$ 369,120	\$ 831,501	\$ 524,758	\$ 18,341	\$ 46,504	\$ 24,024	\$ 1,814,248
Interest	1,436,064	2,722,787	1,243,386	67,977	119,040	40,014	5,629,268
Benefit changes	-	-	-	-	-	-	-
Difference between actual and expected experience	-	-	-	-	-	-	-
Assumption changes	-	-	-	-	-	-	-
Benefit payments	(1,081,866)	(1,874,636)	(754,706)	(50,467)	(78,412)	(37,984)	(3,878,071)
Refunds of contributions	(25,036)	(36,103)	(36,876)	(685)	(4,665)	-	(103,365)
Net change in total pension liability	698,282	1,643,549	976,562	35,166	82,467	26,054	3,462,080
<b>Total pension liability - beginning</b>	<u>21,068,651</u>	<u>39,852,334</u>	<u>18,158,446</u>	<u>996,690</u>	<u>1,742,110</u>	<u>590,626</u>	<u>82,408,857</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 21,766,933</u>	<u>\$ 41,495,883</u>	<u>\$ 19,135,008</u>	<u>\$ 1,031,856</u>	<u>\$ 1,824,577</u>	<u>\$ 616,680</u>	<u>\$ 85,870,937</u>
<b>Plan fiduciary net position:</b>							
Contributions - employer	\$ 343,259	\$ 853,634	\$ 539,366	\$ 42,683	\$ 67,483	\$ 27,727	\$ 1,874,152
Contributions - member	198,035	371,241	225,555	5,646	17,908	3,051	821,436
Net investment income	2,243,999	4,042,441	2,272,284	98,682	156,786	60,833	8,875,025
Benefit payments	(1,081,866)	(1,874,636)	(754,706)	(50,467)	(78,412)	(37,984)	(3,878,071)
Refunds of contributions	(25,036)	(36,103)	(36,876)	(685)	(4,665)	-	(103,365)
Administrative expense	(12,341)	(22,036)	(12,153)	(431)	(681)	(268)	(47,910)
Other	123	217	120	-	-	-	460
Net change in plan fiduciary net position	1,666,173	3,334,758	2,233,590	95,428	158,419	53,359	7,541,727
<b>Plan fiduciary net position - beginning</b>	<u>14,502,362</u>	<u>26,076,425</u>	<u>14,393,949</u>	<u>625,562</u>	<u>992,031</u>	<u>388,835</u>	<u>56,979,164</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 16,168,535</u>	<u>\$ 29,411,183</u>	<u>\$ 16,627,539</u>	<u>\$ 720,990</u>	<u>\$ 1,150,450</u>	<u>\$ 442,194</u>	<u>\$ 64,520,891</u>
<b>Net pension liability - ending (a-b)</b>	<u>\$ 5,598,398</u>	<u>\$ 12,084,700</u>	<u>\$ 2,507,469</u>	<u>\$ 310,866</u>	<u>\$ 674,127</u>	<u>\$ 174,486</u>	<u>\$ 21,350,046</u>
Plan fiduciary net position as a percentage of the total pension liability (b/a)	74.3%	70.9%	86.9%	69.9%	63.1%	71.7%	75.1%
Covered employee payroll (c)	\$ 3,861,712	\$ 7,313,025	\$ 4,434,764	\$ 112,010	\$ 352,492	\$ 61,020	\$ 16,135,023
Net pension liability as a percentage of covered employee payroll ((a-b)/c)	145.0%	165.3%	56.5%	277.5%	191.3%	286.0%	132.3%

(1) The Commonwealth implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, during fiscal year 2014, and this schedule is now required.

## Claims Development Information – Risk Management

(Dollars in Thousands)

### Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	2005	2006	2007	2008
1. Required contribution and investment revenue:				
Earned	\$ 5,788	\$ 6,166	\$ 6,560	\$ 6,759
Ceded (a)	-	-	-	-
Net earned	5,788	6,166	6,560	6,759
2. Unallocated expenses	1,068	1,008	1,047	1,307
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	2,791	1,539	2,060	3,330
Ceded (a)	-	-	-	-
Net incurred	2,791	1,539	2,060	3,330
4. Net paid (cumulative) as of:				
End of policy year	227	177	106	493
One year later	1,699	745	1,051	1,697
Two years later	2,079	1,421	2,436	3,476
Three years later	2,332	2,087	2,631	3,753
Four years later	2,438	2,176	2,662	3,834
Five years later	2,451	2,554	2,671	5,065
Six years later	2,455	2,591	2,671	5,084
Seven years later	2,474	2,630	2,671	
Eight years later	2,679	2,639		
Nine years later	2,686			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	2,791	1,539	2,060	3,330
One year later	3,563	2,168	3,316	3,928
Two years later	3,418	2,494	3,224	5,420
Three years later	3,204	2,872	2,887	5,309
Four years later	2,763	2,820	2,730	5,094
Five years later	2,736	2,591	2,731	6,065
Six years later	2,671	2,676	2,731	5,768
Seven years later	2,746	2,698	2,731	
Eight years later	2,758	2,698		
Nine years later	2,926			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	135	1,159	671	2,438

The Commonwealth, through the Department of the Treasury, Division of Risk Management, provides errors and omissions liability insurance and law enforcement professional liability insurance for local governmental units, which went into effect in fiscal year 1987.

See Notes on page 194 in this section.

	2009	2010	2011	2012	2013	2014
\$	6,197	\$ 5,485	\$ 4,131	\$ 5,019	\$ 5,043	\$ 8,500
	-	-	-	-	-	-
	6,197	5,485	4,131	5,019	5,043	8,500
	1,272	1,269	1,310	1,382	1,273	1,435
	3,681	3,404	3,213	5,390	3,394	4,025
	-	-	-	-	-	-
	3,681	3,404	3,213	5,390	3,394	4,025
	300	412	396	1,677	335	367
	1,858	2,236	1,940	4,468	3,401	
	2,690	5,237	3,943	7,554		
	3,679	6,744	4,317			
	3,867	7,013				
	3,928					
	-	-	-	-	-	-
	3,681	3,404	3,213	5,390	3,394	4,025
	3,742	6,096	3,919	8,704	9,397	
	3,943	8,428	4,523	9,107		
	4,721	8,640	4,570			
	4,555	8,692				
	4,000					
	319	5,288	1,357	3,717	6,003	-

## Claims Development Information – Health Care

(Dollars in Thousands)

### Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	2005	2006	2007	2008
1. Required contribution and investment revenue:				
Earned	\$ 157,959	\$ 184,360	\$ 202,366	\$ 211,034
Ceded (a)	-	-	-	-
Net earned	157,959	184,360	202,366	211,034
2. Unallocated expenses	10,655	11,899	13,782	16,215
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	144,976	152,289	163,787	185,117
Ceded (a)	-	-	-	-
Net incurred	144,976	152,289	163,787	185,117
4. Net paid (cumulative) as of:				
End of policy year	140,452	147,534	159,769	181,566
One year later	N/A	N/A	N/A	N/A
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	N/A
Eight years later	N/A	N/A	N/A	N/A
Nine years later	N/A	N/A	N/A	N/A
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	144,976	152,289	163,787	185,117
One year later	144,976	152,289	163,787	185,117
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	N/A
Eight years later	N/A	N/A	N/A	N/A
Nine years later	N/A	N/A	N/A	N/A
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	-	-	-	-

The Commonwealth, through its Department of Human Resource Management, provides health care insurance for local governmental units, which went into effect in fiscal year 1987.

See Notes on page 194 in this section.



	2009	2010	2011	2012	2013	2014
\$	222,498	\$ 240,305	\$ 246,730	\$ 259,135	\$ 284,526	\$ 320,678
	-	-	-	-	-	-
	222,498	240,305	246,730	259,135	284,526	320,678
	16,400	15,936	15,849	16,701	18,781	17,738
	214,411	215,376	213,694	250,019	277,455	290,557
	-	-	-	-	-	-
	214,411	215,376	213,694	250,019	277,455	290,557
	204,655	214,371	209,365	235,058	267,256	291,711
	N/A	N/A	N/A	N/A	N/A	
	N/A	N/A	N/A	N/A		
	N/A	N/A	N/A			
	N/A	N/A				
	N/A					
	-	-	-	-	-	-
	214,411	215,376	213,694	250,019	277,455	290,557
	214,411	215,376	213,694	250,019	277,455	
	N/A	N/A	N/A	N/A		
	N/A	N/A	N/A			
	N/A	N/A				
	N/A					
	-	-	-	-	-	-

## Notes for Claims Development Information Tables

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The tables on the previous four pages illustrate how the Risk Management and Health Care Claims Funds earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the funds as of the end of each of the past several years. The rows of the tables are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the funds, including overhead and claims expense not allocable to individual claims.
3. This line shows the funds' gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)
7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

### Notes:

- (a) During fiscal year 1997, the Commonwealth implemented GASB Statement No. 30, *Risk Financing Omnibus*. The Commonwealth has no reinsurers; therefore, the ceded amounts on lines 1, 3, and 5 are zero.

**Combining and Individual Fund Statements and Schedules**



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# Nonmajor Governmental Funds

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## Special Revenue Funds

*Special Revenue Funds account for specific revenue sources that are restricted or committed to finance particular functions and activities of the Commonwealth.*

**The Health and Social Services Special Revenue Fund** accounts for revenues and expenditures related to local health care assistance.

**The Other Special Revenue Fund** accounts for revenues and expenditures related to business and agricultural activities, and miscellaneous activities throughout the Commonwealth.

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## Debt Service Funds:

*The Debt Service Funds account for transactions related to resources retained and used for the payment of interest and principal on long-term obligations recorded in the Governmental Activities column on the Government-wide Statement of Net Position.*

**Primary Government** accounts for the payment of principal and interest on bonds used to acquire, construct, or improve parks, highways, and correctional, behavioral health, and parking facilities owned by the Commonwealth.

**The Virginia Public Building Authority** accounts for the payment of principal and interest on bonds used to acquire, construct, and operate public buildings used by the Commonwealth and its political subdivisions.

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## Capital Project Funds

*The Capital Project Funds are maintained to account for resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental or proprietary funds.*

**Primary Government** accounts for the financial resources acquired through the issuance of General Obligation Bonds and Energy Performance Contracts. The resources are used to acquire, construct, or improve land, public buildings, and parking facilities owned by the Commonwealth.

**The Virginia Public Building Authority** accounts for financial resources acquired through the issuance of section 9(d) bonds. These resources are used to acquire, construct, finance, refinance and operate public buildings used by the Commonwealth and any of its political subdivisions. Resources are also used to finance or refinance reimbursements to localities or governmental entities for the Commonwealth's share of the capital costs for certain authorized projects.

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## Permanent Funds

*Permanent Funds are funds whose principal must remain intact.*

**Commonwealth Health Research Fund** provides financial grants for human health research benefiting the Commonwealth's citizens. The entire fund balance is restricted for use as such as a condition of a legal settlement.

**Behavioral Health Endowment Funds** provide funds for the welfare of patients in behavioral health facilities. The entire fund balance is restricted for use as such.

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**Combining Balance Sheet – Nonmajor Governmental Funds**

June 30, 2014

(Dollars in Thousands)

	<b>Special Revenue Funds</b>		
	<b>Health and Social Services</b>	<b>Other</b>	<b>Total</b>
<b>Assets and Deferred Outflows of Resources</b>			
Cash and Cash Equivalents	\$ 144,982	\$ 477,436	\$ 622,418
Investments	6,093	11,539	17,632
Receivables, Net	57,228	19,101	76,329
Due from Other Funds	150	10,267	10,417
Due from Component Units	-	-	-
Due from External Parties (Fiduciary Funds)	-	147	147
Interfund Receivable	-	110,842	110,842
Inventory	4,566	405	4,971
Prepaid Items	10,838	2,463	13,301
Other Assets	19	1,735	1,754
Loans Receivable from Component Units	-	5,705	5,705
<b>Total Assets</b>	<b>223,876</b>	<b>639,640</b>	<b>863,516</b>
<b>Deferred Outflows of Resources</b>			
Total Assets and Deferred Outflows of Resources	\$ 223,876	\$ 639,640	\$ 863,516
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
Accounts Payable	\$ 17,552	\$ 31,342	\$ 48,894
Amounts Due to Other Governments	-	9,540	9,540
Due to Other Funds	2,713	2,453	5,166
Due to External Parties (Fiduciary Funds)	1,140	1,254	2,394
Interfund Payable	-	-	-
Unearned Revenue	1,995	8,379	10,374
Obligations Under Securities Lending Program	1,840	14,139	15,979
Other Liabilities	1,047	3,380	4,427
Long-term Liabilities Due Within One Year	168	60	228
<b>Total Liabilities</b>	<b>26,455</b>	<b>70,547</b>	<b>97,002</b>
<b>Deferred Inflows of Resources</b>			
Total Liabilities and Deferred Inflows of Resources	53,427	77,726	131,153
<b>Fund Balances:</b>			
Nonspendable	15,404	2,764	18,168
Restricted	37,018	106,914	143,932
Committed	111,418	442,007	553,425
Assigned	6,609	10,229	16,838
<b>Total Fund Balances</b>	<b>170,449</b>	<b>561,914</b>	<b>732,363</b>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 223,876	\$ 639,640	\$ 863,516

Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
\$ 44,074	\$ -	\$ 44,074	\$ 35,860	\$ 39,793	\$ 75,653
-	-	-	-	-	-
-	-	-	-	8	8
-	-	-	2	-	2
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
44,074	-	44,074	35,862	39,801	75,663
-	-	-	-	-	-
\$ 44,074	\$ -	\$ 44,074	\$ 35,862	\$ 39,801	\$ 75,663
\$ -	\$ -	\$ -	\$ 939	\$ 8,753	\$ 9,692
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	13,151	13,151
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	939	21,904	22,843
-	-	-	-	-	-
-	-	-	939	21,904	22,843
-	-	-	-	-	-
44,074	-	44,074	34,923	17,897	52,820
-	-	-	-	-	-
-	-	-	-	-	-
44,074	-	44,074	34,923	17,897	52,820
\$ 44,074	\$ -	\$ 44,074	\$ 35,862	\$ 39,801	\$ 75,663

Continued on next page

**Combining Balance Sheet – Nonmajor Governmental Funds** (Continued from previous page)

June 30, 2014

(Dollars in Thousands)

	Permanent Funds			Total Nonmajor Governmental Funds
	Commonwealth Health Research Board	Behavioral Health Endowment Funds	Total	
<b>Assets and Deferred Outflows of Resources</b>				
Cash and Cash Equivalents	\$ 111	\$ 142	\$ 253	\$ 742,398
Investments	35,424	-	35,424	53,056
Receivables, Net	-	-	-	76,337
Due from Other Funds	-	-	-	10,417
Due from Component Units	-	-	-	2
Due from External Parties (Fiduciary Funds)	-	-	-	147
Interfund Receivable	-	-	-	110,842
Inventory	-	-	-	4,971
Prepaid Items	-	-	-	13,301
Other Assets	-	-	-	1,754
Loans Receivable from Component Units	-	-	-	5,705
Total Assets	35,535	142	35,677	1,018,930
<b>Deferred Outflows of Resources</b>				
Total Assets and Deferred Outflows of Resources	\$ 35,535	\$ 142	\$ 35,677	\$ 1,018,930
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
Accounts Payable	\$ 5	\$ -	\$ 5	\$ 58,591
Amounts Due to Other Governments	-	-	-	9,540
Due to Other Funds	1	-	1	5,167
Due to External Parties (Fiduciary Funds)	1	-	1	2,395
Interfund Payable	-	-	-	13,151
Unearned Revenue	-	-	-	10,374
Obligations Under Securities Lending Program	-	-	-	15,979
Other Liabilities	-	-	-	4,427
Long-term Liabilities Due Within One Year	-	-	-	228
Total Liabilities	7	-	7	119,852
<b>Deferred Inflows of Resources</b>				
Total Liabilities and Deferred Inflows of Resources	7	-	7	34,151
<b>Fund Balances:</b>				
Nonspendable	34,254	48	34,302	52,470
Restricted	1,274	94	1,368	242,194
Committed	-	-	-	553,425
Assigned	-	-	-	16,838
Total Fund Balances	35,528	142	35,670	864,927
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 35,535	\$ 142	\$ 35,677	\$ 1,018,930





**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Nonmajor Governmental Funds**

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	<b>Special Revenue Funds</b>		
	<b>Health and Social Services</b>	<b>Other</b>	<b>Total</b>
<b>Revenues</b>			
Taxes	\$ 10,044	\$ 78,154	\$ 88,198
Rights and Privileges	140,426	179,230	319,656
Institutional Revenue	270,431	19,160	289,591
Interest, Dividends, Rents, and Other Investment Income	1,131	11,698	12,829
Other	97,247	248,102	345,349
<b>Total Revenues</b>	<b>519,279</b>	<b>536,344</b>	<b>1,055,623</b>
<b>Expenditures</b>			
<b>Current:</b>			
General Government	283	76,329	76,612
Education	594	19,225	19,819
Transportation	-	5,890	5,890
Resources and Economic Development	34,650	286,563	321,213
Individual and Family Services	469,904	52,967	522,871
Administration of Justice	444	74,233	74,677
Capital Outlay	-	7,765	7,765
<b>Debt Service:</b>			
Principal Retirement	-	-	-
Interest and Charges	-	-	-
<b>Total Expenditures</b>	<b>505,875</b>	<b>522,972</b>	<b>1,028,847</b>
<b>Revenues Over (Under) Expenditures</b>	<b>13,404</b>	<b>13,372</b>	<b>26,776</b>
<b>Other Financing Sources (Uses)</b>			
Transfers In	1,361	56,686	58,047
Transfers Out	(26,096)	(25,319)	(51,415)
Notes Issued	-	40	40
Insurance Recoveries	9	664	673
Premium on Debt Issuance	-	-	-
Refunding Bonds Issued	-	-	-
Sale of Capital Assets	7,507	-	7,507
Payment to Refunded Bond Escrow Agents	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(17,219)</b>	<b>32,071</b>	<b>14,852</b>
<b>Net Change in Fund Balances</b>	<b>(3,815)</b>	<b>45,443</b>	<b>41,628</b>
<b>Fund Balance, July 1</b>	<b>174,264</b>	<b>516,471</b>	<b>690,735</b>
<b>Fund Balance, June 30</b>	<b>\$ 170,449</b>	<b>\$ 561,914</b>	<b>\$ 732,363</b>

Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
2	-	2	42	174	216
7,210	-	7,210	-	-	-
7,212	-	7,212	42	174	216
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	11,419	146,909	158,328
252,665	168,170	420,835	-	-	-
170,975	108,295	279,270	-	-	-
423,640	276,465	700,105	11,419	146,909	158,328
(416,428)	(276,465)	(692,893)	(11,377)	(146,735)	(158,112)
443,574	278,318	721,892	45	13	58
-	-	-	-	(14,971)	(14,971)
-	-	-	12,289	-	12,289
-	-	-	-	-	-
40,054	-	40,054	-	-	-
276,765	-	276,765	-	-	-
-	-	-	-	-	-
(335,013)	(1,904)	(336,917)	-	-	-
425,380	276,414	701,794	12,334	(14,958)	(2,624)
8,952	(51)	8,901	957	(161,693)	(160,736)
35,122	51	35,173	33,966	179,590	213,556
\$ 44,074	\$ -	\$ 44,074	\$ 34,923	\$ 17,897	\$ 52,820

Continued on next page

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Nonmajor Governmental Funds** (Continued from previous page)

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Permanent Funds			Total Nonmajor Governmental Funds
	Commonwealth Health Research Board	Behavioral Health Endowment Funds	Total	
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ 88,198
Rights and Privileges	-	-	-	319,656
Institutional Revenue	-	-	-	289,591
Interest, Dividends, Rents, and Other Investment Income	4,849	-	4,849	17,896
Other	26	-	26	352,585
Total Revenues	4,875	-	4,875	1,067,926
<b>Expenditures</b>				
Current:				
General Government	-	-	-	76,612
Education	-	-	-	19,819
Transportation	-	-	-	5,890
Resources and Economic Development	-	-	-	321,213
Individual and Family Services	873	97	970	523,841
Administration of Justice	-	-	-	74,677
Capital Outlay	-	-	-	166,093
Debt Service:				
Principal Retirement	-	-	-	420,835
Interest and Charges	-	-	-	279,270
Total Expenditures	873	97	970	1,888,250
Revenues Over (Under) Expenditures	4,002	(97)	3,905	(820,324)
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	-	779,997
Transfers Out	-	-	-	(66,386)
Notes Issued	-	-	-	12,329
Insurance Recoveries	-	-	-	673
Premium on Debt Issuance	-	-	-	40,054
Refunding Bonds Issued	-	-	-	276,765
Sale of Capital Assets	-	-	-	7,507
Payment to Refunded Bond Escrow Agents	-	-	-	(336,917)
Total Other Financing Sources (Uses)	-	-	-	714,022
Net Change in Fund Balances	4,002	(97)	3,905	(106,302)
Fund Balance, July 1	31,526	239	31,765	971,229
Fund Balance, June 30	\$ 35,528	\$ 142	\$ 35,670	\$ 864,927



**Schedule of Revenues, Expenditures, and Changes in Fund Balance –  
Budget and Actual – Nonmajor Special Revenue Funds**

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Health and Social Services			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
<b>Taxes:</b>				
Motor Fuel	\$ -	\$ -	\$ -	\$ -
Deeds, Contracts, Suits	-	-	-	-
Alcoholic Beverage Sales	-	-	-	-
Tobacco Products	-	-	-	-
Public Service Corporations	10,780	10,780	10,044	(736)
Other Taxes	-	-	-	-
Rights and Privileges	140,786	140,587	140,282	(305)
Sales of Property and Commodities	-	1,697	4,301	2,604
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	297,061	302,486	274,350	(28,136)
Interest, Dividends, and Rents	298	285	710	425
Fines, Forfeitures, Court Fees, Penalties, and Escheats	484	513	1,205	692
Receipts from Cities, Counties, and Towns	57,149	56,831	58,133	1,302
Private Donations, Gifts and Contracts	3,987	3,516	3,528	12
Other	35,014	31,794	37,758	5,964
<b>Total Revenues</b>	<b>545,559</b>	<b>548,489</b>	<b>530,311</b>	<b>(18,178)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	125	397	287	110
Education	1,000	1,583	593	990
Transportation	-	-	-	-
Resources and Economic Development	34,229	35,171	34,486	685
Individual and Family Services	535,886	548,386	466,966	81,420
Administration of Justice	374	449	436	13
Capital Outlay	1,059	1,059	-	1,059
<b>Total Expenditures</b>	<b>572,673</b>	<b>587,045</b>	<b>502,768</b>	<b>84,277</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(27,114)</b>	<b>(38,556)</b>	<b>27,543</b>	<b>66,099</b>
<b>Other Financing Sources (Uses):</b>				
<b>Transfers:</b>				
Transfers In	225	225	1,361	1,136
Transfers Out	(20,004)	(20,553)	(26,096)	(5,543)
<b>Total Other Financing Sources (Uses)</b>	<b>(19,779)</b>	<b>(20,328)</b>	<b>(24,735)</b>	<b>(4,407)</b>
<b>Revenues and Other Sources Over (Under)</b>				
Expenditures and Other Uses	(46,893)	(58,884)	2,808	61,692
<b>Fund Balance, July 1</b>	<b>145,313</b>	<b>145,313</b>	<b>145,313</b>	<b>-</b>
<b>Fund Balance, June 30</b>	<b>\$ 98,420</b>	<b>\$ 86,429</b>	<b>\$ 148,121</b>	<b>\$ 61,692</b>

See Notes on page 208 in this section.

Other

Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
\$ 33,654	\$ 32,883	\$ 32,594	\$ (289)
549	549	525	(24)
877	879	854	(25)
83	83	107	24
10,316	10,089	10,575	486
31,127	33,269	33,105	(164)
200,878	186,649	179,485	(7,164)
3,275	4,116	18,311	14,195
109,901	111,880	112,295	415
18,456	19,481	18,997	(484)
12,386	11,137	11,533	396
53,494	51,769	52,663	894
1,298	1,298	1,209	(89)
1,179	1,917	3,316	1,399
63,973	51,859	60,607	8,748
541,446	517,858	536,176	18,318
70,246	82,276	76,363	5,913
24,045	24,549	18,565	5,984
8,047	7,076	5,779	1,297
315,250	326,542	283,569	42,973
66,794	66,544	53,486	13,058
79,067	91,566	74,010	17,556
24,539	26,835	7,536	19,299
587,988	625,388	519,308	106,080
(46,542)	(107,530)	16,868	124,398
20,019	24,383	56,686	32,303
(19,232)	(21,614)	(25,319)	(3,705)
787	2,769	31,367	28,598
(45,755)	(104,761)	48,235	152,996
529,745	529,745	529,745	-
\$ 483,990	\$ 424,984	\$ 577,980	\$ 152,996

**Notes for Schedule of Revenues, Expenditures, and Changes in Fund Balance –  
Budget and Actual – Nonmajor Special Revenue Funds**

**1. Basis of Budgeting vs. Modified Accrual Basis Fund Balance (1)**

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2014, to the fund balance on a modified accrual basis follows.

<i>(Dollars in Thousands)</i>	<b>Health and Social Services</b>	<b>Other</b>
Fund Balance, Basis of Budgeting	\$ 148,121	\$ 577,980
Adjustments from Budget to Modified Accrual:		
Accrued Revenues:		
Taxes	-	5,445
Other Revenue	28,564	7,962
Accrued Expenditures/Transfers	(7,134)	(29,925)
Fund Reclassification - Budget to Modified Accrual	898	452
Fund Balance, Modified Accrual Basis	<u>\$ 170,449</u>	<u>\$ 561,914</u>

**2. Appropriations**

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Nonmajor Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the Nonmajor Special Revenue Funds, at June 30, 2014.

<i>(Dollars in Thousands)</i>	<b>Health and Social Services</b>	<b>Other</b>
Appropriations (1)	\$ 572,673	\$ 587,988
Supplemental Appropriations:		
Reappropriations (2)	6,059	43,111
Subsequent Executive (3)	15,125	26,949
Subsequent Legislative (4)	(2,616)	13,354
Capital Outlay Reversions (5)	-	(204)
Transfers (6)	1,862	6,062
Capital Outlay Adjustment (7)	(6,058)	(51,872)
Appropriations, as adjusted	<u>\$ 587,045</u>	<u>\$ 625,388</u>

1. Represents the budget appropriated through Chapter 806, 2013 Acts of Assembly, as amended by Chapter 1, 2014 Special Session I, Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to appropriate any additional revenues collected so that they can be legally spent.
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay balances.
6. Represents transfers required by the Appropriation Act.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.



## Nonmajor Enterprise Funds

*The Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. It is the intent that the cost of providing such goods or services will be recovered through user charges.*

**Department of Alcoholic Beverage Control** operates facilities for the distribution and sale of distilled spirits and wine.

**Risk Management** accounts for pooled resources received and used by the Department of the Treasury for financing local government insurance programs. This includes Local Entities Bond Insurance, Public Officials Insurance and Law Enforcement Insurance.

**Local Choice Health Care** administers a health care plan for the employees of participating local governments.

**Route 460 Funding Corporation of Virginia** accounts for the development, design, construction, financing, maintenance, tolling and operation of the Route 460 Corridor Improvements Project. The Corporation is a blended component unit of the Department of Transportation (Primary Government). The eventual collection of tolls upon project completion serves as security for the outstanding debt issued to construct the facility.

**Virginia Industries for the Blind** manufactures products for sale to governments, certain private organizations, and the general public.

**Consolidated Laboratory** provides water testing services and a newborn screening program.

**eVA Procurement System** accounts for the statewide electronic procurement system.

**Department of Environmental Quality** accounts for the Title V program that offers services to the general public.

**Wireless E-911 Service Board** assists in the establishment of wireless E-911 service in Virginia localities.

**Virginia Museum of Fine Arts** accounts for gift shop and food service activities.

**Science Museum of Virginia** accounts for gift shop activities.

**Behavioral Health Local Funds** account for the canteen store and work activity programs.

**Combining Statement of Fund Net Position – Nonmajor Enterprise Funds**

June 30, 2014

(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 1,275	\$ 20,245	\$ 106,644
Investments	4	-	-
Receivables, Net	3,950	265	27,095
Due From Other Funds	-	-	-
Inventory	58,249	-	-
Prepaid Items	2,412	3	-
Other Assets	200	-	-
Total Current Assets	<u>66,090</u>	<u>20,513</u>	<u>133,739</u>
<b>Noncurrent Assets:</b>			
Investments	-	-	-
Nondepreciable Capital Assets	4,773	-	-
Depreciable Capital Assets, Net	6,144	72	-
Total Noncurrent Assets	<u>10,917</u>	<u>72</u>	<u>-</u>
Total Assets	<u>77,007</u>	<u>20,585</u>	<u>133,739</u>
<b>Deferred Outflows of Resources</b>			
Total Assets and Deferred Outflows of Resources	<u>77,007</u>	<u>20,585</u>	<u>133,739</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
<b>Current Liabilities:</b>			
Accounts Payable	29,766	728	4,705
Amounts Due to Other Governments	-	-	-
Due to Other Funds	12,639	6	-
Due to External Parties (Fiduciary Funds)	361	14	-
Interfund Payable	26,563	-	-
Unearned Revenue	275	908	-
Obligations Under Securities Lending Program	130	-	-
Other Liabilities	14	-	-
Claims Payable Due Within One Year	-	8,896	33,028
Long-term Liabilities Due Within One Year	2,876	43	-
Total Current Liabilities	<u>72,624</u>	<u>10,595</u>	<u>37,733</u>
<b>Noncurrent Liabilities:</b>			
Claims Payable Due in More Than One Year	-	21,247	-
Long-term Liabilities Due in More Than One Year	47,506	455	-
Total Noncurrent Liabilities	<u>47,506</u>	<u>21,702</u>	<u>-</u>
Total Liabilities	<u>120,130</u>	<u>32,297</u>	<u>37,733</u>
<b>Deferred Inflows of Resources</b>			
Total Liabilities and Deferred Inflows of Resources	<u>120,130</u>	<u>32,297</u>	<u>37,733</u>
<b>Net Position</b>			
Net Investment in Capital Assets	10,917	72	-
Unrestricted	(54,040)	(11,784)	96,006
Total Net Position (Deficit)	<u>\$ (43,123)</u>	<u>\$ (11,712)</u>	<u>\$ 96,006</u>

Route 460 Funding Corporation of Virginia	Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts
\$ 142,308	\$ 8,702	\$ 4,496	\$ 14,333	\$ 2,594	\$ 15,426	\$ 1,216
10,155	-	-	-	-	-	-
200	2,137	182	3,809	-	9,741	123
-	50	-	390	-	-	-
-	3,235	59	-	-	-	584
57	-	-	-	-	-	-
-	3	-	-	-	-	6
152,720	14,127	4,737	18,532	2,594	25,167	1,929
26,130	-	-	-	-	-	-
128,902	401	66	-	-	-	-
-	10,178	1,483	61	-	-	-
155,032	10,579	1,549	61	-	-	-
307,752	24,706	6,286	18,593	2,594	25,167	1,929
-	-	-	-	-	-	-
307,752	24,706	6,286	18,593	2,594	25,167	1,929
5,575	1,818	258	1,573	344	8,880	143
-	-	-	-	-	914	-
-	163	342	293	1,040	8	10
-	7	16	22	38	7	6
-	-	-	-	-	-	-
-	-	1,002	-	2	-	-
-	-	-	-	-	-	-
5,863	-	-	-	-	-	149
-	-	-	-	-	-	-
-	188	168	228	523	33	-
11,438	2,176	1,786	2,116	1,947	9,842	308
-	-	-	-	-	-	-
317,305	2,367	1,919	1,825	4,809	955	868
317,305	2,367	1,919	1,825	4,809	955	868
328,743	4,543	3,705	3,941	6,756	10,797	1,176
-	-	-	-	-	-	-
328,743	4,543	3,705	3,941	6,756	10,797	1,176
(21,253)	10,579	1,549	61	-	-	-
262	9,584	1,032	14,591	(4,162)	14,370	753
\$ (20,991)	\$ 20,163	\$ 2,581	\$ 14,652	\$ (4,162)	\$ 14,370	\$ 753

Continued on next page

**Combining Statement of Fund Net Position – Nonmajor Enterprise Funds** (Continued from previous page)

June 30, 2014

(Dollars in Thousands)

	Science Museum of Virginia	Behavioral Health Local Funds	Total
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 212	\$ 429	\$ 317,880
Investments	-	-	10,159
Receivables, Net	2	-	47,504
Due From Other Funds	-	-	440
Inventory	63	-	62,190
Prepaid Items	-	-	2,472
Other Assets	-	-	209
<b>Total Current Assets</b>	<b>277</b>	<b>429</b>	<b>440,854</b>
<b>Noncurrent Assets:</b>			
Investments	-	-	26,130
Nondepreciable Capital Assets	-	-	134,142
Depreciable Capital Assets, Net	28	-	17,966
<b>Total Noncurrent Assets</b>	<b>28</b>	<b>-</b>	<b>178,238</b>
<b>Total Assets</b>	<b>305</b>	<b>429</b>	<b>619,092</b>
<b>Deferred Outflows of Resources</b>			
<b>Total Assets and Deferred Outflows of Resources</b>	<b>305</b>	<b>429</b>	<b>619,092</b>
<b>Liabilities and Deferred Inflows of Resources</b>			
<b>Current Liabilities:</b>			
Accounts Payable	5	-	53,795
Amounts Due to Other Governments	-	-	914
Due to Other Funds	7	-	14,508
Due to External Parties (Fiduciary Funds)	-	-	471
Interfund Payable	-	-	26,563
Unearned Revenue	1	-	2,188
Obligations Under Securities Lending Program	-	-	130
Other Liabilities	-	178	6,204
Claims Payable Due Within One Year	-	-	41,924
Long-term Liabilities Due Within One Year	-	-	4,059
<b>Total Current Liabilities</b>	<b>13</b>	<b>178</b>	<b>150,756</b>
<b>Noncurrent Liabilities:</b>			
Claims Payable Due in More Than One Year	-	-	21,247
Long-term Liabilities Due in More Than One Year	68	-	378,077
<b>Total Noncurrent Liabilities</b>	<b>68</b>	<b>-</b>	<b>399,324</b>
<b>Total Liabilities</b>	<b>81</b>	<b>178</b>	<b>550,080</b>
<b>Deferred Inflows of Resources</b>			
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>81</b>	<b>178</b>	<b>550,080</b>
<b>Net Position</b>			
Net Investment in Capital Assets	28	-	1,953
Unrestricted	196	251	67,059
<b>Total Net Position (Deficit)</b>	<b>\$ 224</b>	<b>\$ 251</b>	<b>\$ 69,012</b>



**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position –  
Nonmajor Enterprise Funds**

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
<b>Operating Revenues</b>			
Charges for Sales and Services	\$ 671,045	\$ 8,500	\$ 320,678
Interest, Dividends, Rents, and Other Investment Income	-	-	-
Other	18,410	-	-
Total Operating Revenues	689,455	8,500	320,678
<b>Operating Expenses</b>			
Cost of Sales and Services	391,544	-	-
Prizes and Claims	-	11,939	290,557
Personal Services	102,576	837	-
Contractual Services	27,236	615	17,738
Supplies and Materials	3,401	6	-
Depreciation	2,573	9	-
Rent, Insurance, and Other Related Charges	26,238	76	-
Non-recurring Cost Estimate Payments to Providers	-	-	-
Other	2,679	2	-
Total Operating Expenses	556,247	13,484	308,295
Operating Income (Loss)	133,208	(4,984)	12,383
<b>Nonoperating Revenues (Expenses)</b>			
Interest, Dividends, Rents, and Other Investment Income	225	-	-
Capital Disbursements	-	-	-
Other	9,088	-	-
Total Nonoperating Revenues (Expenses)	9,313	-	-
Income (Loss) Before Capital Contributions and Transfers	142,521	(4,984)	12,383
Capital Contributions	-	-	-
Transfers In	49	-	-
Transfers Out	(149,160)	-	-
Change in Net Position	(6,590)	(4,984)	12,383
Total Net Position (Deficit), July 1, as restated	(36,533)	(6,728)	83,623
Total Net Position (Deficit), June 30	\$ (43,123)	\$ (11,712)	\$ 96,006

<u>Route 460 Funding Corporation of Virginia</u>	<u>Virginia Industries for the Blind</u>	<u>Consolidated Laboratory</u>	<u>eVA Procurement System</u>	<u>Department of Environmental Quality</u>	<u>Wireless E-911 Service Board</u>	<u>Virginia Museum of Fine Arts</u>
\$ -	\$ 36,072	\$ 9,381	\$ 16,051	\$ 10,546	\$ 53,559	\$ 6,085
-	3	-	-	-	-	-
-	3	-	-	-	-	6
-	36,078	9,381	16,051	10,546	53,559	6,091
-	-	-	-	-	-	2,295
-	-	-	-	-	-	-
-	6,534	3,503	3,510	9,996	1,646	2,923
-	1,380	1,081	14,986	927	172	537
-	27,418	3,174	9	99	18	99
-	437	276	46	-	-	-
-	1,586	636	1,257	742	16	-
-	-	-	-	-	35,620	-
448	178	54	19	-	3	-
448	37,533	8,724	19,827	11,764	37,475	5,854
(448)	(1,455)	657	(3,776)	(1,218)	16,084	237
629	-	-	-	-	-	-
(69,595)	-	-	-	-	-	-
(12,214)	-	-	-	-	-	-
(81,180)	-	-	-	-	-	-
(81,628)	(1,455)	657	(3,776)	(1,218)	16,084	237
69,595	-	-	-	-	-	-
-	-	-	-	300	-	-
-	-	(953)	-	-	(13,450)	(708)
(12,033)	(1,455)	(296)	(3,776)	(918)	2,634	(471)
(8,958)	21,618	2,877	18,428	(3,244)	11,736	1,224
<u>\$ (20,991)</u>	<u>\$ 20,163</u>	<u>\$ 2,581</u>	<u>\$ 14,652</u>	<u>\$ (4,162)</u>	<u>\$ 14,370</u>	<u>\$ 753</u>

Continued on next page

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position –  
Nonmajor Enterprise Funds (Continued from previous page)**

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Science Museum of Virginia	Behavioral Health Local Funds	Total
<b>Operating Revenues</b>			
Charges for Sales and Services	\$ 391	\$ 424	\$ 1,132,732
Interest, Dividends, Rents, and Other Investment Income	-	-	3
Other	-	-	18,419
Total Operating Revenues	391	424	1,151,154
<b>Operating Expenses</b>			
Cost of Sales and Services	182	442	394,463
Prizes and Claims	-	-	302,496
Personal Services	133	-	131,658
Contractual Services	7	-	64,679
Supplies and Materials	1	-	34,225
Depreciation	6	-	3,347
Rent, Insurance, and Other Related Charges	-	-	30,551
Non-recurring Cost Estimate Payments to Providers	-	-	35,620
Other	16	-	3,399
Total Operating Expenses	345	442	1,000,438
Operating Income (Loss)	46	(18)	150,716
<b>Nonoperating Revenues (Expenses)</b>			
Interest, Dividends, Rents, and Other Investment Income	-	-	854
Capital Disbursements	-	-	(69,595)
Other	-	-	(3,126)
Total Nonoperating Revenues (Expenses)	-	-	(71,867)
Income (Loss) Before Capital Contributions and Transfers	46	(18)	78,849
Capital Contributions	-	-	69,595
Transfers In	-	-	349
Transfers Out	(30)	(18)	(164,319)
Change in Net Position	16	(36)	(15,526)
Total Net Position (Deficit), July 1, as restated	208	287	84,538
Total Net Position (Deficit), June 30	\$ 224	\$ 251	\$ 69,012





## Combining Statement of Cash Flows – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
<b>Cash Flows from Operating Activities</b>			
Receipts for Sales and Services	\$ 683,599	\$ 8,438	\$ 315,183
Internal Activity-Receipts from Other Funds	-	-	-
Internal Activity-Payments to Other Funds	-	-	-
Payments to Suppliers for Goods and Services	(423,993)	-	-
Payments for Contractual Services	(27,236)	(480)	(17,712)
Payments for Prizes, Claims, and Loss Control	-	(7,072)	(291,711)
Payments to Employees	(97,256)	(924)	-
Payments to Providers for Non-recurring Cost Estimates	-	-	-
Other Operating Revenue	9,399	-	-
Other Operating Expense	-	-	-
Net Cash Provided by (Used for) Operating Activities	<u>144,513</u>	<u>(38)</u>	<u>5,760</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers In from Other Funds	49	-	-
Transfers Out to Other Funds	(342,383)	-	-
Other Noncapital Financing Receipt Activities	230,319	-	-
Other Noncapital Financing Disbursement Activities	(28,326)	(3,000)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(140,341)</u>	<u>(3,000)</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	(4,240)	-	-
Payment of Principal and Interest on Bonds and Notes	-	-	-
Proceeds from Sale of Capital Assets	4	-	-
Capital Contributions	-	-	-
Capital Disbursements	-	-	-
Net Cash Used for Capital and Related Financing Activities	<u>(4,236)</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of Investments	-	-	-
Proceeds from Sales or Maturities of Investments	-	-	-
Investment Income on Cash, Cash Equivalents, and Investments	-	-	-
Net Cash Used for Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(64)	(3,038)	5,760
<b>Cash and Cash Equivalents, July 1</b>	<b>1,413</b>	<b>23,283</b>	<b>100,884</b>
<b>Cash and Cash Equivalents, June 30</b>	<b><u>\$ 1,349</u></b>	<b><u>\$ 20,245</u></b>	<b><u>\$ 106,644</u></b>
<b>Reconciliation of Cash and Cash Equivalents</b>			
Per the Statement of Net Position:			
Cash and Cash Equivalents	\$ 1,275	\$ 20,245	\$ 106,644
Cash and Travel Advances	200	-	-
Less:			
Securities Lending Cash Equivalents	(126)	-	-
Cash and Cash Equivalents per the Statement of Cash Flow s	<u>\$ 1,349</u>	<u>\$ 20,245</u>	<u>\$ 106,644</u>

Route 460 Funding Corporation of Virginia	Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts
\$ -	\$ 31,137	\$ 9,172	\$ 11,978	\$ 10,549	\$ 53,692	\$ 6,124
-	4,299	-	3,966	-	-	-
-	-	(825)	(1,380)	-	(11)	-
-	(26,808)	(3,034)	(26)	(88)	(42)	(2,295)
(448)	(1,360)	(875)	(14,832)	(916)	(162)	(533)
-	-	-	-	-	-	-
-	(6,279)	(3,003)	(2,905)	(9,209)	(1,405)	(2,788)
-	-	-	-	-	(35,367)	-
-	6	-	-	-	-	-
(57)	(1,420)	-	-	(741)	-	-
(505)	(425)	1,435	(3,199)	(405)	16,705	508
-	-	-	-	300	-	-
-	-	(953)	-	-	(13,450)	(708)
-	-	300	-	-	-	-
-	-	-	-	-	-	-
-	-	(653)	-	300	(13,450)	(708)
(64,455)	(420)	(68)	-	-	-	-
(12,084)	-	-	-	-	-	-
-	-	-	-	-	-	-
91,298	-	-	-	-	-	-
(91,298)	-	-	-	-	-	-
(76,539)	(420)	(68)	-	-	-	-
(39,358)	-	-	-	-	-	-
2,689	-	-	-	-	-	-
430	-	-	-	-	-	-
(36,239)	-	-	-	-	-	-
(113,283)	(845)	714	(3,199)	(105)	3,255	(200)
255,591	9,550	3,782	17,532	2,699	12,171	1,422
\$ 142,308	\$ 8,705	\$ 4,496	\$ 14,333	\$ 2,594	\$ 15,426	\$ 1,222
\$ 142,308	\$ 8,702	\$ 4,496	\$ 14,333	\$ 2,594	\$ 15,426	\$ 1,216
-	3	-	-	-	-	6
-	-	-	-	-	-	-
\$ 142,308	\$ 8,705	\$ 4,496	\$ 14,333	\$ 2,594	\$ 15,426	\$ 1,222

Continued on next page

**Combining Statement of Cash Flows – Nonmajor Enterprise Funds** (Continued from previous page)

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Science Museum of Virginia	Behavioral Health Local Funds	Total
<b>Cash Flows from Operating Activities</b>			
Receipts for Sales and Services	\$ 391	\$ 424	\$ 1,130,687
Internal Activity-Receipts from Other Funds	-	-	8,265
Internal Activity-Payments to Other Funds	-	-	(2,216)
Payments to Suppliers for Goods and Services	(182)	(442)	(456,910)
Payments for Contractual Services	(7)	-	(64,561)
Payments for Prizes, Claims, and Loss Control	-	-	(298,783)
Payments to Employees	(140)	-	(123,909)
Payments to Providers for Non-recurring Cost Estimates	-	-	(35,367)
Other Operating Revenue	-	-	9,405
Other Operating Expense	(5)	-	(2,223)
Net Cash Provided by (Used for) Operating Activities	<u>57</u>	<u>(18)</u>	<u>164,388</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers In from Other Funds	-	-	349
Transfers Out to Other Funds	(30)	(18)	(357,542)
Other Noncapital Financing Receipt Activities	-	-	230,619
Other Noncapital Financing Disbursement Activities	-	-	(31,326)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(30)</u>	<u>(18)</u>	<u>(157,900)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	(34)	-	(69,217)
Payment of Principal and Interest on Bonds and Notes	-	-	(12,084)
Proceeds from Sale of Capital Assets	-	-	4
Capital Contributions	-	-	91,298
Capital Disbursements	-	-	(91,298)
Net Cash Used for Capital and Related Financing Activities	<u>(34)</u>	<u>-</u>	<u>(81,297)</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of Investments	-	-	(39,358)
Proceeds from Sales or Maturities of Investments	-	-	2,689
Investment Income on Cash, Cash Equivalents, and Investments	-	-	430
Net Cash Used for Investing Activities	<u>-</u>	<u>-</u>	<u>(36,239)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7)	(36)	(111,048)
<b>Cash and Cash Equivalents, July 1</b>	<u>219</u>	<u>465</u>	<u>429,011</u>
<b>Cash and Cash Equivalents, June 30</b>	<u>\$ 212</u>	<u>\$ 429</u>	<u>\$ 317,963</u>
<b>Reconciliation of Cash and Cash Equivalents</b>			
Per the Statement of Net Position:			
Cash and Cash Equivalents	\$ 212	\$ 429	\$ 317,880
Cash and Travel Advances	-	-	209
Less:			
Securities Lending Cash Equivalents	-	-	(126)
Cash and Cash Equivalents per the Statement of Cash Flow s	<u>\$ 212</u>	<u>\$ 429</u>	<u>\$ 317,963</u>

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
<b>Reconciliation of Operating Income</b>			
<b>To Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Operating Income (Loss)	\$ 133,208	\$ (4,984)	\$ 12,383
<b>Adjustments to Reconcile Operating</b>			
<b>Income to Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Depreciation	2,573	9	-
Miscellaneous Nonoperating Income	7	-	-
Other	-	-	-
<b>Change in Assets and Liabilities:</b>			
(Increase) Decrease in Accounts Receivable	3,416	(265)	(5,495)
(Increase) Decrease in Due from Other Funds	-	-	-
(Increase) Decrease in Other Assets	-	-	-
(Increase) Decrease in Inventory	(4,760)	-	-
(Increase) Decrease in Prepaid Items	(626)	(2)	-
Increase (Decrease) in Accounts Payable	3,350	252	(2,931)
Increase (Decrease) in Amounts Due to Other Governments	-	-	-
Increase (Decrease) in Due to Other Funds	630	1	-
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	47	9	-
Increase (Decrease) in Unearned Revenue	118	203	-
Increase (Decrease) in Other Liabilities	14	-	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	1,665	1,803
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	2,955	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	330	21	-
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	6,206	98	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 144,513</u>	<u>\$ (38)</u>	<u>\$ 5,760</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
The following transactions occurred prior to the Statement of Net Position date:			
Change in Fair Value of Investments	-	-	-
Capital Asset Addition Included in Accounts Payable	-	-	-
Capitalized Interest Accrued	\$ -	\$ -	\$ -
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Continued on next page

**Combining Statement of Cash Flows – Nonmajor Enterprise Funds** (Continued from previous page)

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

	Route 460 Funding Corporation of Virginia	Virginia Industries for the Blind	Consolidated Laboratory
<b>Reconciliation of Operating Income</b>			
<b>To Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Operating Income (Loss)	\$ (448)	\$ (1,455)	\$ 657
<b>Adjustments to Reconcile Operating</b>			
<b>Income to Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Depreciation	-	437	276
Miscellaneous Nonoperating Income	-	-	-
Other	(2,277)	69	-
<b>Change in Assets and Liabilities:</b>			
(Increase) Decrease in Accounts Receivable	-	(647)	(21)
(Increase) Decrease in Due from Other Funds	21,703	-	256
(Increase) Decrease in Other Assets	2,682	-	-
(Increase) Decrease in Inventory	-	411	9
(Increase) Decrease in Prepaid Items	(57)	70	-
Increase (Decrease) in Accounts Payable	(21,702)	425	8
Increase (Decrease) in Amounts Due to Other Governments	-	-	-
Increase (Decrease) in Due to Other Funds	-	58	(52)
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	-	(7)	3
Increase (Decrease) in Unearned Revenue	-	-	(159)
Increase (Decrease) in Other Liabilities	(406)	-	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	-	40	20
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	-	174	438
Net Cash Provided by (Used for) Operating Activities	<u>\$ (505)</u>	<u>\$ (425)</u>	<u>\$ 1,435</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
The following transactions occurred prior to the Statement of Net Position date:			
Change in Fair Value of Investments	(356)	-	-
Capital Asset Addition Included in Accounts Payable	5,574	-	-
Capitalized Interest Accrued	\$ 2,539	\$ -	\$ -
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ 7,757</u>	<u>\$ -</u>	<u>\$ -</u>

eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia	Behavioral Health Local Funds	Total
\$ (3,776)	\$ (1,218)	\$ 16,084	\$ 237	\$ 46	\$ (18)	\$ 150,716
46	-	-	-	6	-	3,347
-	-	-	-	-	-	7
-	-	-	-	-	-	(2,208)
(120)	2	599	33	(2)	-	(2,500)
25	-	-	-	-	-	21,984
-	-	-	-	-	-	2,682
-	-	-	103	8	-	(4,229)
-	-	-	-	-	-	(615)
114	8	1,069	4	-	-	(19,403)
-	-	(1,288)	-	-	-	(1,288)
6	87	2	2	5	-	739
10	4	1	-	-	-	67
-	2	-	-	-	-	164
-	-	-	4	-	-	(388)
-	-	-	-	-	-	3,468
-	-	-	-	-	-	2,955
108	25	(6)	-	-	-	538
388	685	244	125	(6)	-	8,352
<u>\$ (3,199)</u>	<u>\$ (405)</u>	<u>\$ 16,705</u>	<u>\$ 508</u>	<u>\$ 57</u>	<u>\$ (18)</u>	<u>\$ 164,388</u>
-	-	-	-	-	-	(356)
-	-	-	-	-	-	5,574
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,539</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,757</u>





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## Internal Service Funds

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*Internal Service Funds account for the operations of state agencies that render services to other state agencies, institutions, or other governmental units of the Commonwealth on a cost-reimbursement basis.*

**Virginia Information Technologies Agency** accounts for the installation and maintenance of the state government's telephone system; the development, use and maintenance of the Commonwealth's data processing systems; and the development of automated systems.

**Enterprise Application Fund** accounts for the development and operation of the Commonwealth's Performance Budgeting and Cardinal System. Funding is derived from charges to agencies for the ongoing costs of the Commonwealth's enterprise applications, including recovery of the development and implementation costs initially funded through working capital advances.

**Virginia Correctional Enterprises** accounts for the manufacturing activities of the Commonwealth's correctional facilities.

**Health Care** accounts for the health insurance programs provided to state employees and for retirees who are not yet eligible to participate in Medicare.

**Fleet Management** accounts for the Commonwealth's motor vehicle pool.

**Property Management** accounts for real estate services, non-routine facility maintenance, and the disposal of state-owned property.

**Risk Management** accounts for the insurance programs provided to state agencies and institutions.

**General Services** accounts for a variety of services, including the purchase of supplies, the sale of surplus property, water testing, graphic design and engineering.

**Payroll Service Bureau** accounts for the payroll and leave accounting services provided to state agencies and institutions.

## Combining Statement of Fund Net Position – Internal Service Funds

June 30, 2014

(Dollars in Thousands)

	Virginia Information Technologies Agency	Enterprise Application	Virginia Correctional Enterprises
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 36,618	\$ 1,326	\$ 5,512
Receivables, Net	2,284	-	2,791
Due From Other Funds	23,717	-	1,471
Due From External Parties (Fiduciary Funds)	-	-	-
Due From Component Units	-	-	-
Inventory	-	-	12,967
Prepaid Items	3,801	-	31
Other Assets	3,110	-	3
Total Current Assets	<u>69,530</u>	<u>1,326</u>	<u>22,775</u>
<b>Noncurrent Assets:</b>			
Nondepreciable Capital Assets	-	32,968	228
Depreciable Capital Assets, Net	19,563	9,667	10,360
Total Noncurrent Assets	<u>19,563</u>	<u>42,635</u>	<u>10,588</u>
Total Assets	<u>89,093</u>	<u>43,961</u>	<u>33,363</u>
<b>Deferred Outflows of Resources</b>			
Total Assets and Deferred Outflows of Resources	<u>89,093</u>	<u>43,961</u>	<u>33,363</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
<b>Current Liabilities:</b>			
Accounts Payable	27,620	3,170	1,024
Amounts Due to Other Governments	2,285	-	359
Due to Other Funds	104	10	245
Due to External Parties (Fiduciary Funds)	114	11	58
Interfund Payable	16,000	1,798	-
Unearned Revenue	46,258	-	797
Other Liabilities	-	-	1
Claims Payable Due Within One Year	-	-	-
Long-term Liabilities Due within One Year	596	141	599
Total Current Liabilities	<u>92,977</u>	<u>5,130</u>	<u>3,083</u>
<b>Noncurrent Liabilities:</b>			
Interfund Payable	-	41,584	-
Claims Payable Due In More Than One Year	-	-	-
Long-term Liabilities Due in More Than One Year	15,236	1,485	8,229
Total Noncurrent Liabilities	<u>15,236</u>	<u>43,069</u>	<u>8,229</u>
Total Liabilities	<u>108,213</u>	<u>48,199</u>	<u>11,312</u>
<b>Deferred Inflows of Resources</b>			
Total Liabilities and Deferred Inflows of Resources	<u>108,213</u>	<u>48,199</u>	<u>11,312</u>
<b>Net Position</b>			
Net Investment in Capital Assets	19,563	42,635	9,276
Unrestricted	(38,683)	(46,873)	12,775
Total Net Position (Deficit)	<u>\$ (19,120)</u>	<u>\$ (4,238)</u>	<u>\$ 22,051</u>

<u>Health Care</u>	<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Payroll Service Bureau</u>	<u>Total</u>
\$ 128,500	\$ 4,867	\$ 31,119	\$ 178,359	\$ 6,931	\$ 466	\$ 393,698
2,182	456	266	260	1,254	-	9,493
27,043	2,064	480	1	1,375	-	56,151
194	-	-	-	-	-	194
17,607	-	-	-	-	-	17,607
-	31	361	-	3,787	-	17,146
-	-	354	438	279	136	5,039
-	-	-	-	1	-	3,114
175,526	7,418	32,580	179,058	13,627	602	502,442
-	-	-	-	1,050	-	34,246
-	33,918	10,308	98	5,117	93	89,124
-	33,918	10,308	98	6,167	93	123,370
175,526	41,336	42,888	179,156	19,794	695	625,812
-	-	-	-	-	-	-
175,526	41,336	42,888	179,156	19,794	695	625,812
19,141	1,310	1,698	2,070	1,239	92	57,364
-	-	978	-	-	-	3,622
-	86	665	4	570	10	1,694
-	6	59	16	34	10	308
-	-	419	-	632	-	18,849
-	39	21,748	57,730	22	-	126,594
-	-	287	508	56	-	852
124,890	-	-	82,218	-	-	207,108
-	2,993	3,644	60	388	104	8,525
144,031	4,434	29,498	142,606	2,941	216	424,916
-	-	2,666	-	1,029	-	45,279
-	-	-	542,375	-	-	542,375
-	12,957	34,125	943	4,269	1,190	78,434
-	12,957	36,791	543,318	5,298	1,190	666,088
144,031	17,391	66,289	685,924	8,239	1,406	1,091,004
-	-	-	-	-	-	-
144,031	17,391	66,289	685,924	8,239	1,406	1,091,004
-	18,773	(3,811)	98	6,167	93	92,794
31,495	5,172	(19,590)	(506,866)	5,388	(804)	(557,986)
\$ 31,495	\$ 23,945	\$ (23,401)	\$ (506,768)	\$ 11,555	\$ (711)	\$ (465,192)

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position –  
Internal Service Funds**

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Virginia Information Technologies Agency	Enterprise Application	Virginia Correctional Enterprises
<b>Operating Revenues</b>			
Charges for Sales and Services	\$ 337,753	\$ 15,976	\$ 48,992
Other	-	-	-
Total Operating Revenues	<u>337,753</u>	<u>15,976</u>	<u>48,992</u>
<b>Operating Expenses</b>			
Cost of Sales and Services	-	-	38,022
Prizes and Claims	-	-	-
Personal Services	23,921	2,133	6,149
Contractual Services	300,101	12,651	2,822
Supplies and Materials	81	10	828
Depreciation	4,125	1,297	1,556
Rent, Insurance, and Other Related Charges	3,427	479	1,024
Interest Expense	-	-	-
Other	879	19	77
Total Operating Expenses	<u>332,534</u>	<u>16,589</u>	<u>50,478</u>
Operating Income (Loss)	<u>5,219</u>	<u>(613)</u>	<u>(1,486)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest, Dividends, Rents, and Other Investment Income	-	-	-
Other	-	-	125
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>125</u>
Income (Loss) Before Special Item and Transfers	5,219	(613)	(1,361)
Special Item	-	8,113	-
Transfers In	-	-	-
Transfers Out	-	(9,427)	(1,000)
Change in Net Position	5,219	(1,927)	(2,361)
Total Net Position (Deficit), July 1	<u>(24,339)</u>	<u>(2,311)</u>	<u>24,412</u>
Total Net Position (Deficit), June 30	<u>\$ (19,120)</u>	<u>\$ (4,238)</u>	<u>\$ 22,051</u>

<u>Health Care</u>	<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Payroll Service Bureau</u>	<u>Total</u>
\$ 1,263,708	\$ 16,779	\$ 103,416	\$ 103,013	\$ 41,840	\$ 2,195	\$ 1,933,672
-	-	-	1	-	1	2
<u>1,263,708</u>	<u>16,779</u>	<u>103,416</u>	<u>103,014</u>	<u>41,840</u>	<u>2,196</u>	<u>1,933,674</u>
-	-	-	-	27,893	-	65,915
1,105,156	-	-	71,974	-	-	1,177,130
-	1,230	12,949	1,799	7,411	2,265	57,857
67,727	3,395	12,351	10,417	3,789	46	413,299
-	5,044	2,473	8	1,658	7	10,109
-	6,187	1,637	12	811	4	15,629
-	724	66,009	2,356	1,831	138	75,988
-	-	9	-	-	-	9
-	45	2,922	7,843	330	3	12,118
<u>1,172,883</u>	<u>16,625</u>	<u>98,350</u>	<u>94,409</u>	<u>43,723</u>	<u>2,463</u>	<u>1,828,054</u>
<u>90,825</u>	<u>154</u>	<u>5,066</u>	<u>8,605</u>	<u>(1,883)</u>	<u>(267)</u>	<u>105,620</u>
-	-	1	-	110	-	111
-	1,264	(2,721)	45	-	-	(1,287)
-	1,264	(2,720)	45	110	-	(1,176)
90,825	1,418	2,346	8,650	(1,773)	(267)	104,444
-	-	-	-	-	-	8,113
-	-	-	-	388	-	388
-	-	-	(1)	(112)	-	(10,540)
90,825	1,418	2,346	8,649	(1,497)	(267)	102,405
<u>(59,330)</u>	<u>22,527</u>	<u>(25,747)</u>	<u>(515,417)</u>	<u>13,052</u>	<u>(444)</u>	<u>(567,597)</u>
<u>\$ 31,495</u>	<u>\$ 23,945</u>	<u>\$ (23,401)</u>	<u>\$ (506,768)</u>	<u>\$ 11,555</u>	<u>\$ (711)</u>	<u>\$ (465,192)</u>

## Combining Statement of Cash Flows – Internal Service Funds

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Virginia Information Technologies Agency	Enterprise Application	Virginia Correctional Enterprises
<b>Cash Flows from Operating Activities</b>			
Receipts for Sales and Services	\$ 16,070	\$ 789	\$ 23,426
Internal Activity-Receipts from Other Funds	321,081	15,187	27,264
Internal Activity-Payments to Other Funds	(1,745)	-	(1,132)
Payments to Suppliers for Goods and Services	(4,967)	(10)	(35,976)
Payments for Contractual Services	(301,249)	(12,032)	(2,755)
Payments for Prizes, Claims, and Loss Control	-	-	-
Payments to Employees	(21,863)	(1,039)	(5,405)
Payments for Interest	-	-	-
Other Operating Revenue	-	-	-
Other Operating Expense	-	(498)	-
Net Cash Provided by Operating Activities	<u>7,327</u>	<u>2,397</u>	<u>5,422</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers In from Other Funds	-	-	-
Transfers Out to Other Funds	-	-	(1,000)
Other Noncapital Financing Receipt Activities	-	-	-
Other Noncapital Financing Disbursement Activities	(6,000)	(1,505)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(6,000)</u>	<u>(1,505)</u>	<u>(1,000)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	(2,185)	(869)	(255)
Payment of Principal and Interest on Bonds and Notes	-	-	(592)
Proceeds from Sale of Capital Assets	-	-	-
Other Capital and Related Financing Disbursement Activities	-	-	-
Net Cash Used for Capital and Related Financing Activities	<u>(2,185)</u>	<u>(869)</u>	<u>(847)</u>
<b>Cash Flows from Investing Activities</b>			
Investment Income on Cash, Cash Equivalents, and Investments	-	-	-
Net Cash Provided by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(858)	23	3,575
<b>Cash and Cash Equivalents, July 1</b>	<u>37,476</u>	<u>1,303</u>	<u>1,940</u>
<b>Cash and Cash Equivalents, June 30</b>	<u>\$ 36,618</u>	<u>\$ 1,326</u>	<u>\$ 5,515</u>
<b>Reconciliation of Cash and Cash Equivalents</b>			
Per the Statement of Net Position:			
Cash and Cash Equivalents	\$ 36,618	\$ 1,326	\$ 5,512
Cash and Travel Advances	-	-	3
Cash and Cash Equivalents per the Statement of Cash Flow s	<u>\$ 36,618</u>	<u>\$ 1,326</u>	<u>\$ 5,515</u>

<u>Health Care</u>	<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Payroll Service Bureau</u>	<u>Total</u>
\$ 606,429	\$ 2,512	\$ 6,302	\$ 45,960	\$ 11,529	\$ 11	\$ 713,028
649,871	13,795	99,057	66,369	30,254	2,185	1,225,063
-	(511)	(3,822)	-	(2,829)	-	(10,039)
-	(4,889)	(68,897)	(8)	(27,981)	(7)	(142,735)
(67,432)	(3,224)	(11,407)	(10,444)	(3,511)	(46)	(412,100)
(1,104,289)	-	-	(74,875)	-	-	(1,179,164)
-	(1,127)	(12,067)	(1,545)	(6,919)	(1,956)	(51,921)
-	-	(9)	-	-	-	(9)
-	-	-	1	-	-	1
-	(10)	-	(10,564)	-	(144)	(11,216)
<u>84,579</u>	<u>6,546</u>	<u>9,157</u>	<u>14,894</u>	<u>543</u>	<u>43</u>	<u>130,908</u>
-	-	-	-	388	-	388
-	-	-	(1)	(112)	-	(1,113)
-	-	85	45	110	-	240
-	-	(425)	-	-	-	(7,930)
-	-	(340)	44	386	-	(8,415)
-	(4,636)	(13)	-	(399)	-	(8,357)
-	(4,449)	(5,721)	-	-	-	(10,762)
-	1,781	-	-	-	-	1,781
-	-	-	-	(1,500)	-	(1,500)
-	(7,304)	(5,734)	-	(1,899)	-	(18,838)
-	-	1	-	-	-	1
-	-	1	-	-	-	1
84,579	(758)	3,084	14,938	(970)	43	103,656
43,921	5,625	28,035	163,421	7,902	423	290,046
<u>\$ 128,500</u>	<u>\$ 4,867</u>	<u>\$ 31,119</u>	<u>\$ 178,359</u>	<u>\$ 6,932</u>	<u>\$ 466</u>	<u>\$ 393,702</u>
\$ 128,500	\$ 4,867	\$ 31,119	\$ 178,359	\$ 6,931	\$ 466	\$ 393,698
-	-	-	-	1	-	4
<u>\$ 128,500</u>	<u>\$ 4,867</u>	<u>\$ 31,119</u>	<u>\$ 178,359</u>	<u>\$ 6,932</u>	<u>\$ 466</u>	<u>\$ 393,702</u>

Continued on next page

**Combining Statement of Cash Flows – Internal Service Funds** (Continued from previous page)

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Virginia Information Technologies Agency	Enterprise Application	Virginia Correctional Enterprises
<b>Reconciliation of Operating Income</b>			
<b>To Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Operating Income (Loss)	\$ 5,219	\$ (613)	\$ (1,486)
<b>Adjustments to Reconcile Operating</b>			
<b>Income to Net Cash Provided by (Used for)</b>			
<b>Operating Activities:</b>			
Depreciation	4,125	1,297	1,556
Miscellaneous Nonoperating Income	-	-	147
<b>Change in Assets and Liabilities:</b>			
(Increase) Decrease in Accounts Receivable	312	-	3,433
(Increase) Decrease in Due from Other Funds	(2,362)	-	442
(Increase) Decrease in Due from External Parties (Fiduciary Funds)	-	-	-
(Increase) Decrease in Due from Component Units	-	-	-
(Increase) Decrease in Other Assets	376	-	4
(Increase) Decrease in Inventory	-	-	3,234
(Increase) Decrease in Prepaid Items	(3,801)	-	(31)
Increase (Decrease) in Accounts Payable	(178)	398	(201)
Increase (Decrease) in Amounts Due to Other Governments	574	-	3
Increase (Decrease) in Due to Other Funds	7	5	54
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	10	8	7
Increase (Decrease) in Unearned Revenue	1,069	-	(2,404)
Increase (Decrease) in Other Liabilities	-	-	1
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(154)	103	15
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	2,130	1,199	648
Net Cash Provided by (Used for) Operating Activities	<u>\$ 7,327</u>	<u>\$ 2,397</u>	<u>\$ 5,422</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
The following transactions occurred prior to the Statement of Net Position date:			
Installment Purchases Used to Finance Capital Assets	\$ -	\$ -	\$ -
Capital Asset Addition Included in Accounts Payable	-	1,918	-
Other	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ 1,918</u>	<u>\$ -</u>



<u>Health Care</u>	<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Payroll Service Bureau</u>	<u>Total</u>
\$ 90,825	\$ 154	\$ 5,066	\$ 8,605	\$ (1,883)	\$ (267)	\$ 105,620
-	6,187	1,637	12	811	4	15,629
-	-	-	-	-	-	147
(112)	14	1,173	(60)	341	-	5,101
(4,177)	49	230	-	(371)	-	(6,189)
(33)	-	-	-	-	-	(33)
(3,087)	-	-	-	-	-	(3,087)
-	-	-	-	-	-	380
-	(6)	(99)	-	1,000	-	4,129
-	-	(354)	(438)	68	(3)	(4,559)
(7,295)	557	119	1,171	(219)	17	(5,631)
-	-	(39)	-	-	-	538
-	(2)	(422)	1	257	3	(97)
-	1	5	11	4	2	48
-	(504)	665	9,377	(3)	-	8,200
-	-	233	(5,778)	56	-	(5,488)
8,458	-	-	(2,883)	-	-	5,575
-	-	-	4,641	-	-	4,641
-	6	13	30	8	18	39
-	90	930	205	474	269	5,945
<u>\$ 84,579</u>	<u>\$ 6,546</u>	<u>\$ 9,157</u>	<u>\$ 14,894</u>	<u>\$ 543</u>	<u>\$ 43</u>	<u>\$ 130,908</u>
\$ -	\$ 5,392	\$ -	\$ -	\$ -	\$ -	\$ 5,392
-	246	-	-	-	-	2,164
-	-	-	-	(43)	-	(43)
<u>\$ -</u>	<u>\$ 5,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43)</u>	<u>\$ -</u>	<u>\$ 7,513</u>

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# Fiduciary Funds

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## Private Purpose Trust Funds

*Private Purpose Trust Funds are trust arrangements that benefit individuals, private organizations, or other governments.*

**Unclaimed Property** accounts for unclaimed and escheat property that the state holds for its rightful owner.

**Education Savings Trust Fund** accounts for the activities of the Virginia Education Savings Trust program which is a voluntary, non-guaranteed, higher educational investment program offered by the Virginia College Savings Plan.

**Loan Servicing Reserve** accounts for funds that are used to service loan activities for individual loans in order to meet the provisions of the Declarations of the dissolved Virginia Education Loan Authority.

**Edvantage Reserve** accounts for funds that are used to service loan activities for individual loans in order to meet the provisions of the dissolved Student Education Assistance Authority.

**Virginia Revolving Farm Loan Program** accounts for trust funds that are used to provide loans to individual farmers for rural rehabilitation purposes.

**Gas and Oil Board Escrow Account** accounts for the funds held in escrow awaiting disbursement to the validated owner of property containing gas and oil interest.

**Miscellaneous Trust** account for perpetual trusts created through donations to the state. Earnings are used for the benefit of donor-specified local entities.

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## Pension and Other Employee Benefit Trust Funds

*Pension and Other Employee Benefit Trust Funds reflect the activities of the retirement systems and postemployment benefits administered by the Virginia Retirement System (VRS) or the Department of Accounts.*

**The Virginia Retirement System** provides retirement benefits to Commonwealth employees, teachers, political subdivision employees, and other qualifying employees.

**The State Police Officers' Retirement System** provides retirement benefits to Virginia state police officers.

**The Judicial Retirement System** provides retirement benefits to the Commonwealth's judiciary.

**The Virginia Law Officers' Retirement System** provides retirement benefits to correctional officers, capital police officers, university police officers, and game wardens.

**Political Appointees** provides optional retirement benefits to selected officials and administrative staff.

**The Public School Superintendents' Plan** provides retirement benefits to superintendents in the public school system.

**The Virginia Supplemental Retirement Plan** provides extra benefits to turn-around specialists in the public school system.

**Other Postemployment Retiree Health Insurance Credit Fund** accounts for the health insurance credits provided by the Commonwealth which offset a portion of the retirees' monthly insurance premiums.

**Other Employment Group Life Fund** provides life insurance coverage to members of the retirement systems.

**Other Postemployment Disability Insurance Trust Fund** provides income protection to Commonwealth employees for absences caused by sickness or disability.

**Other Employment Volunteer Firefighters' and Rescue Squad Workers' Fund** provides optional retirement benefits to volunteer firefighters and rescue squad workers.

**Other Postemployment Line of Duty Death and Disability Fund** provides death and health benefits to beneficiaries of certain law enforcement and rescue personnel disabled or killed in the line of duty.

**Virginia Local Disability Program** provides long-term disability benefits to local government employees.

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## Investment Trust Fund

*Investment Trust Fund reflects the external portion of the local government investment pool sponsored by the Commonwealth.*

**Local Government Investment Pool (LGIP)** helps local governmental entities maximize their rate of return by commingling their resources for investment purposes.

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## Agency Funds

*Agency Funds report those funds for which the Commonwealth acts solely in a custodial capacity.*

**Funds for the Collection of Taxes and Fees** account for taxes and fees collected by the Commonwealth to be distributed to localities or other states.

**Employee Benefits Fund** accounts for undistributed withholdings for employee benefits.

**Contractor Deposits Fund** accounts for reimbursable deposits, including both cash and securities, from mining companies, road construction companies, motor fuel retailers and localities to ensure performance meets regulatory standards.

**Deposits of Insurance Carriers Fund** accounts for security deposits of insurance carriers as protection to the policy holders of the Commonwealth.

**Inmate and Ward Fund** accounts for the savings of inmates and wards of the Departments of Corrections and Juvenile Justice.

**Child Support Collection Fund** accounts for court-ordered child support payments that flow through the Department of Social Services.

**Behavioral Health Patient Fund** accounts for the savings of patients in the Commonwealth's behavioral health facilities.

**Behavioral Health Non-patient Fund** accounts for the savings of non-patients in the Commonwealth's behavioral health facilities.

**Comptroller's Debt Setoff Fund** accounts for monies held in a suspense status while research is conducted to determine the party entitled to the funds.

**Unclaimed Property of Other States Fund** accounts for unclaimed property that is due to other states.

**Legal Settlement Fund** accounts for receipts from court judgments that are deposited and subsequently distributed to the appropriate injured parties.

**Consumer Services Fund** accounts for deposits made by businesses that will provide assistance to individuals suffering losses associated with these businesses and will be returned after dispute resolution. The Milk Commission, which accounts for deposits from milk producers that will be distributed to individual farmers to offset delivery expenses and losses incurred, is reported as part of this fund.

**State Asset Forfeiture Fund** accounts for seized assets that are deposited and subsequently distributed to the appropriate parties pursuant to court orders.

**Virginia School for the Deaf and the Blind Fund** accounts for student funds used to establish new activities for students.

**Woodrow Wilson Rehabilitation Center Fund** accounts for student funds held by the center.

**Third Party Administrator Fund** accounts for funds held in custody for assets of the Virginia Railway Express and the van pool insurance program.

**Department of Environmental Quality Fund** accounts for deposits from the EPA as a result of a legal settlement which will be distributed to localities to retro-fit school buses.

**Virginia Veterans' Care Center Resident Fund** accounts for the savings of residents of the Virginia Veterans Care Center.

**Virginia Individual Development Account Trust Fund** accounts for funds used to benefit low income individuals and to assist them in purchasing affordable housing.

**E-Payables Fund** accounts for payments to vendors which are held in a suspense status until the electronic payment is processed.

## Combining Statement of Fiduciary Net Position – Private Purpose Trust Funds

June 30, 2014

(Dollars in Thousands)

	Unclaimed Property	Education Savings Trust Fund	Loan Servicing Reserve
<b>Assets and Deferred Outflows of Resources</b>			
Cash and Cash Equivalents	\$ 61,066	\$ 19,786	\$ 189
Investments:			
Bonds and Mortgage Securities	124	78,023	-
Stocks	398,259	99,618	-
Index and Pooled Funds	1,888	1,474,324	-
Real Estate	2,123	-	-
Mutual and Money Market Funds	100,458	667,184	-
Other	1,592	476,361	-
Total Investments	<u>504,444</u>	<u>2,795,510</u>	<u>-</u>
Receivables, Net:			
Accounts	-	2	-
Interest and Dividends	-	1,806	-
Total Receivables	<u>-</u>	<u>1,808</u>	<u>-</u>
Prepaid Items	225	-	-
Total Assets	<u>565,735</u>	<u>2,817,104</u>	<u>189</u>
<b>Deferred Outflows of Resources</b>			
Total Assets and Deferred Outflows of Resources	<u>565,735</u>	<u>2,817,104</u>	<u>189</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Accounts Payable and Accrued Expenses	452	2,536	-
Due to Other Funds	58	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	25	-	-
Obligations Under Securities Lending Program	-	-	-
Other Liabilities	-	3,892	-
Compensated Absences Payable	283	-	-
Insurance Premiums and Claims Payable	69	-	-
Pension Liability	1,424	-	-
Other Postemployment Benefits (OPEB) Liability	526	-	-
Total Liabilities	<u>2,837</u>	<u>6,428</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>			
Total Liabilities and Deferred Inflows of Resources	<u>2,837</u>	<u>6,428</u>	<u>-</u>
Net Position Held in Trust for Pension/Other Employment Benefits	<u>\$ 562,898</u>	<u>\$ 2,810,676</u>	<u>\$ 189</u>

<u>Edvantage Reserve</u>	<u>Virginia Revolving Farm Loan Program</u>	<u>Gas and Oil Board Escrow Account</u>	<u>Miscellaneous Trust</u>	<u>Total</u>
\$ 248	\$ 5,489	\$ 28,798	\$ 66	\$ 115,642
-	-	-	-	78,147
-	-	-	-	497,877
-	-	-	-	1,476,212
-	-	-	-	2,123
-	-	-	-	767,642
-	15	-	-	477,968
-	15	-	-	3,299,969
-	6	-	-	8
-	-	-	-	1,806
-	6	-	-	1,814
-	-	-	-	225
248	5,510	28,798	66	3,417,650
-	-	-	-	-
248	5,510	28,798	66	3,417,650
-	203	-	-	3,191
-	-	-	-	58
-	-	-	-	25
-	492	-	-	492
-	-	-	-	3,892
-	3	-	-	286
-	-	-	-	69
-	49	-	-	1,473
-	18	-	-	544
-	765	-	-	10,030
-	-	-	-	-
-	765	-	-	10,030
<u>\$ 248</u>	<u>\$ 4,745</u>	<u>\$ 28,798</u>	<u>\$ 66</u>	<u>\$ 3,407,620</u>

## Combining Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds

For the Fiscal Year June 30, 2014  
(Dollars in Thousands)

	Unclaimed Property	Education Savings Trust Fund	Loan Servicing Reserve
<b>Additions:</b>			
<b>Investment Income:</b>			
Interest, Dividends, and Other Investment Income	\$ -	\$ 327,248	\$ -
<b>Total Investment Income</b>	<b>-</b>	<b>327,248</b>	<b>-</b>
Less Investment Expenses	-	4,462	-
<b>Net Investment Income</b>	<b>-</b>	<b>322,786</b>	<b>-</b>
Proceeds from Unclaimed Property	184,219	-	-
<b>Contributions:</b>			
Participants	-	353,154	-
<b>Total Contributions</b>	<b>-</b>	<b>353,154</b>	<b>-</b>
Other Revenue	-	-	-
<b>Total Additions</b>	<b>184,219</b>	<b>675,940</b>	<b>-</b>
<b>Deductions:</b>			
Loan Servicing Payments	-	-	-
Educational Expense Benefits	-	148,333	-
Insurance Premiums and Claims	32,728	-	-
Trust Payments	-	-	-
Administrative Expenses	7,015	1,381	-
Shares Redeemed	-	17,414	-
<b>Total Deductions</b>	<b>39,743</b>	<b>167,128</b>	<b>-</b>
Net Increase (Decrease)	144,476	508,812	-
Net Position Held in Trust for Pension/Other Employment Benefits			
<b>July 1</b>	<b>418,422</b>	<b>2,301,864</b>	<b>189</b>
<b>June 30</b>	<b>\$ 562,898</b>	<b>\$ 2,810,676</b>	<b>\$ 189</b>

<u>Edvantage Reserve</u>	<u>Virginia Revolving Farm Loan Program</u>	<u>Gas and Oil Board Escrow Account</u>	<u>Miscellaneous Trust</u>	<u>Total</u>
\$ -	\$ 34	\$ 79	\$ -	\$ 327,361
-	34	79	-	327,361
-	-	28	-	4,490
-	34	51	-	322,871
-	-	-	-	184,219
-	-	2,225	-	355,379
-	-	2,225	-	355,379
-	-	1	-	1
-	34	2,277	-	862,470
1	266	-	-	267
-	-	-	-	148,333
-	-	-	-	32,728
-	-	1,318	-	1,318
3	130	-	-	8,529
-	-	-	-	17,414
4	396	1,318	-	208,589
(4)	(362)	959	-	653,881
252	5,107	27,839	66	2,753,739
\$ 248	\$ 4,745	\$ 28,798	\$ 66	\$ 3,407,620

## Combining Statement of Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds

June 30, 2014

(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System
<b>Assets and Deferred Outflows of Resources</b>			
Cash and Cash Equivalents	\$ 251,949	\$ 2,931	\$ 1,797
Investments:			
Bonds and Mortgage Securities	18,763,405	218,244	133,814
Stocks	23,350,490	271,598	166,526
Fixed Income Commingled Funds	619,540	7,205	4,418
Index and Pooled Funds	5,794,966	67,404	41,327
Real Estate	5,800,221	67,465	41,365
Private Equity	8,400,508	97,710	59,909
Short-term Investments	138,443	1,610	987
Hybrid Defined Contribution Investments	1,213	-	-
Other	5,658,034	65,811	40,351
Total Investments	<u>68,526,820</u>	<u>797,047</u>	<u>488,697</u>
Receivables, Net:			
Contributions	207,186	1,301	1,149
Interest and Dividends	201,682	2,346	1,438
Security Transactions	1,222,015	14,213	8,715
Other Receivables	13,623	143	88
Total Receivables	<u>1,644,506</u>	<u>18,003</u>	<u>11,390</u>
Due from Other Funds	56	-	-
Due from Internal Parties (Governmental Funds and Business-type Activities)	19,132	119	106
Due from Component Units	18,184	-	-
Furniture and Equipment	30,426	-	-
Total Assets	<u>70,491,073</u>	<u>818,100</u>	<u>501,990</u>
<b>Deferred Outflows of Resources</b>	-	-	-
Total Assets and Deferred Outflows of Resources	<u>70,491,073</u>	<u>818,100</u>	<u>501,990</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Accounts Payable and Accrued Expenses	27,916	298	183
Due to Other Funds	-	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	169	-	-
Obligations Under Securities Lending Program	5,657,953	65,810	40,350
Other Liabilities	111,030	1,269	778
Retirement Benefits Payable	294,680	4,630	3,108
Refunds Payable	4,207	24	-
Compensated Absences Payable	2,275	-	-
Insurance Premiums and Claims Payable	-	-	-
Payable for Security Transactions	2,183,982	25,079	15,377
Pension Liability	13,707	135	82
Other Postemployment Benefits (OPEB) Liability	5,135	48	29
Total Liabilities	<u>8,301,054</u>	<u>97,293</u>	<u>59,907</u>
<b>Deferred Inflows of Resources</b>	-	-	-
Total Liabilities and Deferred Inflows of Resources	<u>8,301,054</u>	<u>97,293</u>	<u>59,907</u>
Net Position Held in Trust for Pension/Other Employment Benefits	<u>\$ 62,190,019</u>	<u>\$ 720,807</u>	<u>\$ 442,083</u>



Virginia Law Officers' Retirement System	Political Appointees	Public School Superintendents	Virginia Supplemental Retirement Plan	Other Postemployment Retiree Health Insurance Credit	Other Employment Group Life	Other Postemployment Disability Insurance Trust Fund
\$ 4,672	\$ -	\$ -	\$ -	\$ 667	\$ 4,490	\$ 1,631
347,951	4,639	257	12	49,689	334,391	121,502
433,015	6,375	33	89	61,837	416,139	151,205
11,489	-	-	-	1,641	11,042	4,012
107,463	-	-	-	15,346	103,275	37,525
107,560	-	-	-	15,360	103,368	37,559
155,780	-	-	-	22,246	149,709	54,397
2,567	-	-	-	367	2,467	896
-	-	-	-	-	-	-
104,923	-	-	-	14,984	100,834	36,638
1,270,748	11,014	290	101	181,470	1,221,225	443,734
2,702	-	-	-	12,645	15,611	422
3,740	-	-	-	534	3,594	1,306
22,661	-	-	-	3,236	21,778	7,913
220	-	-	-	42	209	6,729
29,323	-	-	-	16,457	41,192	16,370
-	-	-	-	1	8,292	-
245	-	-	-	1,157	1,428	38
349	-	-	-	2,983	2,741	478
-	-	-	-	-	-	-
1,305,337	11,014	290	101	202,735	1,279,368	462,251
-	-	-	-	-	-	-
1,305,337	11,014	290	101	202,735	1,279,368	462,251
475	-	-	-	11,567	457	849
-	-	-	-	-	-	-
-	-	-	-	-	-	-
104,922	-	-	-	14,983	100,833	36,638
2,023	-	-	-	289	1,944	706
7,356	-	-	-	-	-	-
128	-	-	-	138	6	-
-	-	-	-	-	-	-
-	-	-	-	-	58,388	-
39,984	-	-	-	5,710	38,425	13,962
182	-	-	-	209	224	331
73	-	-	-	79	64	122
155,143	-	-	-	32,975	200,341	52,608
-	-	-	-	-	-	-
155,143	-	-	-	32,975	200,341	52,608
\$ 1,150,194	\$ 11,014	\$ 290	\$ 101	\$ 169,760	\$ 1,079,027	\$ 409,643

Continued on next page

**Combining Statement of Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds**  
*(Continued from previous page)*

June 30, 2014

(Dollars in Thousands)

	Other Employment Volunteer Firefighters and Rescue Squad Workers	Other Postemployment Line of Duty Death and Disability	Virginia Local Disability Program
<b>Assets and Deferred Outflows of Resources</b>			
Cash and Cash Equivalents	\$ -	\$ 28	\$ -
Investments:			
Bonds and Mortgage Securities	25	2,073	-
Stocks	2,911	2,581	-
Fixed Income Commingled Funds	-	68	-
Index and Pooled Funds	-	640	-
Real Estate	-	641	-
Private Equity	-	929	-
Short-term Investments	-	15	-
Hybrid Defined Contribution Investments	-	-	-
Other	-	625	-
Total Investments	<u>2,936</u>	<u>7,572</u>	<u>-</u>
Receivables, Net:			
Contributions	-	1,269	374
Interest and Dividends	-	22	-
Security Transactions	-	135	-
Other Receivables	-	241	10
Total Receivables	<u>-</u>	<u>1,667</u>	<u>384</u>
Due from Other Funds	-	-	-
Due from Internal Parties (Governmental Funds and Business-type Activities)	-	-	33
Due from Component Units	-	-	-
Furniture and Equipment	-	-	-
Total Assets	<u>2,936</u>	<u>9,267</u>	<u>417</u>
<b>Deferred Outflows of Resources</b>			
Total Assets and Deferred Outflows of Resources	<u>2,936</u>	<u>9,267</u>	<u>417</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Accounts Payable and Accrued Expenses	-	3	-
Due to Other Funds	-	8,291	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	-	-	-
Obligations Under Securities Lending Program	-	625	-
Other Liabilities	-	12	393
Retirement Benefits Payable	-	-	-
Refunds Payable	-	-	-
Compensated Absences Payable	-	-	-
Insurance Premiums and Claims Payable	-	-	-
Payable for Security Transactions	-	238	-
Pension Liability	-	67	17
Other Postemployment Benefits (OPEB) Liability	-	31	7
Total Liabilities	<u>-</u>	<u>9,267</u>	<u>417</u>
<b>Deferred Inflows of Resources</b>			
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>9,267</u>	<u>417</u>
Net Position Held in Trust for Pension/Other Employment Benefits	<u>\$ 2,936</u>	<u>\$ -</u>	<u>\$ -</u>

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<b>Total</b>	
\$	268,165
	19,976,002
	24,862,799
	659,415
	6,167,946
	6,173,539
	8,941,188
	147,352
	1,213
	6,022,200
	72,951,654
	242,659
	214,662
	1,300,666
	21,305
	1,779,292
	8,349
	22,258
	24,735
	30,426
	75,084,879
	-
	75,084,879
	41,748
	8,291
	169
	6,022,114
	118,444
	309,774
	4,503
	2,275
	58,388
	2,322,757
	14,954
	5,588
	8,909,005
	-
	8,909,005
\$	66,175,874

**Combining Statement of Changes in Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds**

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System
<b>Additions:</b>			
<b>Investment Income:</b>			
Interest, Dividends, and Other Investment Income	\$ 8,898,591	\$ 102,608	\$ 63,247
<b>Total Investment Income</b>	<b>8,898,591</b>	<b>102,608</b>	<b>63,247</b>
Less Investment Expenses	339,832	3,926	2,414
<b>Net Investment Income</b>	<b>8,558,759</b>	<b>98,682</b>	<b>60,833</b>
<b>Contributions:</b>			
Member	795,557	5,646	3,051
Employer	1,737,137	42,683	27,727
<b>Total Contributions</b>	<b>2,532,694</b>	<b>48,329</b>	<b>30,778</b>
Other Revenue	460	-	-
<b>Total Additions</b>	<b>11,091,913</b>	<b>147,011</b>	<b>91,611</b>
<b>Deductions:</b>			
Retirement Benefits	3,711,208	50,467	37,984
Refunds to Former Members	98,049	685	-
Retiree Health Insurance Credits	-	-	-
Insurance Premiums and Claims	-	-	-
Administrative Expenses	43,052	382	239
Other Expenses	6,745	78	47
Long-term Disability Benefits	-	-	-
<b>Total Deductions</b>	<b>3,859,054</b>	<b>51,612</b>	<b>38,270</b>
<b>Transfers:</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
<b>Total Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Increase</b>	<b>7,232,859</b>	<b>95,399</b>	<b>53,341</b>
<b>Net Position Held in Trust for Pension/Other Employment Benefits</b>			
<b>July 1</b>	<b>54,957,160</b>	<b>625,408</b>	<b>388,742</b>
<b>June 30</b>	<b>\$ 62,190,019</b>	<b>\$ 720,807</b>	<b>\$ 442,083</b>

Virginia Law Officers' Retirement System	Political Appointees	Public School Superintendents	Virginia Supplemental Retirement Plan	Other Postemployment Retiree Health Insurance Credit	Other Employment Group Life	Other Postemployment Disability Insurance Trust Fund
\$ 163,016	\$ 1,660	\$ 30	\$ 18	\$ 20,713	\$ 152,662	\$ 58,819
163,016	1,660	30	18	20,713	152,662	58,819
6,230	-	-	-	791	5,797	2,246
156,786	1,660	30	18	19,922	146,865	56,573
17,908	1,075	91	-	-	122,678	-
67,483	-	-	-	146,742	82,908	17,391
85,391	1,075	91	-	146,742	205,586	17,391
-	-	-	-	-	-	302
242,177	2,735	121	18	166,664	352,451	74,266
78,412	1,112	-	-	-	-	-
4,665	-	-	-	-	-	-
-	-	-	-	142,610	-	-
-	-	-	-	-	159,358	-
603	12	-	-	501	298	601
124	-	-	-	15	1,276	44
-	-	-	-	-	-	33,681
83,804	1,124	-	-	143,126	160,932	34,326
-	-	-	-	-	-	-
-	-	-	-	-	-	(10)
-	-	-	-	-	-	(10)
158,373	1,611	121	18	23,538	191,519	39,930
991,821	9,403	169	83	146,222	887,508	369,713
\$ 1,150,194	\$ 11,014	\$ 290	\$ 101	\$ 169,760	\$ 1,079,027	\$ 409,643

Continued on next page

**Combining Statement of Changes in Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds**  
*(Continued from previous page)*

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Other Employment Volunteer Firefighters and Rescue Squad Workers	Other Postemployment Line of Duty Death and Disability	Virginia Local Disability Program
<b>Additions:</b>			
<b>Investment Income:</b>			
Interest, Dividends, and Other Investment Income	\$ 390	\$ 1,497	\$ -
<b>Total Investment Income</b>	<b>390</b>	<b>1,497</b>	<b>-</b>
Less Investment Expenses	-	58	-
<b>Net Investment Income</b>	<b>390</b>	<b>1,439</b>	<b>-</b>
<b>Contributions:</b>			
Member	29	-	-
Employer	92	7,229	419
<b>Total Contributions</b>	<b>121</b>	<b>7,229</b>	<b>419</b>
Other Revenue	-	10	24
<b>Total Additions</b>	<b>511</b>	<b>8,678</b>	<b>443</b>
<b>Deductions:</b>			
Retirement Benefits	-	-	-
Refunds to Former Members	32	-	-
Retiree Health Insurance Credits	-	-	-
Insurance Premiums and Claims	-	7,824	-
Administrative Expenses	-	136	314
Other Expenses	-	718	-
Long-term Disability Benefits	-	-	139
<b>Total Deductions</b>	<b>32</b>	<b>8,678</b>	<b>453</b>
<b>Transfers:</b>			
Transfers In	-	-	10
Transfers Out	-	-	-
<b>Total Transfers</b>	<b>-</b>	<b>-</b>	<b>10</b>
<b>Net Increase</b>	<b>479</b>	<b>-</b>	<b>-</b>
<b>Net Position Held in Trust for Pension/Other Employment Benefits</b>			
<b>July 1</b>	<b>2,457</b>	<b>-</b>	<b>-</b>
<b>June 30</b>	<b>\$ 2,936</b>	<b>\$ -</b>	<b>\$ -</b>

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<b>Total</b>	
	9,463,251
\$	9,463,251
	361,294
	9,101,957
	946,035
	2,129,811
	3,075,846
	796
	12,178,599
	3,879,183
	103,431
	142,610
	167,182
	46,138
	9,047
	33,820
	4,381,411
	10
	(10)
	-
	7,797,188
	58,378,686
\$	66,175,874

**Combining Statement of Fiduciary Net Position – Investment Trust Fund**

June 30, 2014

(Dollars in Thousands)

	<b>Local Government Investment Pool (LGIP)</b>	<b>Total</b>
<b>Assets and Deferred Outflows of Resources</b>		
Cash and Cash Equivalents	\$ 1,263,982	\$ 1,263,982
Investments:		
Bonds and Mortgage Securities	112,371	112,371
Short-term Investments	1,350,692	1,350,692
<b>Total Investments</b>	<b>1,463,063</b>	<b>1,463,063</b>
Receivables, Net:		
Interest and Dividends	506	506
Total Receivables	506	506
<b>Total Assets</b>	<b>2,727,551</b>	<b>2,727,551</b>
<b>Deferred Outflows of Resources</b>	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>2,727,551</b>	<b>2,727,551</b>
<b>Liabilities and Deferred Inflows of Resources</b>		
Due to Internal Parties (Governmental Funds and Business-type Activities)	300	300
<b>Total Liabilities</b>	<b>300</b>	<b>300</b>
<b>Deferred Inflows of Resources</b>	-	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>300</b>	<b>300</b>
Net Position Held in Trust for Pool Participants	<u>\$ 2,727,251</u>	<u>\$ 2,727,251</u>



**Combining Statement of Changes in Fiduciary Net Position - Investment Trust Fund**

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	<b>Local Government Investment Pool (LGIP)</b>	<b>Total</b>
<b>Additions:</b>		
<b>Investment Income:</b>		
Interest, Dividends, and Other Investment Income	\$ 1,996	\$ 1,996
Distributions to Shareholders from Net Investment Income	(1,996)	(1,996)
Total Investment Income	-	-
Net Investment Income	-	-
Shares Sold	4,254,179	4,254,179
Reinvested Distributions	1,990	1,990
Total Additions	4,256,169	4,256,169
<b>Deductions:</b>		
Shares Redeemed	3,865,494	3,865,494
Total Deductions	3,865,494	3,865,494
Net Increase	390,675	390,675
<b>Net Position Held in Trust for Pool Participants</b>		
<b>July 1</b>	2,336,576	2,336,576
<b>June 30</b>	<u>\$ 2,727,251</u>	<u>\$ 2,727,251</u>

**Combining Statement of Fiduciary Net Position – Agency Funds**

June 30, 2014

(Dollars in Thousands)

	<b>Funds for the Collection of Taxes and Fees</b>	<b>Employee Benefits</b>	<b>Contractor Deposits</b>	<b>Deposits of Insurance Carriers</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 163,432	\$ 3,296	\$ 33,275	\$ 39,201
Investments:				
Short-term Investments	3	-	23	57,810
Other	-	-	-	341,572
Total Investments	3	-	23	399,382
Receivables, Net:				
Accounts	80,680	-	-	34
Total Receivables	80,680	-	-	34
Other Assets	-	-	-	-
Total Assets	\$ 244,115	\$ 3,296	\$ 33,298	\$ 438,617
<b>Liabilities</b>				
Accounts Payable and Accrued Expenses	\$ -	\$ 3,296	\$ -	\$ -
Amounts Due to Other Governments	244,022	-	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	-	-	-	-
Obligations Under Securities Lending Program	93	-	742	-
Other Liabilities	-	-	32,556	438,617
Insurance Premiums and Claims Payable	-	-	-	-
Total Liabilities	\$ 244,115	\$ 3,296	\$ 33,298	\$ 438,617

<u>Inmate and Ward</u>	<u>Child Support Collection</u>	<u>Behavioral Health Patient</u>	<u>Behavioral Health Non-Patient</u>	<u>Comptroller's Debt Setoff</u>	<u>Unclaimed Property of Other States</u>	<u>Legal Settlement</u>	<u>Consumer Services</u>
\$ 14,017	\$ 16,263	\$ 1,494	\$ 38	\$ 999	\$ 8,984	\$ 13,139	\$ 1,408
-	-	-	-	-	-	3	-
-	-	106	-	-	-	-	-
-	-	106	-	-	-	3	-
419	-	-	-	-	-	-	-
419	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 14,436	\$ 16,263	\$ 1,600	\$ 38	\$ 999	\$ 8,984	\$ 13,142	\$ 1,408
\$ 2,346	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2
-	-	-	-	-	8,984	-	-
147	-	-	-	-	-	-	-
-	-	-	-	-	-	97	-
11,943	16,263	1,600	38	999	-	13,045	1,406
-	-	-	-	-	-	-	-
\$ 14,436	\$ 16,263	\$ 1,600	\$ 38	\$ 999	\$ 8,984	\$ 13,142	\$ 1,408

Continued on next page

**Combining Statement of Fiduciary Net Position – Agency Funds** (Continued from previous page)

June 30, 2014

(Dollars in Thousands)

	State Asset Forfeiture	Virginia School for the Deaf and Blind	Woodrow Wilson Rehabilitation Center	Third Party Administrator
<b>Assets</b>				
Cash and Cash Equivalents	\$ 8,861	\$ 19	\$ 4	\$ 12,007
Investments:				
Short-term Investments	5	-	-	-
Other	-	-	-	-
Total Investments	5	-	-	-
Receivables, Net:				
Accounts	-	-	-	4
Total Receivables	-	-	-	4
Other Assets	-	-	-	33
Total Assets	<u>\$ 8,866</u>	<u>\$ 19</u>	<u>\$ 4</u>	<u>\$ 12,044</u>
<b>Liabilities</b>				
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ -	\$ 2
Amounts Due to Other Governments	-	-	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	-	-	-	-
Obligations Under Securities Lending Program	149	-	-	-
Other Liabilities	8,717	19	4	11,707
Insurance Premiums and Claims Payable	-	-	-	335
Total Liabilities	<u>\$ 8,866</u>	<u>\$ 19</u>	<u>\$ 4</u>	<u>\$ 12,044</u>

Department of Environmental Quality	Virginia Veterans' Care Center Resident Fund	Virginia Individual Development Account Trust Fund	E-Payables	Total
\$ 128	\$ 134	\$ -	\$ 18,497	\$ 335,196
-	-	-	-	57,844
-	-	-	-	341,678
-	-	-	-	399,522
-	-	-	-	81,137
-	-	-	-	81,137
-	-	-	-	33
\$ 128	\$ 134	\$ -	\$ 18,497	\$ 815,888
\$ -	\$ -	\$ -	\$ -	\$ 5,646
-	-	-	-	253,006
-	-	-	-	147
-	-	-	-	1,081
128	134	-	18,497	555,673
-	-	-	-	335
\$ 128	\$ 134	\$ -	\$ 18,497	\$ 815,888

## Combining Statement of Changes in Assets and Liabilities – Agency Funds

For the Fiscal Year Ended June 30, 2014  
(Dollars in Thousands)

	Balance July 1, as restated	Additions	Deletions	Balance June 30
<b>Funds for the Collection of Taxes and Fees</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 155,627	\$ 1,224,605	\$ 1,216,800	\$ 163,432
Short-term Investments	3	3	3	3
Accounts Receivable	70,735	80,680	70,735	80,680
<b>Total Assets</b>	<b>\$ 226,365</b>	<b>\$ 1,305,288</b>	<b>\$ 1,287,538</b>	<b>\$ 244,115</b>
<b>Liabilities:</b>				
Amounts Due to Other Governments	\$ 226,275	\$ 1,305,195	\$ 1,287,448	\$ 244,022
Obligations Under Securities Lending Program	90	93	90	93
<b>Total Liabilities</b>	<b>\$ 226,365</b>	<b>\$ 1,305,288</b>	<b>\$ 1,287,538</b>	<b>\$ 244,115</b>
<b>Employee Benefits</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 2,865	\$ 210,542	\$ 210,111	\$ 3,296
<b>Total Assets</b>	<b>\$ 2,865</b>	<b>\$ 210,542</b>	<b>\$ 210,111</b>	<b>\$ 3,296</b>
<b>Liabilities:</b>				
Accounts Payable and Accrued Expenses	\$ 2,865	\$ 210,542	\$ 210,111	\$ 3,296
<b>Total Liabilities</b>	<b>\$ 2,865</b>	<b>\$ 210,542</b>	<b>\$ 210,111</b>	<b>\$ 3,296</b>
<b>Contractor Deposits</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 30,866	\$ 12,861	\$ 10,452	\$ 33,275
Short-term Investments	36	23	36	23
<b>Total Assets</b>	<b>\$ 30,902</b>	<b>\$ 12,884</b>	<b>\$ 10,488</b>	<b>\$ 33,298</b>
<b>Liabilities:</b>				
Obligations Under Securities Lending Program	\$ 707	\$ 742	\$ 707	\$ 742
Other Liabilities	30,195	12,142	9,781	32,556
<b>Total Liabilities</b>	<b>\$ 30,902</b>	<b>\$ 12,884</b>	<b>\$ 10,488</b>	<b>\$ 33,298</b>
<b>Deposits of Insurance Carriers</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 34,268	\$ 28,823	\$ 23,890	\$ 39,201
Short-term Investments	73,355	57,811	73,356	57,810
Other Investments	326,785	36,287	21,500	341,572
Accounts Receivable	40	659	665	34
<b>Total Assets</b>	<b>\$ 434,448</b>	<b>\$ 123,580</b>	<b>\$ 119,411</b>	<b>\$ 438,617</b>
<b>Liabilities:</b>				
Other Liabilities	\$ 434,448	\$ 123,580	\$ 119,411	\$ 438,617
<b>Total Liabilities</b>	<b>\$ 434,448</b>	<b>\$ 123,580</b>	<b>\$ 119,411</b>	<b>\$ 438,617</b>
<b>Inmate and Ward</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 11,959	\$ 2,167	\$ 109	\$ 14,017
Accounts Receivable	241	186	8	419
<b>Total Assets</b>	<b>\$ 12,200</b>	<b>\$ 2,353</b>	<b>\$ 117</b>	<b>\$ 14,436</b>
<b>Liabilities:</b>				
Accounts Payable and Accrued Expenses	\$ 2,378	\$ 175	\$ 207	\$ 2,346
Due to Internal Parties (Governmental Funds and Business-type Activities)	91	56	-	147
Other Liabilities	9,731	2,329	117	11,943
<b>Total Liabilities</b>	<b>\$ 12,200</b>	<b>\$ 2,560</b>	<b>\$ 324</b>	<b>\$ 14,436</b>

	Balance July 1, as restated	Additions	Deletions	Balance June 30
<b>Child Support Collection</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 13,786	\$ 655,825	\$ 653,348	\$ 16,263
<b>Total Assets</b>	<b>\$ 13,786</b>	<b>\$ 655,825</b>	<b>\$ 653,348</b>	<b>\$ 16,263</b>
<b>Liabilities:</b>				
Other Liabilities	\$ 13,786	\$ 655,825	\$ 653,348	\$ 16,263
<b>Total Liabilities</b>	<b>\$ 13,786</b>	<b>\$ 655,825</b>	<b>\$ 653,348</b>	<b>\$ 16,263</b>
<b>Behavioral Health Patient</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 2,003	\$ 3,160	\$ 3,669	\$ 1,494
Other Investments	86	20	-	106
<b>Total Assets</b>	<b>\$ 2,089</b>	<b>\$ 3,180</b>	<b>\$ 3,669</b>	<b>\$ 1,600</b>
<b>Liabilities:</b>				
Other Liabilities	\$ 2,089	\$ 3,180	\$ 3,669	\$ 1,600
<b>Total Liabilities</b>	<b>\$ 2,089</b>	<b>\$ 3,180</b>	<b>\$ 3,669</b>	<b>\$ 1,600</b>
<b>Behavioral Health Non-Patient</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 31	\$ 22	\$ 15	\$ 38
<b>Total Assets</b>	<b>\$ 31</b>	<b>\$ 22</b>	<b>\$ 15</b>	<b>\$ 38</b>
<b>Liabilities:</b>				
Other Liabilities	\$ 31	\$ 22	\$ 15	\$ 38
<b>Total Liabilities</b>	<b>\$ 31</b>	<b>\$ 22</b>	<b>\$ 15</b>	<b>\$ 38</b>
<b>Comptroller's Debt Setoff</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,339	\$ 16,594	\$ 16,934	\$ 999
<b>Total Assets</b>	<b>\$ 1,339</b>	<b>\$ 16,594</b>	<b>\$ 16,934</b>	<b>\$ 999</b>
<b>Liabilities:</b>				
Due to Internal Parties (Governmental Funds and Business-type Activities)	\$ 65	\$ -	\$ 65	\$ -
Other Liabilities	1,274	16,594	16,869	999
<b>Total Liabilities</b>	<b>\$ 1,339</b>	<b>\$ 16,594</b>	<b>\$ 16,934</b>	<b>\$ 999</b>
<b>Unclaimed Property of Other States</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 8,332	\$ 8,984	\$ 8,332	\$ 8,984
<b>Total Assets</b>	<b>\$ 8,332</b>	<b>\$ 8,984</b>	<b>\$ 8,332</b>	<b>\$ 8,984</b>
<b>Liabilities:</b>				
Amounts Due to Other Governments	\$ 8,332	\$ 8,984	\$ 8,332	\$ 8,984
<b>Total Liabilities</b>	<b>\$ 8,332</b>	<b>\$ 8,984</b>	<b>\$ 8,332</b>	<b>\$ 8,984</b>
<b>Legal Settlement</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 2,141	\$ 37,691	\$ 26,693	\$ 13,139
Short-term Investments	8	3	8	3
<b>Total Assets</b>	<b>\$ 2,149</b>	<b>\$ 37,694</b>	<b>\$ 26,701</b>	<b>\$ 13,142</b>
<b>Liabilities:</b>				
Obligations Under Securities Lending Program	\$ 165	\$ 97	\$ 165	\$ 97
Other Liabilities	1,984	37,597	26,536	13,045
<b>Total Liabilities</b>	<b>\$ 2,149</b>	<b>\$ 37,694</b>	<b>\$ 26,701</b>	<b>\$ 13,142</b>

Continued on next page

**Combining Statement of Changes in Assets and Liabilities – Agency Funds (Continued from previous page)**

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

	Balance July 1, as restated	Additions	Deletions	Balance June 30
<b>Consumer Services</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,165	\$ 409	\$ 166	\$ 1,408
Total Assets	<u>\$ 1,165</u>	<u>\$ 409</u>	<u>\$ 166</u>	<u>\$ 1,408</u>
<b>Liabilities:</b>				
Accounts Payable and Accrued Expenses	\$ 1	\$ 25	\$ 24	\$ 2
Other Liabilities	1,164	384	142	1,406
Total Liabilities	<u>\$ 1,165</u>	<u>\$ 409</u>	<u>\$ 166</u>	<u>\$ 1,408</u>
<b>State Asset Forfeiture</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 7,875	\$ 6,701	\$ 5,715	\$ 8,861
Short-term Investments	6	5	6	5
Total Assets	<u>\$ 7,881</u>	<u>\$ 6,706</u>	<u>\$ 5,721</u>	<u>\$ 8,866</u>
<b>Liabilities:</b>				
Obligations Under Securities Lending Program	\$ 113	\$ 149	\$ 113	\$ 149
Other Liabilities	7,768	6,557	5,608	8,717
Total Liabilities	<u>\$ 7,881</u>	<u>\$ 6,706</u>	<u>\$ 5,721</u>	<u>\$ 8,866</u>
<b>Virginia School for the Deaf and the Blind</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 21	\$ 6	\$ 8	\$ 19
Total Assets	<u>\$ 21</u>	<u>\$ 6</u>	<u>\$ 8</u>	<u>\$ 19</u>
<b>Liabilities:</b>				
Other Liabilities	\$ 21	\$ 6	\$ 8	\$ 19
Total Liabilities	<u>\$ 21</u>	<u>\$ 6</u>	<u>\$ 8</u>	<u>\$ 19</u>
<b>Woodrow Wilson Rehabilitation Center</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 3	\$ 16	\$ 15	\$ 4
Total Assets	<u>\$ 3</u>	<u>\$ 16</u>	<u>\$ 15</u>	<u>\$ 4</u>
<b>Liabilities:</b>				
Other Liabilities	\$ 3	\$ 16	\$ 15	\$ 4
Total Liabilities	<u>\$ 3</u>	<u>\$ 16</u>	<u>\$ 15</u>	<u>\$ 4</u>
<b>Third Party Administrator</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 11,608	\$ 4,514	\$ 4,115	\$ 12,007
Accounts Receivable	5	4	5	4
Other Assets	49	-	16	33
Total Assets	<u>\$ 11,662</u>	<u>\$ 4,518</u>	<u>\$ 4,136</u>	<u>\$ 12,044</u>
<b>Liabilities:</b>				
Accounts Payable and Accrued Expenses	\$ 1	\$ 2	\$ 1	\$ 2
Other Liabilities	11,066	4,496	3,855	11,707
Insurance Premiums and Claims Payable	595	-	260	335
Total Liabilities	<u>\$ 11,662</u>	<u>\$ 4,498</u>	<u>\$ 4,116</u>	<u>\$ 12,044</u>



	Balance July 1, as restated	Additions	Deletions	Balance June 30
<b>Department of Environmental Quality</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 128	\$ -	\$ -	\$ 128
<b>Total Assets</b>	<b>\$ 128</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 128</b>
<b>Liabilities:</b>				
Other Liabilities	\$ 128	\$ -	\$ -	\$ 128
<b>Total Liabilities</b>	<b>\$ 128</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 128</b>
<b>Virginia Veterans' Care Center Resident Fund</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 142	\$ 887	\$ 895	\$ 134
<b>Total Assets</b>	<b>\$ 142</b>	<b>\$ 887</b>	<b>\$ 895</b>	<b>\$ 134</b>
<b>Liabilities:</b>				
Other Liabilities	\$ 142	\$ 887	\$ 895	\$ 134
<b>Total Liabilities</b>	<b>\$ 142</b>	<b>\$ 887</b>	<b>\$ 895</b>	<b>\$ 134</b>
<b>Virginia Individual Development Account Trust Fund</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ -	\$ 17	\$ 17	\$ -
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 17</b>	<b>\$ 17</b>	<b>\$ -</b>
<b>Liabilities:</b>				
Other Liabilities	\$ -	\$ 17	\$ 17	\$ -
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 17</b>	<b>\$ 17</b>	<b>\$ -</b>
<b>E-Payables</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 16,556	\$ 90,392	\$ 88,451	\$ 18,497
<b>Total Assets</b>	<b>\$ 16,556</b>	<b>\$ 90,392</b>	<b>\$ 88,451</b>	<b>\$ 18,497</b>
<b>Liabilities:</b>				
Other Liabilities	\$ 16,556	\$ 90,392	\$ 88,451	\$ 18,497
<b>Total Liabilities</b>	<b>\$ 16,556</b>	<b>\$ 90,392</b>	<b>\$ 88,451</b>	<b>\$ 18,497</b>
<b>Totals - Agency Funds</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 300,715	\$ 2,304,216	\$ 2,269,735	\$ 335,196
Short-term Investments	73,408	57,845	73,409	57,844
Other Investments	326,871	36,307	21,500	341,678
Accounts Receivable	71,021	81,529	71,413	81,137
Other Assets	49	-	16	33
<b>Total Assets</b>	<b>\$ 772,064</b>	<b>\$ 2,479,897</b>	<b>\$ 2,436,073</b>	<b>\$ 815,888</b>
<b>Liabilities:</b>				
Accounts Payable and Accrued Expenses	\$ 5,245	\$ 210,744	\$ 210,343	\$ 5,646
Amounts Due to Other Governments	234,607	1,314,179	1,295,780	253,006
Due to Internal Parties (Governmental Funds and Business-type Activities)	156	56	65	147
Obligations Under Securities Lending Program	1,075	1,081	1,075	1,081
Other Liabilities	530,386	954,024	928,737	555,673
Insurance Premiums and Claims Payable	595	-	260	335
<b>Total Liabilities</b>	<b>\$ 772,064</b>	<b>\$ 2,480,084</b>	<b>\$ 2,436,260</b>	<b>\$ 815,888</b>

# Nonmajor Component Units

*Component Units are organizations that are legally separate from the Commonwealth of Virginia. Each discrete component unit serves or benefits those outside of the primary government.*

**The Higher Education Institutions** account for the resources received and used in the operation of the Commonwealth's institutions of higher education and medical teaching hospitals.

**Higher Education Institutions** included in this section are:

- University of Virginia, including the University of Virginia Medical Center, and the University of Virginia College at Wise
- Virginia Polytechnic Institute and State University
- Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority
- The College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science
- Virginia Military Institute
- Virginia State University
- Norfolk State University
- University of Mary Washington
- James Madison University
- Radford University
- Old Dominion University
- George Mason University
- Virginia Community College System
- Christopher Newport University
- Longwood University
- Southwest Virginia Higher Education Center
- Roanoke Higher Education Authority
- Innovation and Entrepreneurship Investment Authority
- Institute for Advanced Learning and Research
- Southern Virginia Higher Education Center
- New College Institute

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**The Virginia Economic Development Partnership** works to enhance and increase the Commonwealth's commerce and trade.

**The Virginia Outdoors Foundation** promotes preservation and fundraising for the purchase of preservation land.

**The Virginia Port Authority** is empowered to maintain and operate Virginia's harbors and ports.

**The Virginia Tourism Authority** promotes tourism and film production industries of the Commonwealth.

**The Virginia Foundation for Healthy Youth** determines the appropriate recipients of monies in the Virginia Tobacco Settlement Fund.

**The Tobacco Indemnification and Community Revitalization Commission** determines the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund.

**The Hampton Roads Sanitation District Commission** operates a sewage system for 17 localities in the Chesapeake Bay Area.

**The Virginia Biotechnology Research Partnership Authority** assists in the development of a biotechnology research park.

**The Virginia Small Business Financing Authority** assists small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses.

**The Virginia School for the Deaf and Blind Foundation** operates exclusively for the benefit of the Virginia School for the Deaf and Blind.

**The Science Museum of Virginia Foundation** operates to implement and fund projects and operations of the Science Museum of Virginia.

**The Virginia Commercial Space Flight Authority** disseminates knowledge pertaining to scientific and technological research and development among public and private entities including, but not limited to, knowledge in the area of commercial space flight, and to promote industrial and economic development.

**The Danville Science Center, Inc.**, promotes programs, projects and operations to educate students.

**The Virginia Museum of Fine Arts Foundation** implements and funds programs, projects, and operations of the Virginia Museum of Fine Arts.

**The A. L. Philpott Manufacturing Extension Partnership** promotes industrial expansion by providing consulting services to manufacturers.

**The Virginia Horse Center Foundation** operates for the benefit of the equine industry.

**The Virginia University Research Partnership** oversees the administration of grant payments for use by a non-profit, public benefit research institute that conducts research and development for government agencies, commercial businesses, foundations, and other organizations, as well as commercializes technology.

**The Fort Monroe Authority** assists in formulating a reuse plan for Fort Monroe.

**The Assistive Technology Loan Fund Authority** provides assistance with loans and in the purchase of assistive technology or other equipment to enable Virginians with disabilities to become more independent.

**The Virginia Sesquicentennial of the American Civil War Foundation** was created to prepare for and commemorate the sesquicentennial of Virginia's participation in the American Civil War.

**The Virginia Land Conservation Foundation** acquires interests in preservation land and provides grants to other entities to acquire interests in preservation land.

**The Virginia Arts Foundation** works to promote the arts in the Commonwealth.

**The Library of Virginia Foundation** promotes and supports the Library of Virginia.

**The Virginia Health Workforce Development Authority** provides assistance to the health professions.

## Combining Statement of Net Position – Nonmajor Component Units

June 30, 2014

(Dollars in Thousands)

	University of Virginia	Virginia Polytechnic Institute and State University	Virginia Commonwealth University	The College of William and Mary
<b>Assets and Deferred Outflows of Resources</b>				
Cash and Cash Equivalents	\$ 671,381	\$ 256,426	\$ 501,173	\$ 53,089
Investments	7,152,938	267,543	1,646,790	56,839
Receivables, Net	338,672	131,082	335,063	19,761
Contributions Receivable, Net	70,491	82,568	42,529	35,924
Due from Primary Government	6,758	-	-	412
Due from Component Units	13,037	14,555	8,563	2,059
Inventory	23,660	17,332	24,031	549
Prepaid Items	26,272	18,672	12,104	2,482
Other Assets	21,301	9,967	49,503	1,910
Restricted Cash and Cash Equivalents	37,555	156,389	135,462	47,083
Restricted Investments	622,731	781,807	533,774	677,174
Other Restricted Assets	9,563	11,555	21,972	150,593
Nondepreciable Capital Assets	419,160	197,432	234,036	130,248
Depreciable Capital Assets, Net	3,070,141	1,662,671	1,419,449	656,442
<b>Total Assets</b>	<b>12,483,660</b>	<b>3,607,999</b>	<b>4,964,449</b>	<b>1,834,565</b>
<b>Deferred Outflows of Resources</b>				
<b>Total Assets and Deferred Outflows of Resources</b>	<b>12,519,733</b>	<b>3,614,796</b>	<b>5,024,052</b>	<b>1,839,709</b>
<b>Liabilities and Deferred Inflows of Resources</b>				
Accounts Payable	310,924	129,182	206,221	32,476
Amounts Due to Other Governments	-	-	-	-
Due to Primary Government	248	3,757	3,951	1,148
Due to Component Units	-	-	-	-
Due to External Parties (Fiduciary Funds)	5,580	5,222	4,117	1,125
Unearned Revenue	100,549	45,287	33,652	14,234
Obligations Under Securities Lending Program	-	-	-	109
Other Liabilities	783,164	63,420	185,335	12,689
Loans Payable to Primary Government	-	-	-	-
Claims Payable:				
Due Within One Year	-	-	71,731	-
Due in More Than One Year	-	-	37,655	-
Long-term Liabilities:				
Due Within One Year	138,476	62,342	83,655	26,582
Due in More Than One Year	2,013,932	977,170	1,263,108	364,332
<b>Total Liabilities</b>	<b>3,352,873</b>	<b>1,286,380</b>	<b>1,889,425</b>	<b>452,695</b>
<b>Deferred Inflows of Resources</b>				
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>3,352,873</b>	<b>1,286,380</b>	<b>1,894,315</b>	<b>452,695</b>
<b>Net Position</b>				
Net Investment in Capital Assets	1,887,749	1,177,617	868,779	521,016
Restricted For:				
Nonexpendable:				
Higher Education	1,136,069	429,114	291,263	522,584
Other	-	-	-	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Gifts and Grants	-	-	-	-
Higher Education	3,706,271	581,702	365,813	334,744
Other	-	-	-	-
Unrestricted	2,436,771	139,983	1,603,882	8,670
<b>Total Net Position (Deficit)</b>	<b>\$ 9,166,860</b>	<b>\$ 2,328,416</b>	<b>\$ 3,129,737</b>	<b>\$ 1,387,014</b>

Virginia Military Institute	Virginia State University	Norfolk State University	University of Mary Washington	James Madison University	Radford University	Old Dominion University	George Mason University
\$ 21,257	\$ 22,944	\$ 29,590	\$ 18,281	\$ 151,004	\$ 94,371	\$ 122,372	\$ 163,402
84,501	928	18,897	3	13,555	5,885	24,776	12,753
4,059	7,148	7,064	4,597	8,324	5,832	84,957	37,413
20,401	207	393	2,575	2,766	1,863	23,889	21,148
-	404	443	420	2	-	979	-
1,698	6,532	8,196	4,390	6,363	5,029	5,430	5,074
6,140	-	-	542	956	464	732	1,430
1,038	2,987	542	897	10,617	2,928	2,178	5,355
51	91	1,538	1,158	32	5,263	248	5,075
2,791	15,310	5,537	40,844	37,003	17,949	15,295	57,181
298,617	44,030	8,637	42,304	82,381	51,210	189,496	126,092
5,822	-	-	-	4,860	429	-	12,878
14,234	38,065	54,627	95,128	118,224	76,358	66,223	159,186
229,311	221,310	194,530	310,398	781,284	185,361	541,183	1,178,655
689,920	359,956	329,994	521,537	1,217,371	452,942	1,077,758	1,785,642
1,013	3,319	62	981	2,388	-	5,072	9,188
690,933	363,275	330,056	522,518	1,219,759	452,942	1,082,830	1,794,830
5,923	9,039	10,130	15,153	39,368	20,925	43,503	62,286
1,334	-	-	-	-	-	-	12
274	352	412	323	1,395	588	1,049	1,381
-	-	-	-	-	-	4,103	-
183	261	304	133	2,230	200	886	2,019
1,393	2,672	3,141	1,307	12,826	4,258	13,889	48,546
1,143	1,502	2,759	97	8,301	7,218	4,679	7,954
3,326	3,850	3,706	4,344	13,045	4,795	15,581	21,570
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,205	8,160	7,291	7,195	15,953	3,658	26,662	41,923
82,655	169,347	112,677	296,047	343,222	82,306	384,947	958,657
98,436	195,183	140,420	324,599	436,340	123,948	495,299	1,144,348
-	-	-	-	-	-	-	-
98,436	195,183	140,420	324,599	436,340	123,948	495,299	1,144,348
228,764	135,311	169,878	189,146	671,997	232,748	356,926	542,965
132,060	18,226	8,687	32,989	52,423	25,216	135,459	83,161
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
167,907	29,647	16,534	17,755	47,351	41,692	110,146	70,188
-	-	-	-	-	-	-	-
63,766	(15,092)	(5,463)	(41,971)	11,648	29,338	(15,000)	(45,832)
\$ 592,497	\$ 168,092	\$ 189,636	\$ 197,919	\$ 783,419	\$ 328,994	\$ 587,531	\$ 650,482

Continued on next page

**Combining Statement of Net Position – Nonmajor Component Units (Continued from previous page)**

June 30, 2014

(Dollars in Thousands)

	Virginia Community College System	Christopher Newport University	Longwood University	Southwest Virginia Higher Education Center
<b>Assets and Deferred Outflows of Resources</b>				
Cash and Cash Equivalents	\$ 232,291	\$ 30,682	\$ 58,366	\$ -
Investments	59,584	70	23,776	-
Receivables, Net	22,778	975	4,606	1,833
Contributions Receivable, Net	10,965	18,096	2,983	-
Due from Primary Government	1,316	5	42	-
Due from Component Units	15,406	4,769	1,457	65
Inventory	2,688	163	405	-
Prepaid Items	32,716	2,609	2,299	29
Other Assets	290	2,019	902	-
Restricted Cash and Cash Equivalents	45,043	1,725	5,095	-
Restricted Investments	152,436	22,194	40,069	-
Other Restricted Assets	-	1,101	-	-
Nondepreciable Capital Assets	124,162	60,029	54,321	886
Depreciable Capital Assets, Net	1,179,326	534,887	263,405	11,042
<b>Total Assets</b>	<b>1,879,001</b>	<b>679,324</b>	<b>457,726</b>	<b>13,855</b>
<b>Deferred Outflows of Resources</b>	<b>597</b>	<b>5,106</b>	<b>2,584</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>1,879,598</b>	<b>684,430</b>	<b>460,310</b>	<b>13,855</b>
<b>Liabilities and Deferred Inflows of Resources</b>				
Accounts Payable	67,377	12,398	9,713	337
Amounts Due to Other Governments	4,808	-	-	-
Due to Primary Government	2,958	378	363	-
Due to Component Units	-	-	-	-
Due to External Parties (Fiduciary Funds)	2,153	145	132	16
Unearned Revenue	49,888	1,396	1,809	166
Obligations Under Securities Lending Program	88	1,822	4,418	-
Other Liabilities	11,358	4,772	6,528	-
Loans Payable to Primary Government	5,705	-	-	-
Claims Payable:				
Due Within One Year	-	-	-	-
Due in More Than One Year	-	-	-	-
Long-term Liabilities:				
Due Within One Year	27,064	16,382	6,036	185
Due in More Than One Year	446,303	291,288	175,376	1,557
<b>Total Liabilities</b>	<b>617,702</b>	<b>328,581</b>	<b>204,375</b>	<b>2,261</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>617,702</b>	<b>328,581</b>	<b>204,375</b>	<b>2,261</b>
<b>Net Position</b>				
Net Investment in Capital Assets	1,185,651	325,295	172,900	11,334
Restricted For:				
Nonexpendable:				
Higher Education	69,444	18,929	35,274	-
Other	-	-	-	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Gifts and Grants	-	-	-	-
Higher Education	94,484	19,642	25,956	-
Other	-	-	-	-
Unrestricted	(87,683)	(8,017)	21,805	260
<b>Total Net Position (Deficit)</b>	<b>\$ 1,261,896</b>	<b>\$ 355,849</b>	<b>\$ 255,935</b>	<b>\$ 11,594</b>

Roanoke Higher Education Authority	Innovation and Entrepreneurship Investment Authority	Institute for Advanced Learning and Research	Southern Virginia Higher Education Center	New College Institute	Virginia Economic Development Partnership	Virginia Outdoors Foundation	Virginia Port Authority
\$ 2,392	\$ 9,462	\$ 3,777	\$ 714	\$ 3,623	\$ 1,301	\$ 1,022	\$ 70,587
-	-	302	-	991	-	-	129
4,594	729	159	828	-	1,054	1,346	72,028
-	-	-	-	1,615	-	-	-
-	-	-	-	-	300	-	500
25	-	185	-	-	-	-	-
-	-	44	-	-	-	-	13,167
31	91	212	-	1	448	16	5,658
-	796	136	-	3	22	-	4,880
-	-	219	73	-	-	1,472	81,306
-	-	-	-	532	-	-	16,984
-	-	-	-	-	-	-	9,789
3,595	5,629	1,678	-	15,196	-	5,019	214,639
15,640	11,106	12,243	1,063	1,415	786	65	545,610
26,277	27,813	18,955	2,678	23,376	3,911	8,940	1,035,277
-	-	-	-	-	-	-	5,301
26,277	27,813	18,955	2,678	23,376	3,911	8,940	1,040,578
123	544	180	839	1,404	436	117	30,240
-	-	-	-	-	-	-	-
-	-	-	14	6	-	-	-
-	-	-	-	-	-	-	-
-	-	-	11	4	-	1	-
24	442	1	-	-	82	-	214
-	-	-	-	-	-	-	4,107
20	123	770	-	-	-	-	10,191
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
132	241	23	54	25	502	78	27,958
889	-	1,000	1,353	618	6,514	104	524,331
1,188	1,350	1,974	2,271	2,057	7,534	300	597,041
-	-	-	-	-	-	-	-
1,188	1,350	1,974	2,271	2,057	7,534	300	597,041
18,309	16,735	12,162	1,063	16,610	786	5,084	269,881
-	-	-	-	532	-	-	-
-	-	-	-	-	-	16	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	52,020
-	-	-	-	-	-	-	-
-	1,084	175	73	3,088	-	-	-
-	-	-	-	-	-	1,526	-
6,780	8,644	4,644	(729)	1,089	(4,409)	2,014	121,636
\$ 25,089	\$ 26,463	\$ 16,981	\$ 407	\$ 21,319	\$ (3,623)	\$ 8,640	\$ 443,537

Continued on next page

**Combining Statement of Net Position – Nonmajor Component Units (Continued from previous page)**

June 30, 2014

(Dollars in Thousands)

	Virginia Tourism Authority	Virginia Foundation for Healthy Youth	Tobacco Indemnification and Community Revitalization Commission	Hampton Roads Sanitation District Commission
<b>Assets and Deferred Outflows of Resources</b>				
Cash and Cash Equivalents	\$ 4,141	\$ 11,465	\$ 35,870	\$ 12,918
Investments	-	-	326,568	111,861
Receivables, Net	22	-	120	42,536
Contributions Receivable, Net	-	-	-	-
Due from Primary Government	-	-	-	-
Due from Component Units	-	-	-	-
Inventory	-	-	-	-
Prepaid Items	749	5	5	-
Other Assets	2	6	2,344	2,064
Restricted Cash and Cash Equivalents	-	-	14,097	164,257
Restricted Investments	-	-	206,045	8,600
Other Restricted Assets	-	-	2,012	-
Nondepreciable Capital Assets	811	-	-	202,339
Depreciable Capital Assets, Net	731	-	18	811,619
<b>Total Assets</b>	<b>6,456</b>	<b>11,476</b>	<b>587,079</b>	<b>1,356,194</b>
<b>Deferred Outflows of Resources</b>				
<b>Total Assets and Deferred Outflows of Resources</b>	<b>6,456</b>	<b>11,476</b>	<b>587,079</b>	<b>1,356,194</b>
<b>Liabilities and Deferred Inflows of Resources</b>				
Accounts Payable	360	72	93	36,442
Amounts Due to Other Governments	-	-	-	-
Due to Primary Government	-	9	5	-
Due to Component Units	-	-	-	-
Due to External Parties (Fiduciary Funds)	-	7	6	-
Unearned Revenue	3	-	-	-
Obligations Under Securities Lending Program	-	-	-	-
Other Liabilities	-	633	2,883	15,659
Loans Payable to Primary Government	-	-	-	-
Claims Payable:				
Due Within One Year	-	-	-	-
Due in More Than One Year	-	-	-	-
Long-term Liabilities:				
Due Within One Year	271	51	32	56,235
Due in More Than One Year	3,665	921	717	718,056
<b>Total Liabilities</b>	<b>4,299</b>	<b>1,693</b>	<b>3,736</b>	<b>826,392</b>
<b>Deferred Inflows of Resources</b>				
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>4,299</b>	<b>1,693</b>	<b>3,736</b>	<b>826,392</b>
<b>Net Position</b>				
Net Investment in Capital Assets	1,543	-	-	351,191
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	-	-	-	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	221,578	-
Debt Service	-	-	-	69,271
Gifts and Grants	-	-	-	-
Higher Education	-	-	-	-
Other	-	-	-	-
<b>Unrestricted</b>	<b>614</b>	<b>9,783</b>	<b>361,765</b>	<b>109,340</b>
<b>Total Net Position (Deficit)</b>	<b>\$ 2,157</b>	<b>\$ 9,783</b>	<b>\$ 583,343</b>	<b>\$ 529,802</b>



Virginia Biotechnology Research Partnership Authority	Virginia Small Business Financing Authority	Virginia School for the Deaf and Blind Foundation	Science Museum of Virginia Foundation	Virginia Commercial Space Flight Authority	Danville Science Center, Inc.	Virginia Museum of Fine Arts Foundation	A. L. Philpott Manufacturing Extension Partnership
\$ 3,027	\$ 4,019	\$ 3,572	\$ 646	\$ -	\$ 84	\$ 902	\$ 641
6,290	34	1,542	536	-	454	7,612	-
31,799	10,471	-	9	1,156	4	-	466
-	-	-	4,978	-	41	7,686	-
-	-	-	-	-	-	-	-
-	-	-	-	4,103	-	-	-
-	-	-	-	-	7	-	-
-	-	-	6	182	75	-	-
-	-	-	-	-	-	4,662	-
-	36,219	-	3,681	-	510	17,169	-
-	-	-	14,898	-	388	245,955	-
-	-	-	-	-	-	-	-
3,369	-	-	1,792	-	-	54	-
85	-	-	3	117,335	26	770	4
44,570	50,743	5,114	26,549	122,776	1,589	284,810	1,111
1,939	-	-	-	-	-	-	-
46,509	50,743	5,114	26,549	122,776	1,589	284,810	1,111
42	65	-	2	631	38	477	345
-	-	-	-	-	-	-	-
-	-	-	659	-	-	-	-
-	-	-	-	-	-	-	-
25	-	-	88	1,935	-	-	75
-	1,090	-	-	-	-	-	-
12	1,045	-	-	-	-	211	-
-	-	-	-	5,000	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,397	-	-	2	-	-	1,208	163
30,975	492	-	8	-	-	43,876	-
34,451	2,692	-	759	7,566	38	45,772	583
-	-	-	-	-	-	-	-
34,451	2,692	-	759	7,566	38	45,772	583
3,454	-	-	1,795	117,335	26	756	4
-	-	-	-	-	-	-	-
-	-	-	5,895	-	254	152,465	-
-	-	-	4,720	-	-	273	-
-	-	-	-	-	-	-	-
-	34,073	-	12,225	-	685	104,605	-
-	-	-	-	-	-	-	-
-	8,844	-	-	-	-	-	-
8,604	5,134	5,114	1,155	(2,125)	586	(19,061)	524
\$ 12,058	\$ 48,051	\$ 5,114	\$ 25,790	\$ 115,210	\$ 1,551	\$ 239,038	\$ 528

Continued on next page

**Combining Statement of Net Position – Nonmajor Component Units** (Continued from previous page)

June 30, 2014

(Dollars in Thousands)

	Virginia Horse Center Foundation	Virginia University Research Partnership	Fort Monroe Authority	Assistive Technology Loan Fund Authority
<b>Assets and Deferred Outflows of Resources</b>				
Cash and Cash Equivalents	\$ 209	\$ 4	\$ 3,797	\$ 7,786
Investments	-	-	-	-
Receivables, Net	144	-	459	2,066
Contributions Receivable, Net	121	-	-	-
Due from Primary Government	-	-	-	-
Due from Component Units	-	-	-	-
Inventory	36	-	-	-
Prepaid Items	20	-	193	-
Other Assets	23	-	-	-
Restricted Cash and Cash Equivalents	60	-	241	-
Restricted Investments	-	-	-	-
Other Restricted Assets	-	-	-	-
Nondepreciable Capital Assets	7,394	-	181	-
Depreciable Capital Assets, Net	13,026	-	137	-
<b>Total Assets</b>	<b>21,033</b>	<b>4</b>	<b>5,008</b>	<b>9,852</b>
<b>Deferred Outflows of Resources</b>				
<b>Total Assets and Deferred Outflows of Resources</b>	<b>21,033</b>	<b>4</b>	<b>5,008</b>	<b>9,852</b>
<b>Liabilities and Deferred Inflows of Resources</b>				
Accounts Payable	544	-	537	-
Amounts Due to Other Governments	-	-	-	-
Due to Primary Government	-	-	-	-
Due to Component Units	-	-	-	-
Due to External Parties (Fiduciary Funds)	-	-	-	-
Unearned Revenue	22	-	20	-
Obligations Under Securities Lending Program	-	-	-	-
Other Liabilities	149	-	230	-
Loans Payable to Primary Government	-	-	-	-
Claims Payable:				
Due Within One Year	-	-	-	-
Due in More Than One Year	-	-	-	-
Long-term Liabilities:				
Due Within One Year	286	-	39	5
Due in More Than One Year	11,471	-	1,057	-
<b>Total Liabilities</b>	<b>12,472</b>	<b>-</b>	<b>1,883</b>	<b>5</b>
<b>Deferred Inflows of Resources</b>				
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>12,472</b>	<b>-</b>	<b>1,883</b>	<b>5</b>
<b>Net Position</b>				
Net Investment in Capital Assets	8,663	-	318	-
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	-	-	11	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Gifts and Grants	-	-	-	45
Higher Education	-	-	-	-
Other	-	-	-	-
Unrestricted	(102)	4	2,796	9,802
<b>Total Net Position (Deficit)</b>	<b>\$ 8,561</b>	<b>\$ 4</b>	<b>\$ 3,125</b>	<b>\$ 9,847</b>

Virginia Sesquicentennial of the American Civil War Foundation	Virginia Land Conservation Foundation	Virginia Arts Foundation	Library of Virginia Foundation	Virginia Health Workforce Development Authority	Total Nonmajor Component Units
\$ 329	\$ 2,527	\$ -	\$ 61	\$ 76	\$ 2,611,581
-	-	-	1,660	-	9,826,817
-	-	-	1	-	1,184,155
-	-	-	102	-	351,341
-	-	-	-	-	11,581
-	-	-	-	-	106,936
-	-	-	144	-	92,490
-	-	-	1	-	131,418
-	-	-	-	-	114,286
-	-	954	11	38	940,569
-	-	-	1,250	-	4,167,604
-	-	-	-	-	230,574
-	-	-	-	-	2,304,015
-	-	-	22	-	13,971,099
329	2,527	954	3,252	114	36,044,466
-	-	-	-	-	145,167
329	2,527	954	3,252	114	36,189,633
-	-	-	-	-	-
-	-	-	46	-	1,048,532
-	-	-	-	-	6,154
-	-	-	-	-	19,270
-	-	-	-	-	4,103
-	-	-	-	-	24,735
-	-	-	-	-	337,944
-	-	-	-	-	45,287
-	-	-	37	-	1,169,446
-	-	-	-	-	10,705
-	-	-	-	-	-
-	-	-	-	-	71,731
-	-	-	-	-	37,655
-	-	-	-	-	-
-	-	-	-	-	564,471
-	-	-	-	-	9,308,971
-	-	-	83	-	12,649,004
-	-	-	-	-	4,890
-	-	-	83	-	12,653,894
-	-	-	-	-	-
-	-	-	22	-	9,503,813
-	-	-	-	-	-
-	-	-	-	-	2,991,430
-	-	954	990	-	160,585
-	-	-	-	-	226,571
-	-	-	-	-	121,291
329	-	-	386	38	152,386
-	-	-	-	-	5,634,252
-	-	-	-	-	10,370
-	2,527	-	1,771	76	4,735,041
\$ 329	\$ 2,527	\$ 954	\$ 3,169	\$ 114	\$ 23,535,739

## Combining Statement of Activities – Nonmajor Component Units

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue
<b>Higher Education</b>					
University of Virginia	\$ 3,243,329	\$ 2,350,232	\$ 937,951	\$ 62,696	\$ 107,550
Virginia Polytechnic Institute and State University	1,372,899	690,529	484,268	67,119	(130,983)
Virginia Commonwealth University	3,069,747	2,712,999	314,804	35,351	(6,593)
The College of William and Mary	434,076	245,868	136,325	22,556	(29,327)
Virginia Military Institute	91,729	44,687	46,698	10,772	10,428
Virginia State University	148,872	62,486	33,382	14,980	(38,024)
Norfolk State University	166,057	56,999	35,996	36,720	(36,342)
University of Mary Washington	131,151	77,517	10,107	19,755	(23,772)
James Madison University	475,179	339,749	47,568	40,654	(47,208)
Radford University	191,574	112,635	26,704	18,331	(33,904)
Old Dominion University	476,393	243,298	104,299	29,767	(99,029)
George Mason University	822,660	491,304	174,005	29,534	(127,817)
Virginia Community College System	1,273,116	388,918	408,045	54,890	(421,263)
Christopher Newport University	146,062	101,372	10,956	17,689	(16,045)
Longwood University	130,521	83,481	15,612	11,814	(19,614)
Southwest Virginia Higher Education Center	8,348	1,127	4,650	-	(2,571)
Roanoke Higher Education Authority	3,195	1,248	73	2,937	1,063
Innovation and Entrepreneurship Investment Authority	18,574	3,981	2,577	-	(12,016)
Institute for Advanced Learning and Research	8,645	1,745	1,290	140	(5,470)
Southern Virginia Higher Education Center	7,827	3,712	619	-	(3,496)
New College Institute	3,693	-	3,655	5,706	5,668
Total Higher Education	12,223,647	8,013,887	2,799,584	481,411	(928,765)
<b>Other Nonmajor Component Units</b>					
Virginia Economic Development Partnership	21,991	420	1,943	-	(19,628)
Virginia Outdoors Foundation	4,368	1,316	1,154	-	(1,898)
Virginia Port Authority	433,421	391,478	5,192	799	(35,952)
Virginia Tourism Authority	23,207	440	2,131	-	(20,636)
Virginia Foundation for Healthy Youth	8,944	-	55	-	(8,889)
Tobacco Identification and Community Revitalization Commission	90,369	-	-	-	(90,369)
Hampton Roads Sanitation District Commission	212,710	221,821	-	13,888	22,999
Virginia Biotechnology Research Partnership Authority	2,497	2,513	-	-	16
Virginia Small Business Financing Authority	694	1,310	5,926	-	6,542
Virginia School for the Deaf and Blind Foundation	154	-	-	-	(154)
Science Museum of Virginia Foundation	2,919	-	2,050	5,322	4,453
Virginia Commercial Space Flight Authority	27,414	4,400	11,713	10,080	(1,221)
Danville Science Center, Inc.	326	11	713	-	398
Virginia Museum of Fine Arts Foundation	19,183	-	35,286	-	16,103
A. L. Philipott Manufacturing Extension Partnership	3,467	1,108	1,729	-	(630)
Virginia Horse Center Foundation	4,515	3,100	539	-	(876)
Virginia University Research Partnership	-	-	-	-	-
Fort Monroe Authority	10,154	3,240	1,338	363	(5,213)
Assistive Technology Loan Fund Authority	486	-	-	-	(486)
Virginia Sesquicentennial of the American Civil War Foundation	17	-	33	-	16
Virginia Land Conservation Foundation	2,547	-	2,236	-	(311)
Virginia Arts Foundation	-	27	-	-	27
Library of Virginia Foundation	1,269	336	87	-	(846)
Virginia Health Workforce Development Authority	1,086	-	1,030	-	(56)
Total Other Nonmajor	871,738	631,520	73,155	30,452	(136,611)
Total Nonmajor Component Units	\$ 13,095,385	\$ 8,645,407	\$ 2,872,739	\$ 511,863	\$ (1,065,376)

General Revenues							
Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous	Contributions to Permanent and Term Endowments	Change in Net Position	Net Position (Deficit) July 1, as restated	Net Position (Deficit) June 30
\$ 161,504	\$ 25,503	\$ 660,005	\$ 2,625	\$ 41,906	\$ 999,093	\$ 8,167,767	\$ 9,166,860
243,500	3,460	23,061	31,719	17,610	188,367	2,140,049	2,328,416
199,259	1,795	104,650	31,162	10,832	341,105	2,788,632	3,129,737
69,456	19,589	8,086	13,990	28,087	109,881	1,277,133	1,387,014
13,537	-	17,044	358	8,826	50,193	542,304	592,497
41,367	2,106	8,094	2,096	398	16,037	152,055	168,092
59,643	1,625	4,235	2,606	166	31,933	157,703	189,636
24,612	1,124	569	1,242	4,754	8,529	189,390	197,919
89,428	742	3,052	2,027	3,170	51,211	732,208	783,419
53,420	108	2,015	1,159	781	23,579	305,415	328,994
131,411	-	16,101	-	12,230	60,713	526,818	587,531
160,661	3,699	4,585	6,220	5,636	52,984	597,498	650,482
411,057	8,443	4,455	18,902	12,590	34,184	1,227,712	1,261,896
30,531	5,061	3,337	613	1,456	24,953	330,896	355,849
29,314	328	1,873	6,201	2,199	20,301	235,634	255,935
2,008	-	-	-	-	(563)	12,157	11,594
1,122	10	6	-	-	2,201	22,888	25,089
12,597	-	801	-	-	1,382	25,081	26,463
6,123	-	14	114	-	781	16,200	16,981
2,691	451	-	-	-	(354)	761	407
1,516	-	207	-	16	7,407	13,912	21,319
1,744,757	74,044	862,190	121,034	150,657	2,023,917	19,462,213	21,486,130
18,385	-	5	113	-	(1,125)	(2,498)	(3,623)
1,753	75	17	25	-	(28)	8,668	8,640
36,652	-	560	9	-	1,269	442,268	443,537
20,200	-	7	-	-	(429)	2,586	2,157
-	9,452	-	-	-	563	9,220	9,783
-	-	19,109	626	-	(70,634)	653,977	583,343
-	-	1,450	2,364	-	26,813	502,989	529,802
250	-	1,269	-	-	1,535	10,523	12,058
-	-	91	424	-	7,057	40,994	48,051
-	243	816	21	-	926	4,188	5,114
-	1,901	10	-	-	6,364	19,426	25,790
11,800	-	-	-	-	10,579	104,631	115,210
-	93	15	-	-	506	1,045	1,551
-	5,939	1,171	-	3,017	26,230	212,808	239,038
399	-	-	-	-	(231)	759	528
-	118	-	-	245	(513)	9,074	8,561
-	-	-	-	-	-	4	4
5,767	-	-	119	-	673	2,452	3,125
-	-	127	-	-	(359)	10,206	9,847
-	-	-	-	-	16	313	329
1,000	-	-	-	-	689	1,838	2,527
-	-	-	23	-	50	904	954
-	315	280	7	272	28	3,141	3,169
-	7	-	26	-	(23)	137	114
96,206	18,143	24,927	3,757	3,534	9,956	2,039,653	2,049,609
\$ 1,840,963	\$ 92,187	\$ 887,117	\$ 124,791	\$ 154,191	\$ 2,033,873	\$ 21,501,866	\$ 23,535,739



# Debt Schedules

**Summary Schedule – Total Debt and Other Long-term Obligations of the Commonwealth**

Last Five Fiscal Years  
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2014	2013	2012	2011	2010
<b>Tax-Supported Debt:</b>					
<b>Primary Government:</b>					
General Obligation Bonds (1):					
Section 9(b) Bonds (2)	\$ 706,192	\$ 752,493	\$ 831,148	\$ 914,574	\$ 999,841
Section 9(c) Bonds (2)	36,677	39,499	42,593	45,800	49,545
Subtotal - General Obligation Bonds	742,869	791,992	873,741	960,374	1,049,386
Nongeneral Obligation Debt:					
Section 9(d) Bonds (2)	4,748,217	5,029,659	5,222,270	4,427,114	3,705,737
Other Long-term Debt and Obligations (3)	3,287,907	3,004,676	2,742,274	2,397,060	2,079,248
Total Primary Government	8,778,993	8,826,327	8,838,285	7,784,548	6,834,371
<b>Component Units:</b>					
General Obligation Bonds (1):					
Section 9(c) Bonds (2)	925,086	877,858	906,474	765,280	631,275
Subtotal - General Obligation Bonds	925,086	877,858	906,474	765,280	631,275
Nongeneral Obligation Bonds:					
Section 9(d) Bonds (2)	3,542,518	2,990,382	2,747,447	2,139,017	1,919,034
Other Long-term Debt (3)	2,207,305	1,944,418	1,701,305	1,472,492	1,209,731
Total Component Units	6,674,909	5,812,658	5,355,226	4,376,789	3,760,040
<b>Total Tax-Supported Debt</b>	<b>15,453,902</b>	<b>14,638,985</b>	<b>14,193,511</b>	<b>12,161,337</b>	<b>10,594,411</b>
<b>Debt Not Supported by Taxes:</b>					
<b>Primary Government:</b>					
Total Primary Government (2)	3,510,428	3,320,450	2,915,671	2,759,434	2,803,913
<b>Component Units:</b>					
Section 9(d) Moral Obligation Bonds	831,165	836,656	801,384	684,005	669,839
Section 9(d) Other Debt	1,826,602	1,538,395	1,541,802	1,450,714	1,333,083
Other Long-term Debt (4)	14,351,277	15,341,291	15,088,830	15,302,035	15,102,864
Foundations (5)	1,669,241	1,583,178	1,570,447	1,355,777	1,317,122
Total Component Units	18,678,285	19,299,520	19,002,463	18,792,531	18,422,908
<b>Total Debt Not Supported by Taxes</b>	<b>22,188,713</b>	<b>22,619,970</b>	<b>21,918,134</b>	<b>21,551,965</b>	<b>21,226,821</b>
<b>Total Debt of the Commonwealth</b>	<b>\$ 37,642,615</b>	<b>\$ 37,258,955</b>	<b>\$ 36,111,645</b>	<b>\$ 33,713,302</b>	<b>\$ 31,821,232</b>

	2014	2013	2012	2011	2010
Section 9(b) Debt:					
Transportation Facilities Bonds	\$ -	\$ -	\$ -	\$ -	\$ 6,469
Public Facilities Bonds	706,192	752,493	831,148	914,574	993,372
Subtotal 9(b) Debt	706,192	752,493	831,148	914,574	999,841
Section 9(c) Debt:					
Higher Educational Institution Bonds	925,086	877,858	906,474	765,280	631,275
Transportation Facilities Bonds	19,632	21,961	24,210	26,355	28,394
Parking Facilities Bonds	17,045	17,538	18,383	19,445	21,151
Subtotal 9(c) Debt	961,763	917,357	949,067	811,080	680,820
Total General Obligation Debt (1)	\$ 1,667,955	\$ 1,669,850	\$ 1,780,215	\$ 1,725,654	\$ 1,680,661

- (1) Total general obligation debt for the fiscal year ended.
- (2) Beginning with fiscal year 2014, GASB Statement No. 65 removed deferrals of debt defeasance from the debt balances. Balances reported in prior fiscal years netted the deferrals against the debt balances. All amounts are net of unamortized discounts and premiums.
- (3) Includes capital lease obligations, notes payable, installment purchase obligations, pension liability, and the long-term portion of the liability for compensated absences.
- (4) Includes bonds payable, notes payable, and other debt not supported by taxes.
- (5) Foundations represent FASB reporting entities defined in Note 1.B.



## Tax-Supported Debt and Other Long-term Obligations

Last Five Fiscal Years  
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2014	2013	2012	2011	2010
<b>Primary Government:</b>					
<b>General Obligation Debt (1) (4):</b>					
Section 9(b) Debt					
Transportation Facilities (2)	\$ -	\$ -	\$ -	\$ -	\$ 6,469
Public Facilities (2)	706,192	752,493	831,148	914,574	993,372
Subtotal Section 9(b) Debt	706,192	752,493	831,148	914,574	999,841
Section 9(c) Debt					
Parking Facilities (2)	17,045	17,538	18,383	19,445	21,151
Transportation Facilities (2)	19,632	21,961	24,210	26,355	28,394
Subtotal Section 9(c) Debt	36,677	39,499	42,593	45,800	49,545
Subtotal General Obligation Debt	742,869	791,992	873,741	960,374	1,049,386
<b>Nongeneral Obligation Debt:</b>					
Section 9(d) Debt:					
Transportation Debt (2)	2,373,382	2,495,312	2,655,481	2,008,601	1,428,918
Virginia Public Building Authority (2)	2,374,835	2,534,347	2,566,789	2,418,513	2,276,819
Subtotal Section 9(d) Debt	4,748,217	5,029,659	5,222,270	4,427,114	3,705,737
<b>Other Long-term Debt:</b>					
Transportation Notes Payable (3)	-	8,000	8,000	8,000	8,000
Regional Jail Construction	-	837	2,748	4,617	6,445
Capital Lease Obligations	60,916	71,835	77,400	87,219	97,012
Installment Purchase Obligations	113,936	106,367	114,959	101,014	73,950
Virginia Public Broadcasting Board Notes Payable (3)	-	-	-	-	2,990
Industrial Development Authority Obligations	-	-	-	-	5,150
Economic Development Authority Obligations	57,621	77,472	81,747	85,827	89,722
Tax Refund Note (3)	-	20,319	40,639	60,959	81,278
Aviation Notes Payable (3)	529	764	1,050	1,336	1,623
Subtotal Other Long-term Debt	233,002	285,594	326,543	348,972	366,170
<b>Other Long-term Obligations:</b>					
Compensated Absences	321,520	317,528	315,176	311,523	320,912
Pension Liability	2,114,803	1,875,011	1,660,768	1,405,714	1,147,163
OPEB Liability	568,764	493,443	406,969	301,771	214,943
Pollution Remediation Liability	13,186	3,494	5,171	4,772	4,019
Other Liabilities	36,632	29,606	27,647	24,308	26,041
Subtotal Other Long-term Obligations	3,054,905	2,719,082	2,415,731	2,048,088	1,713,078
<b>Total Primary Government</b>	<b>8,778,993</b>	<b>8,826,327</b>	<b>8,838,285</b>	<b>7,784,548</b>	<b>6,834,371</b>
<b>Component Units:</b>					
<b>General Obligation Bonds (1) (4):</b>					
Section 9(c) Debt					
Higher Educational Institutions (2)	925,086	877,858	906,474	765,280	631,275
Subtotal General Obligation Debt	925,086	877,858	906,474	765,280	631,275
<b>Nongeneral Obligation Debt:</b>					
Section 9(d) Debt:					
Virginia Port Authority (2)	222,044	228,619	237,321	186,011	194,287
Innovation & Entrepreneurship Investment Authority	-	1,220	2,375	3,465	4,480
Virginia College Building Authority	3,286,119	2,725,259	2,470,589	1,909,586	1,677,617
Virginia Biotechnology Research Partnership Authority	34,355	35,284	37,162	39,955	42,650
Subtotal Section 9(d) Debt	3,542,518	2,990,382	2,747,447	2,139,017	1,919,034
<b>Other Long-term Debt:</b>					
Capital Lease Obligations	82,189	85,631	91,166	119,519	104,489
Installment Purchase Obligations (3)	76,526	86,315	100,161	118,277	141,026
Subtotal Other Long-term Debt	158,715	171,946	191,327	237,796	245,515
<b>Other Long-term Obligations:</b>					
Compensated Absences	280,237	265,246	253,845	248,149	238,916
Pension Liability	1,066,638	924,512	785,472	644,481	506,555
OPEB Liability	701,715	582,714	470,661	342,066	218,745
Subtotal Other Long-term Obligations	2,048,590	1,772,472	1,509,978	1,234,696	964,216
<b>Total Component Units</b>	<b>6,674,909</b>	<b>5,812,658</b>	<b>5,355,226</b>	<b>4,376,789</b>	<b>3,760,040</b>
<b>Total Tax-Supported Debt</b>	<b>\$ 15,453,902</b>	<b>14,638,985</b>	<b>\$ 14,193,511</b>	<b>\$ 12,161,337</b>	<b>\$ 10,594,411</b>

- (1) The general obligation debt is the only debt or long-term obligation that is backed by the full faith and credit of the Commonwealth.
- (2) Beginning with fiscal year 2014, GASB Statement No. 65 removed deferrals of debt defeasance from the debt balances. Balances reported in prior fiscal years netted the deferrals against the debt balances. All amounts are net of unamortized discounts and premiums.
- (3) Reflected as Notes Payable in Note 26, Long-term Liabilities.
- (4) See Note 1 on previous page.

## Debt and Other Long-term Obligations Not Supported by Taxes

Last Five Fiscal Years  
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2014	2013	2012	2011	2010
<b>Primary Government:</b>					
<b>Other Long-term Debt &amp; Obligations:</b>					
Federal Reimbursement Anticipation Notes Payable (1)	\$ 60,905	\$ 89,836	\$ 182,450	\$ 274,650	\$ 414,319
Grant Anticipation Notes (GARVEES) (1)	746,812	473,733	298,728	-	-
Route 460 Funding Corporation of Virginia	317,305	314,662	-	-	-
Pension Liability	57,400	48,798	42,249	34,054	26,379
OPEB Liability	18,709	15,688	12,751	9,099	5,779
Capital Lease Obligations	6,072	6,453	449	918	1,407
Compensated Absences	10,102	9,727	9,267	9,044	9,130
Installment Purchase Obligations	-	-	-	-	187
Tuition Benefits Payable	2,140,430	2,189,079	2,175,296	2,215,261	2,095,958
Lottery Prizes Payable	152,693	172,474	194,481	216,408	250,754
<b>Total Primary Government</b>	<b>3,510,428</b>	<b>3,320,450</b>	<b>2,915,671</b>	<b>2,759,434</b>	<b>2,803,913</b>
<b>Component Units:</b>					
<b>Section 9(d) Moral Obligation Debt: (1)</b>					
Virginia Resources Authority	831,165	836,656	801,384	684,005	669,839
<b>Subtotal Section 9(d) Moral Obligation Debt</b>	<b>831,165</b>	<b>836,656</b>	<b>801,384</b>	<b>684,005</b>	<b>669,839</b>
<b>Section 9(d) Other Debt:</b>					
Higher Educational Institutions (1):					
Auxiliary Enterprise Revenue Bonds	1,315,358	1,269,149	1,205,869	1,232,954	1,059,008
Teaching Hospitals Revenue Bonds (4)	511,244	269,246	335,933	217,760	274,075
<b>Subtotal Section 9(d) Other Debt</b>	<b>1,826,602</b>	<b>1,538,395</b>	<b>1,541,802</b>	<b>1,450,714</b>	<b>1,333,083</b>
<b>Other Long-term Debt:</b>					
Virginia Housing Development Authority (1) (2)	4,931,982	5,742,689	5,945,174	6,438,200	6,739,603
Hampton Roads Sanitation District	766,353	790,503	639,286	560,996	547,318
Virginia Biotechnology Research Partnership Authority	-	-	-	1,125	1,355
Virginia Public School Authority (1) (2)	3,523,633	3,483,366	3,378,084	3,215,448	3,235,947
Virginia Port Authority	272,831	276,816	281,978	284,558	288,764
Virginia Resources Authority	2,536,711	2,582,923	2,478,243	2,060,398	1,915,717
Notes Payable	2,067,038	2,179,181	2,070,152	2,403,627	2,034,214
Other Long-term Debt	252,729	285,813	295,913	337,683	339,946
Foundations (5)	1,669,241	1,583,178	1,570,447	1,355,777	1,317,122
<b>Subtotal Other Long-term Debt</b>	<b>16,020,518</b>	<b>16,924,469</b>	<b>16,659,277</b>	<b>16,657,812</b>	<b>16,419,986</b>
<b>Subtotal Section 9(d) and Other Debt</b>	<b>17,847,120</b>	<b>18,462,864</b>	<b>18,201,079</b>	<b>18,108,526</b>	<b>17,753,069</b>
<b>Total Component Units</b>	<b>18,678,285</b>	<b>19,299,520</b>	<b>19,002,463</b>	<b>18,792,531</b>	<b>18,422,908</b>
<b>Total Debt Not Supported by Taxes (3)</b>	<b>\$ 22,188,713</b>	<b>\$ 22,619,970</b>	<b>\$ 21,918,134</b>	<b>\$ 21,551,965</b>	<b>\$ 21,226,821</b>

- (1) Beginning with fiscal year 2014, GASB Statement No. 65 removed deferrals of debt defeasance from the debt balances. Balances reported in prior fiscal years netted the deferrals against the debt balances. All amounts are net of unamortized discounts and premiums.
- (2) Includes notes payable and/or installment purchase obligations.
- (3) These amounts are not backed by the full faith and credit of the Commonwealth.
- (4) Includes the Virginia Commonwealth University Health System Authority.
- (5) Foundations represent FASB reporting entities defined in Note 1.B.

**Authorized and Unissued Tax-Supported Debt**

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

	As of June 30, 2013, as restated (1)	New Debt Authorized	Debt Issued	Other Adjust- ments	As of June 30, 2014
<b>Section 9(c) Debt (Primary Government):</b>					
Higher Educational Institution Bonds	480,624	245,021	68,980	(4,898)	651,767
Parking Facilities Bonds	226	-	-	-	226
<b>Subtotal Section 9(c) Debt</b>	<b>480,850</b>	<b>245,021</b>	<b>68,980</b>	<b>(4,898)</b>	<b>651,993</b>
<b>Section 9(d) Debt:</b>					
<b>Primary Government:</b>					
Transportation Contract Revenue Bonds					
(Northern Virginia Transportation District					
Fund Program)	24,700	-	-	-	24,700
U.S. Route 58 Corridor Development Program	595,700	-	-	-	595,700
Transportation Capital Projects Revenue Bonds	1,487,335	-	-	-	1,487,335
<b>Component Units:</b>					
Virginia Public Building Authority					
(Projects)	485,318	503,559	-	-	988,877
Virginia Public Building Authority					
(Jails)	128,498	7,900	37,525	(3,055)	95,818
Virginia College Building Authority					
(21st Century)	1,832,654	156,576	540,325	(48,275)	1,400,630
Virginia College Building Authority					
(Equipment Program)	126,436	128,436	110,535	(15,901)	128,436
Virginia Port Authority	64,999	-	-	-	64,999
<b>Subtotal Section 9(d) Debt</b>	<b>4,745,640</b>	<b>796,471</b>	<b>688,385</b>	<b>(67,231)</b>	<b>4,786,495</b>
<b>Total Authorized and Unissued</b>					
<b>Tax-Supported Debt</b>	<b>\$ 5,226,490</b>	<b>\$ 1,041,492</b>	<b>\$ 757,365</b>	<b>\$ (72,129)</b>	<b>\$ 5,438,488</b>

(1) The U.S. Route 58 Corridor Development Program has been restated by \$595.7 million authorized in fiscal year 2013 but not previously reported.

## Tax-Supported Debt – Annual Debt Service Requirements [1]

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

Fiscal Year Ending June 30	General Obligation Debt Sections 9(a), 9(b) and 9(c)			Other Tax-Supported Debt Section 9(d) [1] [2]		
	Principal	Interest	Total	Principal	Interest	Total
2015	117,795	69,058	186,853	500,032	350,063	850,095
2016	115,110	63,369	178,479	505,982	327,002	832,984
2017	107,145	58,250	165,395	502,739	304,200	806,939
2018	101,145	53,197	154,342	477,440	281,508	758,948
2019	100,545	48,636	149,181	451,715	260,376	712,091
2020	100,525	43,947	144,472	423,199	239,683	662,882
2021	102,690	39,302	141,992	423,416	220,447	643,863
2022	97,805	34,619	132,424	398,555	200,847	599,402
2023	98,120	30,205	128,325	396,486	182,949	579,435
2024	97,645	25,830	123,475	401,751	164,996	566,747
2025	89,315	21,483	110,798	391,349	146,921	538,270
2026	83,825	17,681	101,506	392,414	129,372	521,786
2027	75,330	14,161	89,491	372,061	112,146	484,207
2028	59,730	10,883	70,613	362,600	94,611	457,211
2029	44,410	8,282	52,692	348,850	77,671	426,521
2030	34,570	6,408	40,978	325,810	61,752	387,562
2031	30,160	4,891	35,051	267,280	46,601	313,881
2032	20,135	3,547	23,682	235,450	35,404	270,854
2033	19,665	2,689	22,354	179,220	25,772	204,992
2034	17,280	1,826	19,106	160,970	17,969	178,939
2035	9,930	1,060	10,990	111,460	10,765	122,225
2036	5,835	616	6,451	86,345	5,535	91,880
2037	2,560	365	2,925	47,980	1,780	49,760
2038	1,675	244	1,919	-	-	-
2039	1,730	165	1,895	-	-	-
2040	1,785	84	1,869	-	-	-
Subtotal	1,536,460	560,798	2,097,258	7,763,104	3,298,370	11,061,474
Add						
Accretion on						
Capital Appreciation						
Bonds	-	-	-	20,762	-	20,762
Add						
Unamortized						
Premium	131,495	-	131,495	565,120	-	565,120
Less						
Unamortized						
Discount	-	-	-	(100)	-	(100)
Total	\$ 1,667,955	\$ 560,798	\$ 2,228,753	\$ 8,348,886	\$ 3,298,370	\$ 11,647,256

[1] Includes Virginia Biotechnology Research Park Authority, Fairfax County Economic Development Authority, and the Virginia Aviation Board. Does not include other capital leases, installment purchase obligations, regional jail reimbursements under the original treasury board program, compensated absences, pension liability, pollution remediation liability and uninsured employers' fund.

[2] Includes principal amount of \$4,806,367 (dollars in thousands) for the primary government.

<b>Total</b>		
<b>Principal</b>	<b>Interest</b>	<b>Total</b>
617,827	419,121	1,036,948
621,092	390,371	1,011,463
609,884	362,450	972,334
578,585	334,705	913,290
552,260	309,012	861,272
523,724	283,630	807,354
526,106	259,749	785,855
496,360	235,466	731,826
494,606	213,154	707,760
499,396	190,826	690,222
480,664	168,404	649,068
476,239	147,053	623,292
447,391	126,307	573,698
422,330	105,494	527,824
393,260	85,953	479,213
360,380	68,160	428,540
297,440	51,492	348,932
255,585	38,951	294,536
198,885	28,461	227,346
178,250	19,795	198,045
121,390	11,825	133,215
92,180	6,151	98,331
50,540	2,145	52,685
1,675	244	1,919
1,730	165	1,895
1,785	84	1,869
9,299,564	3,859,168	13,158,732
20,762	-	20,762
696,615	-	696,615
(100)	-	(100)
<u>\$ 10,016,841</u>	<u>\$ 3,859,168</u>	<u>\$ 13,876,009</u>

## Tax-Supported Debt – Detail of Long-term Indebtedness

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>General Obligation Debt</b>					
<b>Section 9(b) Debt (Primary Government):</b>					
<b>Public Facilities Bonds</b>					
Series 2004	243,680	41,210	(41,210)	-	
Series 2005	118,110	5,950	-	5,950	06/01/15
Series 2006 Refunding	61,535	15,260	(7,705)	7,555	06/01/15
Series 2006	117,910	17,165	(5,325)	11,840	06/01/15-16
Series 2007	200,465	59,240	(10,250)	48,990	06/01/15-27
Series 2008	198,165	148,775	(9,925)	138,850	06/01/15-28
Series 2009	80,000	64,000	(4,000)	60,000	06/01/15-29
Series 2009 Refunding	121,765	121,295	-	121,295	06/01/16-22
Series 2009 Taxable BABs	45,000	37,905	(2,365)	35,540	06/01/15-29
Series 2012A Refunding	71,065	71,065	(9,015)	62,050	06/01/15-24
Series 2013 Refunding	128,250	128,250	-	128,250	06/01/15-27
Series 2014B Refunding	22,855	-	22,855	22,855	06/01/15-18
Unamortized Premium	-	74,557	(11,540)	63,017	
<b>Total Public Facilities Bonds</b>	<b>1,408,800</b>	<b>784,672</b>	<b>(78,480)</b>	<b>706,192</b>	
<b>Total Section 9(b) Debt</b>	<b>1,408,800</b>	<b>784,672</b>	<b>(78,480)</b>	<b>706,192</b>	
<b>Section 9(c) Debt</b>					
<b>Higher Educational Institution bonds (Component Units)</b>					
<b>Series 2004 New Money and Refunding Bonds</b>					
<b>Christopher Newport University</b>					
New Residence Hall - '01 Refunded Portion	12,842	10,138	(10,138)	-	
Residence Hall II - '99 Refunded Portion	8,416	5,396	(5,396)	-	
<b>The College of William and Mary</b>					
Dorm Renovation Phase II - '97 Refunded Portion	469	208	(208)	-	
Dorm Renovations - '98 Refunded Portion	3,778	2,084	(2,084)	-	
Dorm Repairs - '97 Refunded Portion	2,077	936	(936)	-	
Renovate Dormitories - '01 Refunded Portion	2,629	2,074	(2,074)	-	
Utility System - '97 Refunded Portion	1,226	548	(548)	-	
<b>George Mason University</b>					
Commonwealth and Dominion Housing	2,340	285	(285)	-	
Housing Building V - '01 Refunded Portion	9,940	7,848	(7,848)	-	
<b>James Madison University</b>					
Bluestone Dorm, Phase II - '01 Refunded Portion	3,130	2,470	(2,470)	-	
Dining Facilities Renovation - '98 Refunded Portion	638	348	(348)	-	
Dining Hall Renovation - '97 Refunded Portion	818	368	(368)	-	
Residence Hall - '97 Refunded Portion	7,093	3,209	(3,209)	-	
Student Services - '97 Refunded Portion	3,783	1,711	(1,711)	-	
<b>Longwood University</b>					
Dining Hall - '99 Refunded Portion	1,868	1,195	(1,195)	-	
Residence Hall Improvements - '99 Refunded Portion	1,747	1,126	(1,126)	-	
<b>University of Mary Washington</b>					
Residence Hall Renovation - '01 Refunded Portion	1,036	814	(814)	-	
<b>University of Virginia</b>					
Residence Hall - Monroe Lane - '01 Refunded Portion	2,513	1,985	(1,985)	-	
Residence Hall - Wise - '99 Refunded Portion	3,020	1,935	(1,935)	-	
<b>Virginia Commonwealth University</b>					
Academic Parking Deck - '97 Refunded Portion	7,723	3,490	(3,490)	-	
<b>Virginia Military Institute</b>					
Crozet Hall and Parking	11,240	500	(500)	-	

Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>General Obligation Debt (continued)</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution bonds (Component Units) (continued)</b>					
<b>Series 2004 New Money and Refunding Bonds (continued)</b>					
Virginia Polytechnic Institute and State University					
Dining Hall - '98 Refunded Portion	1,928	1,064	(1,064)	-	
Dining Hall HVAC - '99 Refunded Portion	1,168	750	(750)	-	
Parking Auxiliary Project - '97 Refunded Portion	951	427	(427)	-	
Residence Hall - '97 Refunded Portion	9,995	4,523	(4,523)	-	
Renovate Dietrick Severy, Phase II	4,800	225	(225)	-	
Virginia State University					
Jones Dining Hall - '98 Refunded Portion	618	343	(343)	-	
<b>Subtotal Series 2004 New Money and Refunding Bonds</b>	<b>107,786</b>	<b>56,000</b>	<b>(56,000)</b>	<b>-</b>	
<b>Series 2005 Bonds</b>					
The College of William and Mary					
Renovate Dining	9,555	830	(405)	425	06/01/15
Renovate Dorms	5,800	505	(245)	260	06/01/15
George Mason University					
Student Housing	25,800	1,725	(840)	885	06/01/15
Longwood University					
Renovate Housing Facilities	3,915	350	(170)	180	06/01/15
Old Dominion University					
Renovate Housing - Phase I	4,735	420	(205)	215	06/01/15
University of Mary Washington					
Seacobeck Dining Hall	4,730	420	(205)	215	06/01/15
<b>Subtotal Series 2005 Bonds</b>	<b>54,535</b>	<b>4,250</b>	<b>(2,070)</b>	<b>2,180</b>	
<b>Series 2006 Refunding Bonds</b>					
Christopher Newport University					
Dorm/Dining - '96 Refunding, Refunded Portion	1,725	1,225	(135)	1,090	06/01/15-21
The College of William and Mary					
Dorm - '96 Refunding, Refunded Portion	100	20	(20)	-	
Dorm, Phase II -'96 Refunding, Refunded Portion	1,525	520	(255)	265	06/01/15
<b>Subtotal Series 2006 Refunding Bonds</b>	<b>3,350</b>	<b>1,765</b>	<b>(410)</b>	<b>1,355</b>	
<b>Series 2006 Bonds</b>					
The College of William and Mary					
Renovate Dormitories	4,515	600	(190)	410	06/01/15-16
George Mason University					
Construct Student Housing VII	39,080	16,050	(1,225)	14,825	06/01/15-16, 27-31
Renovate Housing Facilities	2,420	930	(295)	635	06/01/15-16
James Madison University					
Renovate Residence Hall Phase III	6,230	820	(260)	560	06/01/15-16
Longwood University					
Renovate Housing Facilities	5,900	775	(245)	530	06/01/15-16
Old Dominion University					
Construct Residence Hall Phase II	8,785	1,155	(365)	790	06/01/15-16
Virginia Polytechnic Institute and State University					
Parking Projects	685	90	(30)	60	06/01/15-16
Virginia State University					
Construct Dining Hall	4,330	600	(190)	410	06/01/15-16
Construct Residence Halls	16,780	2,330	(740)	1,590	06/01/15-16
<b>Subtotal Series 2006 Bonds</b>	<b>88,725</b>	<b>23,350</b>	<b>(3,540)</b>	<b>19,810</b>	

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**Tax-Supported Debt – Detail of Long-term Indebtedness (Continued from previous page)**

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>General Obligation Debt (continued)</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution bonds (Component Units) (continued)</b>					
<b>Series 2007 Bonds</b>					
George Mason University					
Construct Student Housing VII and Entrance Road	15,495	9,070	(475)	8,595	06/01/15-18, 26-32
Construct Student Housing, VII	2,010	1,145	(60)	1,085	06/01/15-18, 26-32
Renovate Student Housing, President's Park I	3,130	1,560	(360)	1,200	06/01/15-17
James Madison University					
Construct Dining Hall	20,840	7,615	(845)	6,770	06/01/15-18, 26-27
Renovate Bluestone Residence Hall, Phase III	2,280	835	(95)	740	06/01/15-18, 26-27
Longwood University					
Renovate Cox Hall	6,250	2,280	(255)	2,025	06/01/15-18, 26-27
Old Dominion University					
Construct Residence Hall, Phase II	16,115	5,890	(655)	5,235	06/01/15-18, 26-27
Virginia Commonwealth University					
Monroe Park Housing	15,525	10,705	(335)	10,370	06/01/15-18, 26-37
Virginia Polytechnic Institute and State University					
Construct New Residence Hall	13,130	3,180	(575)	2,605	06/01/15-18
Improve Residence and Dining Halls	5,995	1,455	(265)	1,190	06/01/15-18
Virginia State University					
Construct Residence Halls	2,020	455	(85)	370	06/01/15-18
Construct Two Residence Halls	26,160	10,420	(1,155)	9,265	06/01/15-18, 26-27
<b>Subtotal Series 2007 Bonds</b>	<b>128,950</b>	<b>54,610</b>	<b>(5,160)</b>	<b>49,450</b>	
<b>Series 2008 Bonds</b>					
Christopher Newport University					
1998 Refunded Portion 92C	1,664	5	(5)	-	
The College of William and Mary					
Renovate Graduate Student Residence Halls	2,395	2,055	(95)	1,960	06/01/15-28
George Mason University					
Renovate Commonwealth and Dominion Phase II	1,530	930	(170)	760	06/01/15-18
Renovate President's Park Phase I	3,095	1,880	(340)	1,540	06/01/15-18
Renovate President's Park Phase II	3,120	2,770	(130)	2,640	06/01/15-28
Student Housing VII	1,955	1,730	(50)	1,680	06/01/15-33
Student Housing VII and Entrance Road	23,870	22,055	(665)	21,390	06/01/15-33
James Madison University					
Construct New Residence Hall	19,430	16,155	(750)	15,405	06/01/15-28
Longwood University					
Renovate Cox Hall	4,630	3,845	(180)	3,665	06/01/15-28
Old Dominion University					
Quad Housing Phase II	39,960	33,235	(1,540)	31,695	06/01/15-28
Virginia Polytechnic Institute and State University					
New Residence Hall	17,185	14,745	(685)	14,060	06/01/15-28
Parking Auxiliary Projects	1,545	1,285	(60)	1,225	06/01/15-28
<b>Subtotal Series 2008 Bonds</b>	<b>120,379</b>	<b>100,690</b>	<b>(4,670)</b>	<b>96,020</b>	
<b>Series 2009 Bonds</b>					
Christopher Newport University					
Residence Hall '01 Refunded Portion	1,878	1,878	-	1,878	06/01/15-21
The College of William and Mary					
Dining Commons Hall Renovation '05 Refunded Portion	3,200	3,200	-	3,200	06/01/17-22
Dormitory Renovations '06B Refunded Portion	1,270	1,270	-	1,270	06/01/18-22
Dormitory Renovations '02 Refunded	2,582	2,582	(46)	2,536	06/01/15-22
Dormitory Renovations '05 Refunded	1,940	1,940	-	1,940	06/01/17-22
Dormitory Renovations '01 Refunded Portion	384	384	-	384	06/01/15-21



Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>General Obligation Debt (continued)</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution bonds (Component Units) (continued)</b>					
<b>Series 2009 Bonds (continued)</b>					
George Mason University					
Housing Building V '01 Refunded Portion	6,267	6,267	-	6,267	06/01/15-24
Housing Building V '02 Refunded Portion	4,448	4,448	(81)	4,367	06/01/15-22
Housing V III	7,910	7,705	(220)	7,485	06/01/15-34
Renovate President Park Phase I	1,790	1,270	(190)	1,080	06/01/15-19
Student Housing Construction VII '05 Refunded	6,630	6,630	-	6,630	06/01/17-22
Student Housing VII C	8,255	7,655	(215)	7,440	06/01/15-34
Student Housing Construction VII '06B Refunded	8,230	8,230	-	8,230	06/01/18-22
James Madison University					
Bluestone Dorm Phase II '01 Refunded Portion	458	458	-	458	06/01/15-21
Renovate Bluestone Res Hall III '06B Refunded Portion	1,750	1,750	-	1,750	06/01/18-22
Renovate Bluestone Dorms '02 Refunded Portion	1,048	1,048	(19)	1,029	06/01/15-22
Renovate Bluestone Dorms II '02 Refunded Portion	1,089	1,089	(20)	1,069	06/01/15-22
Longwood University					
Housing Facilities Renovations '05 Refunded Portion	1,340	1,340	-	1,340	06/01/17-22
Renovate Housing Facilities '06B Refunded Portion	1,655	1,655	-	1,655	06/01/18-22
Old Dominion University					
Construct Residence Hall Ph II '06B Refunded Portion	2,465	2,465	-	2,465	06/01/18-22
Housing Renovations '02 Refunded Portion	1,319	1,319	(23)	1,296	06/01/15-22
Housing Renovations Ph I '05 Refunded Portion	1,625	1,625	-	1,625	06/01/17-22
University of Mary Washington					
Residence Hall Renovation '01 Refunded Portion	153	153	-	153	06/01/15-21
Seacobeck Dining Hall '05 Refunded Portion	1,625	1,625	-	1,625	06/01/17-22
University of Virginia					
Residence Hall Monroe Lane '01 Refunded Portion	368	368	-	368	06/01/15-21
Virginia Military Institute					
Crozet Hall & Parking '04A Refunded Portion	4,242	4,242	-	4,242	06/01/16-22
Virginia Polytechnic Institute and State University					
Parking Aux Projects '06B Refunded Portion	190	190	-	190	06/01/18-22
Improve Residence and Dining Halls	3,720	3,445	(145)	3,300	06/01/15-29
Parking Auxiliary Project '02 Refunded Portion	276	276	(25)	251	06/01/15-17
Parking Structure	24,590	23,355	(660)	22,695	06/01/15-34
Renovate Dietrick Servery Ph II '04A Refunded Portion	1,891	1,891	-	1,891	06/01/16-22
Renovate Ambler Johnston Hall	39,005	36,125	(1,541)	34,584	06/01/15-29
Virginia State University					
Construct Residence Hall '06B Refunded Portion	4,965	4,965	-	4,965	06/01/18-22
Construct Dining Hall '06B Refunded Portion	1,280	1,280	-	1,280	06/01/18-22
<b>Subtotal Series 2009 Bonds</b>	<b>149,838</b>	<b>144,123</b>	<b>(3,185)</b>	<b>140,938</b>	
<b>Series 2010 Bonds</b>					
Christopher Newport University					
Construct Residence Hall	34,480	33,660	(855)	32,805	06/01/15-40
The College of William and Mary					
Construct New Dormitory	2,010	1,805	(85)	1,720	06/01/15-30
Renovate Residence Halls	4,440	3,980	(190)	3,790	06/01/15-30
George Mason University					
Housing VIII	39,420	38,180	(1,290)	36,890	06/01/15-35
Renovate Commons	1,325	1,270	(60)	1,210	06/01/15-30
Renovate Student Housing, President's Park II	2,790	2,240	(290)	1,950	06/01/15-20
Smithsonian CRC Housing	5,415	5,245	(180)	5,065	06/01/15-35
James Madison University					
Renovate Bluestone Dormitories, Phase IV	14,890	13,350	(630)	12,720	06/01/15-30

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**Tax-Supported Debt – Detail of Long-term Indebtedness** (Continued from previous page)

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>General Obligation Debt (continued)</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution bonds (Component Units) (continued)</b>					
<b>Series 2010 Bonds (continued)</b>					
Old Dominion University					
Renovate Student Housing, Phase I	1,975	1,770	(85)	1,685	06/01/15-30
Virginia Commonwealth University					
Construct West Grace Housing and Parking Phase I	29,130	28,210	(955)	27,255	06/01/15-35
Virginia Polytechnic Institute and State University					
Construct Academic and Student Affairs Building	34,650	31,800	(1,505)	30,295	06/01/15-30
Parking Auxiliary Projects	745	665	(30)	635	06/01/15-30
<b>Subtotal Series 2010 Bonds</b>	<b>171,270</b>	<b>162,175</b>	<b>(6,155)</b>	<b>156,020</b>	
<b>Series 2011 Bonds</b>					
Christopher Newport University					
Renovate Santoro Residence Hall	4,100	3,480	(280)	3,200	06/01/15-21
The College of William and Mary					
Construct New Dormitory	14,400	13,850	(525)	13,325	06/01/15-31
George Mason University					
Housing VIII	20,230	19,705	(535)	19,170	06/01/15-36
Presidential Park Housing Renovation	2,700	2,425	(200)	2,225	06/01/15-21
Renovate Commons	14,350	14,350	(545)	13,805	06/01/15-31
Smithsonian CRC Housing	4,070	4,070	(110)	3,960	06/01/15-36
Student Housing VII-C	1,045	1,020	(15)	1,005	06/01/15-36
Virginia Commonwealth University					
West Grace Housing - North	25,830	25,830	(705)	25,125	06/01/15-36
Virginia Polytechnic Institute and State University					
Renovate Ambler Johnston Hall	18,860	18,140	(685)	17,455	06/01/15-31
Virginia State University					
Construct Gateway Residence Hall Phase II	34,735	32,695	(1,235)	31,460	06/01/15-31
Construct Quad Phase II	28,555	28,555	(1,085)	27,470	06/01/15-31
<b>Subtotal Series 2011 Bonds</b>	<b>168,875</b>	<b>164,120</b>	<b>(5,920)</b>	<b>158,200</b>	
<b>Series 2012 Bonds</b>					
The College of William and Mary					
Dining Commons Hall Renovation 2005 Refunding	1,289	1,289	-	1,289	06/01/23-24
Dorm Renovation - 2005 Refunding	780	780	-	780	06/01/23-24
Dorm Repairs - 2002 Refunding (96 Ref)	429	377	(119)	258	06/01/15-16
Underground Utilities - 2002 Refunding (95 Ref)	388	340	(108)	232	06/01/15-16
George Mason University					
Student Housing Construction, VII - 2005 Refunding	2,674	2,674	-	2,674	06/01/23-24
University Center - 2002 Refunding (93A Ref)	3,956	3,255	(1,597)	1,658	06/01/15
Longwood University					
Dining Hall - 2002 Refunding (96 Ref)	1,472	1,293	(414)	879	06/01/15-16
Housing Facilities Renovation - 2005 Refunding	545	545	-	545	06/01/23-24
Old Dominion University					
Housing Renovation, Phase I - 2005 Refunding	655	655	-	655	06/01/23-24
University of Mary Washington					
Seacobeck Dining Hall - 2005 Refunding	655	655	-	655	06/01/23-24
University of Virginia					
Newcomb Hall - 2002 Refunding (95 Ref)	2,752	2,412	(776)	1,636	06/01/15-16
Student Residence - 2002 Refunding (95 Ref)	1,241	1,089	(352)	737	06/01/15-16
Virginia Commonwealth University					
Visitors Deck - 2002 Refunding (96 Ref)	871	763	(243)	520	06/01/15-16
Virginia Military Institute					
Crozet Hall & Parking - 2004A Refunding	3,019	3,019	-	3,019	06/01/15, 23-25

Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>General Obligation Debt (continued)</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution bonds (Component Units) (continued)</b>					
<b>Series 2012 Bonds (continued)</b>					
Virginia Polytechnic Institute and State University					
Renovate Dietrick Servery -2004A Refunding	942	942	-	942	06/01/15, 23-24
Virginia State University					
Jones Hall - 2002 Refunding (96 Ref)	646	565	(181)	384	06/01/15-16
<b>Subtotal Series 2012 Bonds</b>	<b>22,314</b>	<b>20,653</b>	<b>(3,790)</b>	<b>16,863</b>	
<b>Series 2013 Bonds</b>					
The College of William and Mary					
Construct New Dormitory	8,770	8,770	(295)	8,475	06/01/15-33
Dining Commons Hall Renovation - 2005A Ref Portion	1,831	1,831	-	1,831	06/01/16, 25-26
Dorm Renovations - 2005A Ref Portion	1,113	1,113	-	1,113	06/01/16, 25-26
Dorm Renovations - 2006B Ref Portion	1,412	1,412	-	1,412	06/01/17, 23-26
Renovate Dormitory	4,660	4,660	(155)	4,505	06/01/15-33
George Mason University					
Construct Student Housing VII & Entrance Rd - 2007B Ref Portion	4,579	4,579	-	4,579	06/01/19-25
Construct Student Housing VII - 2007B Refunded Portion	584	584	-	584	06/01/19-25
Construct Student Housing VII - 2006B Refunded Portion	9,187	9,187	-	9,187	06/01/17, 23-26
Student Housing Construction, VII - 2005A Ref Portion	10,504	10,504	-	10,504	06/01/16, 25-30
James Madison University					
Construct Dining Hall - 2007B Refunded Portion	8,207	8,207	-	8,207	06/01/19-25
Renovate Bluestone Residence Hall, Ph 3 -2007B Ref Portion	893	893	-	893	06/01/19-25
Renovate Residence Hall - 2006B Refunded Portion	1,953	1,953	-	1,953	06/01/17, 23-26
Longwood University					
Housing Facility Renovation - 2005A Refunded Portion	472	472	-	472	06/01/16, 25
Renovate Cox Hall - 2007B Refunded Portion	2,461	2,461	-	2,461	06/01/19-25
Renovate Housing Facilities - 2006B Refunded Portion	1,852	1,852	-	1,852	06/01/17, 23-26
Old Dominion University					
Construct Residence Hall, Ph II - 2007B Refunded Portion	6,344	6,344	-	6,344	06/01/19-25
Construct Residence Hall, Ph II - 2006B Refunded Portion	2,761	2,761	-	2,761	06/01/17, 23-26
Housing Renovations, Ph I - 2005A Refunded Portion	570	570	-	570	06/01/16, 25
Radford University					
Washington Hall	5,040	5,040	(170)	4,870	06/01/15-33
University of Mary Washington					
Seacobeck Dining Hall - 2005A Refunded Portion	565	565	-	565	06/01/16, 25
Virginia Commonwealth University					
Monroe Park Housing - 2007B Refunded Portion	3,252	3,252	-	3,252	06/01/19-25
Virginia Polytechnic Institute and State University					
Construct New Residence Hall - 2007A Refunded Portion	7,842	7,842	-	7,842	06/01/19-27
Improve Residence and Dining Halls - 2007A Refunded Portion	3,576	3,576	-	3,576	06/01/19-27
Parking Projects - 2006B Refunded Portion	217	217	-	217	06/01/17, 23-26
Virginia State University					
Construct Dining Hall - 2006B Refunded Portion	1,431	1,431	-	1,431	06/01/17, 23-26
Construct Residence Hall - 2007B Refunded Portion	1,132	1,132	-	1,132	06/01/19-27
Construct Residence Halls - 2006B Refunded Portion	5,541	5,541	-	5,541	06/01/17, 23-26
Construct Two Residence Halls - 2007B Refunded Portion	11,231	11,231	-	11,231	06/01/19-25
<b>Subtotal Series 2013 Bonds</b>	<b>107,980</b>	<b>107,980</b>	<b>(620)</b>	<b>107,360</b>	
<b>Series 2014 Bonds</b>					
Christopher Newport University					
New Residence Hall - 2004B Refunded Portion	8,147	-	8,147	8,147	06/01/15-20
Residence Hall II - 2004B Refunding Portion	4,210	-	4,210	4,210	06/01/15-19

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**Tax-Supported Debt – Detail of Long-term Indebtedness (Continued from previous page)**

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>General Obligation Debt (continued)</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution bonds (Component Units) (continued)</b>					
<b>Series 2014 Bonds (continued)</b>					
College Of William and Mary					
Renovate Dormitories - 2004B Refunding Portion	1,666	-	1,666	1,666	06/01/15-20
Dormitory Renovation Phase II - 2004B Refunding Portion	120	-	120	120	06/01/15-17
Dormitory Repairs - 2004B Refunding Portion	650	-	650	650	06/01/15-17
Utility System - 2004B Refunding Portion	311	-	311	311	06/01/15-17
Dormitory Renovation - 2004B Refunding Portion	1,551	-	1,551	1,551	06/01/15-18
Renovate Dormitories	9,005	-	9,005	9,005	06/01/15-34
George Mason University					
Housing Building V - 2004B Refunding Portion	6,306	-	6,306	6,306	06/01/15-20
Student Housing VIII	2,235	-	2,235	2,235	06/01/15-34
James Madison University					
Bluestone Dormitory Phase II- 2004B Refunding Portion	1,985	-	1,985	1,985	06/01/15-20
Dining Hall Renovation - 2004B Refunding Portion	254	-	254	254	06/01/15-17
Residence Hall - 2004B Refunding Portion	2,232	-	2,232	2,232	06/01/15-17
Student Services - 2004B Refunding Portion	1,191	-	1,191	1,191	06/01/15-17
Dining Facilities Renovation - 2004B Refunding Portion	260	-	260	260	06/01/15-18
Student Housing Phase I	46,660	-	46,660	46,660	06/01/15-34
Longwood University					
Dining Hall - 2004B Refunding Portion	934	-	934	934	06/01/15-19
Residence Hall Improvements - 2004B Refunding Portion	880	-	880	880	06/01/15-19
Radford University					
Renovate Residence Halls	11,080	-	11,080	11,080	06/01/15-34
University of Mary Washington					
Residence Hall Renovation - 2004B Refunding Portion	656	-	656	656	06/01/15-20
University of Virginia					
Residence Hall - Monroe Lane - 2004B Refunding Portion	1,595	-	1,595	1,595	06/01/15-20
Residence Hall - Wise- 2004B Refunding Portion	1,512	-	1,512	1,512	06/01/15-19
Virginia Commonwealth University					
Academic Parking Deck - 2004B Refunding Portion	2,429	-	2,429	2,429	06/01/15-17
Virginia Polytechnic Institute and State University					
Parking Auxilliary Projects - 2004B Refunding Portion	300	-	300	300	06/01/15-17
Residence Hall - 2004B Refunding Portion	3,151	-	3,151	3,151	06/01/15-17
Dining Hall - 2004B Refunding Portion	793	-	793	793	06/01/15-18
Dining Hall HVAC - 2004B Refunding Portion	587	-	587	587	06/01/15-19
Virginia State University					
Jones Dining Hall - 2004B Refunding Portion	255	-	255	255	06/01/15-18
<b>Subtotal Series 2014 Bonds</b>	<b>110,955</b>	<b>-</b>	<b>110,955</b>	<b>110,955</b>	
Unamortized Premium	-	60,776	5,159	65,935	
<b>Subtotal Higher Educational Institution Bonds</b>	<b>1,234,957</b>	<b>900,492</b>	<b>24,594</b>	<b>925,086</b>	
<b>Transportation Facilities Bonds (Primary Government)</b>					
Series 2006, Coleman Refunding	31,880	21,420	(2,290)	19,130	06/01/15-21
Unamortized Premium	-	575	(73)	502	
<b>Subtotal Transportation Facilities Bonds</b>	<b>31,880</b>	<b>21,995</b>	<b>(2,363)</b>	<b>19,632</b>	

Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>General Obligation Debt (continued)</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Parking Facilities Bonds (Primary Government)</b>					
Series 2004	5,390	250	(250)	-	
Series 2009	13,755	12,310	(525)	11,785	06/01/15-29
Series 2009 Refunding	2,122	2,122		2,122	06/01/16-22
Series 2012 Refunding (2002 Ref)	82	66	(30)	36	06/01/15
Series 2012 Refunding (2004A Ref)	1,061	1,061		1,061	06/01/15, 23-24
Unamortized Premium	-	2,228	(187)	2,041	
<b>Subtotal Parking Facilities Bonds</b>	<b>22,410</b>	<b>18,037</b>	<b>(992)</b>	<b>17,045</b>	
<b>Total Section 9(c) Debt</b>	<b>1,289,247</b>	<b>940,524</b>	<b>21,239</b>	<b>961,763</b>	
<b>Total General Obligation Debt</b>	<b>2,698,047</b>	<b>1,725,196</b>	<b>(57,241)</b>	<b>1,667,955</b>	
<b>Nongeneral Obligation Debt</b>					
<b>Section 9(d) Debt</b>					
<b>Virginia Public Building Authority Bonds (Primary Government)</b>					
Series 2003A Refunding	38,809	5,865	(4,885)	980	08/01/14
Series 2004A Refunding	187,106	76,885	(20,470)	56,415	08/01/14-16
Series 2004B	207,065	35,370	(13,570)	21,800	08/01/14-15
Series 2004C Refunding	39,260	12,720	(4,020)	8,700	08/01/14-15
Series 2004D Refunding	106,460	86,140	(8,550)	77,590	08/01/14-20
Series 2005A Refunding	47,305	23,025	(4,055)	18,970	08/01/14-18
Series 2005B Refunding	135,675	67,195	(12,295)	54,900	08/01/14-19
Series 2005C	165,810	50,410	(14,585)	35,825	08/01/14-16
Series 2005D	50,000	50,000	-	50,000	08/01/22-25
Series 2006A	135,000	63,925	(3,365)	60,560	08/01/14-26
Series 2006B	215,065	104,870	(10,985)	93,885	08/01/14-26
Series 2007A	242,480	189,220	(13,190)	176,030	08/01/14-27
Series 2008B	150,000	130,860	(5,540)	125,320	08/01/14-28
Series 2009A	40,995	32,830	(2,910)	29,920	08/01/14-21
Series 2009B	265,000	231,595	(13,565)	218,030	08/01/14-29
Series 2009C	10,000	7,915	(735)	7,180	08/01/14-21
Series 2009D Refunding	42,745	40,820	(4,495)	36,325	08/01/14-21
Series 2010A1	60,520	37,660	(12,065)	25,595	08/01/14-15
Series 2010A2 BABs	256,710	256,710	-	256,710	08/01/16-30
Series 2010B1	87,510	70,120	(10,335)	59,785	08/01/14-18
Series 2010B2 Taxable BABs	195,310	195,310	(50)	195,260	08/01/19-30
Series 2010B3 Refunding	50,780	50,445	(345)	50,100	08/01/14-22
Series 2011A	280,000	271,455	(9,050)	262,405	08/01/14-31
Series 2011B	18,500	17,800	(715)	17,085	08/01/14-31
Series 2012A Refunding	72,415	72,415	-	72,415	08/01/16-24
Series 2013A	143,400	143,400	-	143,400	08/01/14-33
Series 2013B Refunding	72,370	72,370	-	72,370	08/01/19-23
Unamortized Premium	-	165,337	(18,057)	147,280	
<b>Total Virginia Public Building Authority Bonds</b>	<b>3,316,290</b>	<b>2,562,667</b>	<b>(187,832)</b>	<b>2,374,835</b>	

Continued on next page

**Tax-Supported Debt – Detail of Long-term Indebtedness (Continued from previous page)**

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>Nongeneral Obligation Debt (continued)</b>					
<b>Section 9(d) Debt (continued)</b>					
<b>Virginia College Building Authority Bonds (Component Unit) (2)</b>					
<b>21st Century College Program</b>					
Series 2004A	172,745	5,950	(5,950)	-	
Series 2004B Refunding	61,395	32,850	(32,850)	-	
Series 2005	115,785	10,865	(7,780)	3,085	02/01/15
Series 2006BC	120,000	95,300	(5,745)	89,555	02/01/15-26
Series 2007A	59,125	59,125	(930)	58,195	02/01/15-22
Series 2007B	132,095	18,890	(2,050)	16,840	02/01/15-17, 25-27
Series 2008A	144,075	94,655	(11,210)	83,445	02/01/15-28
Series 2009A	284,020	247,040	(9,405)	237,635	02/01/15-29
Series 2009B	84,680	50,375	(9,115)	41,260	02/01/15-18
Series 2009C Refunding	12,945	6,575	(1,045)	5,530	02/01/15
Series 2009D	52,420	32,425	(7,610)	24,815	02/01/15-17
Series 2009E Refunding	208,860	204,010	(9,750)	194,260	02/01/15-24
Series 2009F1	14,365	14,365	(14,365)	-	
Series 2009F2 Taxable BABs	390,575	390,575	-	390,575	02/01/15-30
Series 2010A	50,350	29,600	(7,070)	22,530	02/01/15-17
Series 2010B1	55,815	30,635	(14,945)	15,690	02/01/15
Series 2010B2 Taxable BABs	290,600	290,600	-	290,600	02/01/16-30
Series 2011A	272,515	264,825	(13,775)	251,050	02/01/15-32
Series 2012A	335,075	316,440	(15,340)	301,100	02/01/15-32
Series 2012B	349,255	349,255	(8,180)	341,075	02/01/15-33
Series 2012C	8,350	8,350	(1,670)	6,680	02/01/15-18
Series 2013A	331,705	-	331,705	331,705	02/01/15-34
Series 2014A	319,155	-	319,155	319,155	02/01/15-34
Series 2014B	27,985	-	27,985	27,985	02/01/15-20, 25
Unamortized Premium	-	185,200	48,154	233,354	
<b>Total Virginia College Building Authority Bonds</b>	<b>3,933,405</b>	<b>2,737,905</b>	<b>548,214</b>	<b>3,286,119</b>	
<b>Transportation Debt (Primary Government)</b>					
Route 28 Refunding Bonds	111,680	90,692	(3,165)	87,527	10/01/03-18
Transportation Revenue Bonds (U.S. Route 58)	606,620	347,980	(52,545)	295,435	11/15/03-26
Northern Virginia Transportation District Program	324,410	255,160	(27,980)	227,180	11/15/03-26
Oak Grove Connector (Chesapeake)	33,075	15,825	(1,435)	14,390	11/15/03-22
Capital Projects	492,665	1,620,015	(42,560)	1,577,455	11/15/10-37
Unamortized Premium	-	165,640	5,755	171,395	
<b>Total Section 9(d) Transportation Debt</b>	<b>1,568,450</b>	<b>2,495,312</b>	<b>(121,930)</b>	<b>2,373,382</b>	
<b>Virginia Port Authority Debt (Component Unit)</b>					
Series 2005	60,000	5,520	(1,750)	3,770	07/01/05-30
Series 2006	21,730	9,575	(2,590)	6,985	07/01/07-16
Series 2011	57,370	57,370	-	57,370	07/01/11-36
Series 2012	108,015	108,015	(6,300)	101,715	01/01/12-27
Series 2012B	45,230	45,230	(635)	44,595	07/01/13-29
Series 2012C	4,795	4,795	-	4,795	07/01/13-30
Unamortized Premium	-	2,676	138	2,814	
<b>Total Virginia Port Authority Debt</b>	<b>297,140</b>	<b>233,181</b>	<b>(11,137)</b>	<b>222,044</b>	

Series	Amount Issued	Outstanding June 30, 2013 as restated (1)	Issued (Retired) During Year	Outstanding June 30, 2014	Maturity
<b>Nongeneral Obligation Debt (continued)</b>					
<b>Section 9(d) Debt (continued)</b>					
<b>Innovation and Entrepreneurship Investment</b>					
<b>Authority Debt (Component Unit)</b>					
Series 1997	13,300	1,220	(1,220)	-	
<b>Virginia Biotechnology Research Partnership</b>					
<b>Authority (Component Unit)</b>					
Series 2009	91,010	34,905	(3,270)	31,635	09/01/03-22
Unamortized Discount	-	(502)	502	-	
Unamortized Premium	-	3,070	(350)	2,720	
	<u>91,010</u>	<u>37,473</u>	<u>(3,118)</u>	<u>34,355</u>	
<b>Economic Development Authority Obligations</b>	96,515	74,830	(24,665)	50,165	12/01/06-26
Unamortized Premium	-	2,642	4,814	7,456	
	<u>96,515</u>	<u>77,472</u>	<u>(19,851)</u>	<u>57,621</u>	
<b>Total Section 9(d) Debt</b>	<u>9,316,110</u>	<u>8,145,230</u>	<u>203,126</u>	<u>8,348,356</u>	
<b>Nongeneral Obligation Debt and Other Obligations</b>					
<b>Other Long-term Debt (2)</b>					
Capital Leases	-	157,466	(14,361)	143,105	
Installment Purchase Obligations	-	192,682	(2,220)	190,462	
Transportation Notes Payable	-	8,000	(8,000)	-	
Regional Jail Construction Liability	-	837	(837)	-	
Tax Refund Note	-	20,319	(20,319)	-	
Aviation Note Payable	6,600	764	(235)	529	
<b>Total Other Long-term Debt</b>	<u>6,600</u>	<u>380,068</u>	<u>(45,972)</u>	<u>334,096</u>	
<b>Other Long-term Obligations</b>					
Compensated Absences	-	582,774	18,983	601,757	
Pension Liability	-	2,799,523	381,918	3,181,441	
OPEB Liability	-	1,076,157	194,322	1,270,479	
Other	-	33,100	16,718	49,818	
<b>Total Other Long-term Obligations</b>	<u>-</u>	<u>4,491,554</u>	<u>611,941</u>	<u>5,103,495</u>	
<b>Total Nongeneral Obligation Debt and Other Obligations</b>	<u>9,322,710</u>	<u>13,016,852</u>	<u>769,095</u>	<u>13,785,947</u>	
<b>Total Tax-Supported Debt and Other Obligations</b>	<u>\$ 12,020,757</u>	<u>\$ 14,742,048</u>	<u>\$ 711,854</u>	<u>\$ 15,453,902</u>	

- (1) As discussed in Note 13, the Commonwealth implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Accordingly, outstanding balances have been restated.
- (2) These amounts are reported as notes payable on the higher education institutions' financial statements.
- (3) Pursuant to GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, Governmental Activities include internal service funds.





# STATISTICAL SECTION

The financial presentations included in this section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commonwealth's overall financial health.

Statistical schedules related to property taxes are not presented since the Commonwealth does not assess property taxes.

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<b>Sources:</b> Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	



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## Financial Trends

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**Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis  
General Governmental Revenues by Source and Expenditures by Function**

For Fiscal Year Ended June 30  
(Dollars in Millions)

	2014	2013	2012	2011
<b>Tax Revenues:</b>				
Individual and Fiduciary Income	\$ 11,659	\$ 11,378	\$ 10,714	\$ 10,050
Sales and Use	4,606	3,935	3,866	3,674
Motor Fuels	793	879	900	903
Corporation Income	774	778	950	827
Public Service Corporations	119	116	115	113
Motor Vehicle Sales and Use	781	582	538	495
Communications Sales and Use	422	425	425	556
Gross Premiums of Insurance Companies	449	396	391	412
Alcoholic Beverage Sales	132	127	121	114
Deeds, Contracts, Wills, and Suits	395	436	371	335
Beer and Beverage Excise	43	43	44	44
Estate	-	-	-	2
Tobacco Products	182	182	195	175
Bank Stock	23	20	19	25
Wine and Spirits/ABC Liter	26	25	24	23
Other Taxes	95	78	75	77
<b>Total Tax Revenues</b>	<b>20,499</b>	<b>19,400</b>	<b>18,748</b>	<b>17,825</b>
<b>Other Revenues:</b>				
Federal Grants and Contracts	9,681	9,913	9,933	10,749
Institutional Revenue	325	360	385	384
Sales of Property and Commodities	56	35	41	36
Rights and Privileges	950	957	921	917
Interest, Dividends, and Rents	144	83	164	159
Fines, Forfeitures, Costs, Penalties and Escheats	435	366	362	368
Assessments	132	125	120	122
Other Revenues	739	824	814	712
<b>Total Other Revenues</b>	<b>12,462</b>	<b>12,663</b>	<b>12,740</b>	<b>13,447</b>
<b>Total Revenues</b>	<b>\$ 32,961</b>	<b>\$ 32,063</b>	<b>\$ 31,488</b>	<b>\$ 31,272</b>
Percentage Increase Over Previous Year	2.8%	1.8%	0.7%	5.7%
<b>Expenditures by Function:</b>				
Education	\$ 8,970	\$ 8,886	\$ 8,733	\$ 8,682
Administration of Justice	2,724	2,566	2,422	2,398
Individual and Family Services	13,196	13,039	12,682	12,688
Resources and Economic Development	912	876	870	886
Transportation	5,057	4,613	4,474	3,860
General Government (1)	3,238	3,187	3,007	3,129
Capital Outlay	194	219	330	439
<b>Total Expenditures</b>	<b>\$ 34,291</b>	<b>\$ 33,386</b>	<b>\$ 32,518</b>	<b>\$ 32,082</b>
Percentage Increase Over Previous Year	2.7%	2.7%	1.4%	2.4%

Includes all General, Special Revenue, Debt Service, Capital Project, and Permanent Funds

(1) General Government expenditure amounts include debt service principal retirement and interest charges.

Source: Department of Accounts

2010	2009	2008	2007	2006	2005
\$ 8,730	\$ 9,471	\$ 10,084	\$ 9,629	\$ 9,236	\$ 8,344
3,553	3,568	3,820	3,760	3,682	3,569
891	889	924	930	902	912
833	642	767	889	869	644
112	103	106	89	91	89
440	406	534	588	593	599
453	-	-	-	-	-
391	387	397	385	374	374
111	110	106	100	94	89
326	351	457	584	696	597
44	45	44	44	44	43
6	4	136	140	167	161
178	182	183	188	189	122
24	21	14	13	12	10
21	20	19	18	16	14
74	77	68	79	78	71
<u>16,187</u>	<u>16,276</u>	<u>17,659</u>	<u>17,436</u>	<u>17,043</u>	<u>15,638</u>

10,628	8,113	6,627	6,204	5,958	5,627
403	409	390	360	343	324
32	26	29	24	32	37
870	889	933	826	816	758
294	218	452	532	256	204
343	349	394	334	279	317
116	113	109	110	103	105
704	611	645	558	634	685
13,390	10,728	9,579	8,948	8,421	8,057
<u>\$ 29,577</u>	<u>\$ 27,004</u>	<u>\$ 27,238</u>	<u>\$ 26,384</u>	<u>\$ 25,464</u>	<u>\$ 23,695</u>

9.5%	-0.9%	3.2%	3.6%	7.5%	10.5%
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\$ 8,843	\$ 9,260	\$ 8,940	\$ 8,700	\$ 7,661	\$ 7,068
2,399	2,531	2,543	2,398	2,296	2,204
12,236	10,764	9,345	8,996	8,626	8,060
897	990	868	812	788	708
3,401	3,704	3,883	3,141	3,092	3,115
2,932	2,512	2,612	2,545	2,246	2,101
619	612	845	808	588	414
<u>\$ 31,327</u>	<u>\$ 30,373</u>	<u>\$ 29,036</u>	<u>\$ 27,400</u>	<u>\$ 25,297</u>	<u>\$ 23,670</u>

3.1%	4.6%	6.0%	8.3%	6.9%	8.7%
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**Net Position by Component**  
**Accrual Basis of Accounting**

Last Ten Fiscal Years  
(Dollars in Millions)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Governmental Activities:</b>				
Net Investment in Capital Assets (1)	\$ 22,317	\$ 20,259	\$ 19,891	\$ 18,320
Restricted	1,465	1,456	1,648	1,171
Unrestricted	(2,820)	(1,531)	(2,216)	(1,596)
<b>Total Governmental Activities Net Position</b>	<u>20,962</u>	<u>20,184</u>	<u>19,323</u>	<u>17,895</u>
<b>Business-type Activities:</b>				
Net Investment in Capital Assets (1)	12	30	34	35
Restricted	587	371	179	16
Unrestricted	563	261	143	70
<b>Total Business-type Activities Net Position</b>	<u>1,162</u>	<u>662</u>	<u>356</u>	<u>121</u>
<b>Primary Government:</b>				
Net Investment in Capital Assets (1)	22,329	20,289	19,925	18,355
Restricted	2,052	1,827	1,827	1,187
Unrestricted	(2,257)	(1,270)	(2,073)	(1,526)
<b>Total Primary Government Net Position</b>	<u>\$ 22,124</u>	<u>\$ 20,846</u>	<u>\$ 19,679</u>	<u>\$ 18,016</u>

(1) Beginning with fiscal year 2013, GASB Statement No. 63 changed the title of Invested in Capital Assets, Net of Related Debt to Net Investment in Capital Assets. Balances reported in prior fiscal years were not affected.

Source: Department of Accounts

2010	2009	2008	2007	2006	2005
\$ 17,424	\$ 16,209	\$ 15,241	\$ 13,835	\$ 11,637	\$ 11,830
1,160	1,421	1,641	1,893	1,588	1,252
(1,887)	(1,555)	516	944	2,874	841
16,697	16,075	17,398	16,672	16,099	13,923
31	23	26	30	32	(132)
16	372	816	872	790	600
(169)	(180)	59	212	17	(49)
(122)	215	901	1,114	839	419
17,455	16,232	15,267	13,865	11,669	11,698
1,176	1,793	2,457	2,765	2,378	1,852
(2,056)	(1,735)	575	1,156	2,891	792
\$ 16,575	\$ 16,290	\$ 18,299	\$ 17,786	\$ 16,938	\$ 14,342

**Changes in Net Position  
Accrual Basis of Accounting**

Last Ten Fiscal Years  
(Dollars in Millions)

	2014	2013	2012	2011
<b>Expenses</b>				
<b>Governmental Activities:</b>				
General Government	\$ 3,362	\$ 3,019	\$ 2,878	\$ 2,917
Education	9,431	9,281	9,181	9,086
Transportation	3,602	3,307	3,030	2,839
Resources and Economic Development	940	928	985	1,006
Individual and Family Services	13,116	12,941	12,712	12,663
Administration of Justice	2,927	2,760	2,639	2,641
Interest and Charges on Long-term Debt	238	255	229	228
<b>Total Governmental Activities Expenses</b>	<b>33,616</b>	<b>32,491</b>	<b>31,654</b>	<b>31,380</b>
<b>Business-type Activities:</b>				
Virginia Lottery	1,266	1,194	1,121	1,030
Virginia College Savings Plan	104	156	96	243
Pocahontas Parkway	-	-	-	-
Unemployment Compensation	536	584	640	662
Alcoholic Beverage Control	555	533	507	479
Risk Management	13	12	13	8
Local Choice Health Care	308	296	267	230
Route 460 Funding Corporation of Virginia	82	67	-	-
Virginia Industries for the Blind	38	31	32	28
Consolidated Laboratory	9	8	7	7
eVA Procurement System	20	20	19	17
Department of Environmental Quality Title V	12	11	11	10
Wireless E-911	37	42	41	38
Museum and Library Gift Shops	6	7	6	7
Behavioral Health Canteen and Work Activity	1	1	1	-
Virginia Information Providers Network	-	-	-	-
<b>Total Business-type Activities Expenses</b>	<b>2,987</b>	<b>2,962</b>	<b>2,761</b>	<b>2,759</b>
<b>Total Primary Government Expenses</b>	<b>\$ 36,603</b>	<b>\$ 35,453</b>	<b>\$ 34,415</b>	<b>\$ 34,139</b>
<b>Program Revenues</b>				
<b>Governmental Activities:</b>				
Charges for Services:				
General Government	\$ 255	\$ 250	\$ 255	\$ 254
Education	518	448	397	388
Transportation	652	680	645	650
Resources and Economic Development	359	345	393	309
Individual and Family Services	376	413	429	430
Administration of Justice	401	322	323	322
Operating Grants and Contributions	8,732	8,820	9,178	9,950
Capital Grants and Contributions	1,509	1,754	1,267	1,324
<b>Total Governmental Activities Program Revenues</b>	<b>12,802</b>	<b>13,032</b>	<b>12,887</b>	<b>13,627</b>

Source: Department of Accounts



2010	2009	2008	2007	2006	2005
\$ 2,829	\$ 2,541	\$ 2,470	\$ 2,645	\$ 2,015	\$ 2,029
9,312	9,566	9,300	9,542	7,926	7,269
2,311	2,786	3,054	2,256	2,559	2,493
1,107	1,003	878	841	835	765
12,285	10,757	9,249	9,022	8,570	7,991
2,741	2,611	2,607	2,659	2,493	2,262
206	201	205	203	209	167
30,791	29,465	27,763	27,168	24,607	22,976

998	920	936	929	908	908
294	115	244	180	238	311
-	-	-	-	39	39
923	881	433	382	339	359
469	467	457	434	408	375
7	6	6	3	6	3
231	231	202	179	165	155
-	-	-	-	-	-
28	24	24	20	20	21
6	6	6	6	5	5
19	18	18	19	6	7
10	11	12	11	11	10
48	53	50	47	43	39
2	1	2	2	2	2
1	1	-	1	1	1
-	-	-	-	14	35
3,036	2,734	2,390	2,213	2,205	2,270
\$ 33,827	\$ 32,199	\$ 30,153	\$ 29,381	\$ 26,812	\$ 25,246

\$ 248	\$ 243	\$ 229	\$ 216	\$ 251	\$ 258
380	373	379	350	311	272
611	643	709	583	601	537
306	299	297	299	280	241
411	415	389	370	394	398
308	321	387	292	286	294
9,951	7,584	6,067	5,870	5,671	5,262
1,603	997	1,152	851	707	578
13,818	10,875	9,609	8,831	8,501	7,840

Continued on next page

**Changes in Net Position**  
**Accrual Basis of Accounting** (Continued from previous page)

Last Ten Fiscal Years  
(Dollars in Millions)

	2014	2013	2012	2011
<b>Business-type Activities:</b>				
<b>Charges for Services:</b>				
Virginia Lottery	1,811	1,690	1,616	1,483
Virginia College Savings Plan	408	301	160	459
Pocahontas Parkway	-	-	-	-
Unemployment Compensation	761	790	853	686
Alcoholic Beverage Control	689	662	633	598
Risk Management	9	5	5	4
Local Choice Health Care	321	285	259	247
Virginia Industries for the Blind	36	30	32	28
Consolidated Laboratory	9	7	8	8
eVA Procurement System	16	16	16	19
Department of Environmental Quality Title V	11	11	8	7
Wireless E-911	54	62	55	53
Museum and Library Gift Shops	6	8	7	8
Behavioral Health Canteen and Work Activity	-	-	1	-
Virginia Information Providers Network	-	-	-	-
Operating Grants and Contributions	-	-	-	1
Capital Contributions	70	61	-	-
<b>Total Business-type Activities Program Revenue</b>	<b>4,201</b>	<b>3,928</b>	<b>3,653</b>	<b>3,601</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 17,003</b>	<b>\$ 16,960</b>	<b>\$ 16,540</b>	<b>\$ 17,228</b>
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (20,814)	\$ (19,459)	\$ (18,767)	\$ (17,753)
Business-type Activities	1,214	966	892	842
<b>Total Primary Government Net Expense</b>	<b>\$ (19,600)</b>	<b>\$ (18,493)</b>	<b>\$ (17,875)</b>	<b>\$ (16,911)</b>
<b>General Revenues and Other Changes in Net Position</b>				
<b>Governmental Activities:</b>				
<b>Taxes:</b>				
Individual and Fiduciary Income	\$ 11,681	\$ 11,400	\$ 10,814	\$ 10,050
Sales and Use	4,597	3,941	3,885	3,669
Corporation Income	770	805	979	852
Motor Fuel	792	879	900	903
Motor Vehicle Sales and Use	781	582	538	495
Communications Sales and Use	420	424	423	557
Premiums of Insurance Companies	460	407	391	406
Public Service Corporations	119	116	115	113
Other Taxes	896	909	849	795
Unrestricted Grants and Contributions	49	74	49	48
Investment Earnings	44	6	84	63
Miscellaneous	234	306	465	286
Transfers	724	670	668	615
Contributions to Permanent and Term Endowments	-	-	-	-
<b>Total Governmental Activities</b>	<b>21,567</b>	<b>20,519</b>	<b>20,160</b>	<b>18,852</b>
<b>Business-type Activities:</b>				
Other Taxes	9	9	9	9
Investment Earnings	2	1	1	1
Miscellaneous	1	-	-	-
Transfers	(724)	(670)	(668)	(614)
Special Items	-	-	-	-
<b>Total Business-type Activities</b>	<b>(712)</b>	<b>(660)</b>	<b>(658)</b>	<b>(604)</b>
<b>Total Primary Government</b>	<b>\$ 20,855</b>	<b>\$ 19,859</b>	<b>\$ 19,502</b>	<b>\$ 18,248</b>
<b>Change in Net Position</b>				
Governmental Activities	\$ 753	\$ 1,060	\$ 1,394	\$ 1,099
Business-type Activities	502	306	234	238
<b>Total Primary Government</b>	<b>\$ 1,255</b>	<b>\$ 1,366</b>	<b>\$ 1,628</b>	<b>\$ 1,337</b>

Source: Department of Accounts

2010	2009	2008	2007	2006	2005
1,436	1,366	1,389	1,366	1,367	1,334
371	(117)	70	328	272	379
-	-	-	-	15	10
524	341	350	438	543	539
584	573	552	525	497	465
5	6	7	7	5	6
241	226	216	207	186	158
30	24	24	21	21	22
7	9	8	7	6	5
17	27	26	29	7	4
10	9	10	10	10	10
53	51	51	50	43	39
2	2	2	2	2	2
-	-	1	1	1	1
-	-	-	-	15	35
4	105	39	36	27	19
-	-	-	-	-	-
3,284	2,622	2,745	3,027	3,017	3,028
\$ 17,102	\$ 13,497	\$ 12,354	\$ 11,858	\$ 11,518	\$ 10,868
\$ (16,973)	\$ (18,590)	\$ (18,154)	\$ (18,337)	\$ (16,106)	\$ (15,136)
248	(112)	355	814	812	758
\$ (16,725)	\$ (18,702)	\$ (17,799)	\$ (17,523)	\$ (15,294)	\$ (14,378)
\$ 8,779	\$ 9,559	\$ 10,100	\$ 9,639	\$ 9,206	\$ 8,356
3,569	3,554	3,821	3,756	3,679	3,578
846	546	772	906	838	651
891	889	924	930	938	912
440	406	534	588	593	599
456	-	-	-	-	-
414	365	356	385	374	374
112	103	106	89	91	89
777	814	1,025	1,161	1,296	1,108
49	60	54	50	48	53
205	143	349	477	221	154
427	237	224	154	115	291
597	591	593	564	581	535
-	-	-	20	-	-
17,562	17,267	18,858	18,719	17,980	16,700
10	13	12	12	12	12
2	4	12	11	12	10
-	-	1	-	1	1
(597)	(591)	(593)	(563)	(581)	(535)
-	-	-	-	164	-
(585)	(574)	(568)	(540)	(392)	(512)
\$ 16,977	\$ 16,693	\$ 18,290	\$ 18,179	\$ 17,588	\$ 16,188
\$ 589	\$ (1,323)	\$ 704	\$ 381	\$ 1,873	\$ 1,564
(337)	(686)	(213)	274	421	246
\$ 252	\$ (2,009)	\$ 491	\$ 655	\$ 2,294	\$ 1,810

**Changes in Fund Balance, Governmental Funds  
Modified Accrual Basis of Accounting**

Last Ten Fiscal Years  
(Dollars in Millions)

	2014	2013	2012	2011
<b>Revenues</b>				
Taxes	\$ 20,499	\$ 19,400	\$ 18,748	\$ 17,825
Rights and Privileges	950	957	921	917
Institutional Revenue	325	360	385	384
<b>Interest, Dividends, Rents, and</b>				
Other Investment Income	144	83	164	159
Federal Grants and Contracts	9,681	9,913	9,933	10,749
Other	1,362	1,350	1,337	1,238
<b>Total Revenues</b>	<b>32,961</b>	<b>32,063</b>	<b>31,488</b>	<b>31,272</b>
<b>Expenditures</b>				
General Government	2,538	2,424	2,322	2,439
Education	8,970	8,886	8,733	8,683
Transportation	5,057	4,613	4,474	3,860
Resources and Economic Development	912	876	870	886
Individual and Family Services	13,196	13,039	12,682	12,688
Administration of Justice	2,724	2,566	2,422	2,398
Capital Outlay	194	219	330	439
<b>Debt Service:</b>				
Principal Retirement	421	474	423	456
Interest and Charges	279	289	262	233
<b>Total Expenditures</b>	<b>34,291</b>	<b>33,386</b>	<b>32,518</b>	<b>32,082</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(1,330)</b>	<b>(1,323)</b>	<b>(1,030)</b>	<b>(810)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,661	1,625	1,770	1,498
Transfers Out	(927)	(940)	(1,097)	(876)
Notes Issued	16	22	10	37
Insurance Recoveries	-	1	3	8
Capital Leases Issued	-	-	1	2
Bonds Issued	273	264	1,196	883
Premium on Debt Issuance	75	85	217	71
Refunding Bonds Issued	277	201	319	51
Sale of Capital Assets	16	96	4	3
Payments to Refunded Bond Escrow Agents	(337)	(258)	(373)	(55)
<b>Total Other Financing Sources (Uses)</b>	<b>1,054</b>	<b>1,096</b>	<b>2,050</b>	<b>1,622</b>
<b>Net Change in Fund Balances</b>	<b>\$ (276)</b>	<b>\$ (227)</b>	<b>\$ 1,020</b>	<b>\$ 812</b>
Debt Service as a Percentage of Noncapital Expenditures (1)	2.21%	2.58%	2.29%	2.30%

(1) Noncapital expenditures exclude expenditures for capital outlay, which are recorded by function. The majority of these expenditures were for Transportation.

Source: Department of Accounts

2010	2009	2008	2007	2006	2005
\$ 16,187	\$ 16,276	\$ 17,659	\$ 17,436	\$ 17,043	\$ 15,636
869	889	933	826	816	758
403	409	390	360	343	325
294	218	452	532	256	204
10,628	8,112	6,627	6,203	5,958	5,627
1,196	1,100	1,177	1,027	1,048	1,144
29,577	27,004	27,238	26,384	25,464	23,694
2,306	1,889	2,047	2,030	1,787	1,687
8,842	9,260	8,940	8,700	7,661	7,068
3,401	3,704	3,883	3,141	3,092	3,115
897	990	868	812	788	708
12,236	10,764	9,345	8,996	8,626	8,060
2,399	2,531	2,543	2,398	2,296	2,204
619	612	845	809	588	414
420	416	362	322	280	249
206	207	203	192	179	165
31,326	30,373	29,036	27,400	25,297	23,670
(1,749)	(3,369)	(1,798)	(1,016)	167	24
1,624	1,571	1,663	1,637	1,590	1,555
(1,022)	(976)	(1,070)	(1,072)	(1,014)	(1,018)
20	21	-	16	128	-
5	8	6	7	4	-
1	1	5	4	1	1
941	646	416	593	584	375
44	46	23	40	45	84
124	68	59	123	205	731
4	4	7	8	7	-
(146)	(74)	(62)	(131)	(214)	(789)
1,595	1,315	1,047	1,225	1,336	939
\$ (154)	\$ (2,054)	\$ (751)	\$ 209	\$ 1,503	\$ 963
2.04%	2.09%	2.00%	1.93%	1.86%	1.78%

**Fund Balance, Governmental Funds  
Modified Accrual Basis of Accounting**

Last Ten Fiscal Years  
(Dollars in Millions)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>General Fund</b>				
Reserved (1)	\$ -	\$ -	\$ -	\$ -
Unreserved (1)	-	-	-	-
Nonspendable	111	120	118	113
Restricted	971	962	729	464
Committed	330	503	486	410
Unassigned	(782)	(947)	(821)	(1,046)
<b>Total</b>	<u>\$ 630</u>	<u>\$ 638</u>	<u>\$ 512</u>	<u>\$ (59)</u>
<b>All Other Governmental Funds</b>				
<b>Special Revenue Funds</b>				
Reserved (1)	\$ -	\$ -	\$ -	\$ -
Unreserved (1)	-	-	-	-
Nonspendable	104	118	105	111
Restricted	880	588	567	422
Committed	2,145	2,556	2,923	2,683
Assigned	17	14	12	10
<b>Debt Service Funds</b>				
Reserved (1)	-	-	-	-
Restricted	44	35	79	68
<b>Capital Projects Funds</b>				
Unreserved (1)	-	-	-	-
Restricted	53	214	202	145
<b>Permanent Funds</b>				
Unreserved (1)	-	-	-	-
Nonspendable	34	31	28	29
Restricted	1	1	1	1
<b>Total</b>	<u>\$ 3,278</u>	<u>\$ 3,557</u>	<u>\$ 3,917</u>	<u>\$ 3,469</u>

(1) GASB Statement No. 54 changes in fund balance information presented in this section began with fiscal year 2011. Fund balances prior to fiscal year 2011 were not reclassified because this was deemed impractical. The nature of the difference between fiscal year 2011 forward and all prior years relates to fund balances for those prior years not being reclassified to GASB Statement No. 54 fund classifications. For additional information on fund balance classifications, see Note 3, Fund Balance Classifications.

Source: Department of Accounts

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 395	\$ 670	\$ 1,125	\$ 1,420	\$ 1,162	\$ 708
(1,069)	(928)	78	564	973	521
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ (674)	\$ (258)	\$ 1,203	\$ 1,984	\$ 2,135	\$ 1,229
\$ 410	\$ 204	\$ 242	\$ 280	\$ 108	\$ 159
2,502	2,325	3,072	3,060	2,882	2,278
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
105	102	101	97	94	76
-	-	-	-	-	-
206	331	134	81	(16)	(33)
-	-	-	-	-	-
47	45	52	53	30	28
-	-	-	-	-	-
-	-	-	-	-	-
\$ 3,270	\$ 3,007	\$ 3,601	\$ 3,571	\$ 3,098	\$ 2,508

## Comparison of General Fund Balance

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Last Ten Fiscal Years  
(Dollars in Millions)

Fiscal Year Ended June 30,	Fund Balance	
	Budgetary Basis	Modified Accrual Basis
2014	\$ 1,349.3	\$ 629.6
2013	1,820.6	637.9
2012	1,683.4	512.4
2011	1,297.6	(58.8)
2010	870.9	(674.3)
2009	823.5	(258.5)
2008	2,219.8	1,202.9
2007	2,955.1	1,984.0
2006	2,890.0	2,135.5
2005	1,865.3	1,229.0

Source: Department of Accounts



# Revenue Capacity

## Personal Income Tax Rates

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Last Ten Fiscal Years  
(Dollars in Millions)

<u>For the Fiscal Year Ended June 30,</u>	<u>Personal Income Tax Collections (1)</u>	<u>Personal Income (2)(3)</u>	<u>Average Effective Rate (3)(4)</u>
2014	\$ 11,253	\$ 414,294	2.72%
2013	11,340	403,497	2.81%
2012	10,613	395,359	2.68%
2011	9,944	279,475	3.56%
2010	9,088	358,580	2.53%
2009	9,481	350,037	2.71%
2008	10,115	352,291	2.87%
2007	9,788	339,465	2.88%
2006	9,309	321,452	2.90%
2005	8,352	299,512	2.79%

- (1) Tax revenues from individual and fiduciary income tax.  
(2) Personal income amounts provided by U.S. Bureau of Economic Analysis website.  
(3) Amounts for 2005-2013 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.  
(4) Average effective rate equals tax collections divided by income.

Sources: Department of Taxation  
U.S. Bureau of Economic Analysis

## Effective Tax Rates (1)

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Tax Years 2004 – 2013

<u>Income Tax Bracket</u>	<u>Tax Rate</u>
\$0 - \$3,000	2.00%
\$3,000 - \$5,000	2.00% - 2.40%
\$5,000 - \$17,000	2.40% - 4.23%
\$17,000 - \$30,000	4.23% - 4.89%
\$30,000 - \$50,000	4.89% - 5.23%
\$50,000 - \$100,000	5.23% - 5.49%
Over \$100,000	5.49% up to 5.75%

- (1) Amounts shown are for all filing status returns.

Source: Department of Taxation

## Personal Income Tax Filers and Liability by Income Level (1)

Current Year and Ten Years Ago

Income Level	Tax Year Ended December 31, 2012 (2)				Tax Year Ended December 31, 2003			
	Number of Returns	% of Total	Income Tax Liability	% of Total	Number of Returns	% of Total	Income Tax Liability	% of Total
\$100,000 and higher	665,603	18.0%	\$ 7,015,112,650	66.6%	359,183	11.1%	\$ 3,587,420,383	52.6%
\$75,000 - \$99,999	316,396	8.6%	1,138,663,300	10.8%	247,394	7.7%	892,933,383	13.1%
\$50,000 - \$74,999	481,325	13.0%	1,129,318,064	10.7%	422,161	13.0%	1,026,539,848	15.1%
\$25,000 - \$49,999	837,176	22.6%	984,951,665	9.4%	759,556	23.5%	977,695,305	14.3%
\$10,000 - \$24,999	752,238	20.3%	254,891,474	2.4%	705,024	21.8%	310,217,188	4.6%
\$9,999 and lower	646,877	17.5%	4,176,729	0.1%	740,577	22.9%	21,656,025	0.3%
Total	<u>3,699,615</u>	<u>100.0%</u>	<u>\$ 10,527,113,882</u>	<u>100.0%</u>	<u>3,233,895</u>	<u>100.0%</u>	<u>\$ 6,816,462,132</u>	<u>100.0%</u>

- (1) Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the state's revenue.
- (2) Tax year 2012 is the most recent year for which data are available.

Source: Department of Taxation

## Personal Income by Industry

Last Ten Fiscal Years  
(Dollars in Millions)

	<u>2014 (1)</u>	<u>2013 (2)</u>	<u>2012 (2)</u>	<u>2011 (2)</u>	<u>2010 (2)</u>
Farm Earnings	\$ 707	\$ 537	\$ 632	\$ 465	\$ 212
Agricultural/Forestry, Fishing, and Other	430	357	359	314	338
Mining	1,502	1,493	1,493	1,494	1,050
Construction	15,221	15,136	14,399	13,811	13,857
Manufacturing	17,374	16,629	16,393	16,030	15,932
Transportation, Warehousing, Information and Public Utilities	17,905	17,157	16,654	16,203	16,116
Wholesale Trade	10,310	9,962	9,809	9,788	9,143
Retail Trade	15,542	14,967	14,315	13,882	13,829
Finance, Insurance, Real Estate, Rental and Leasing	20,269	20,279	19,064	17,253	16,121
Services	126,116	122,477	118,812	14,711	109,948
Federal, Civilian	22,972	23,354	23,319	22,952	22,206
Military	12,733	12,750	13,250	13,399	13,833
State and Local Government	32,610	32,335	31,570	30,939	31,070
Other (3)	120,603	116,064	115,290	108,234	94,925
Total Personal Income	<u>\$ 414,294</u>	<u>\$ 403,497</u>	<u>\$ 395,359</u>	<u>\$ 279,475</u>	<u>\$ 358,580</u>

(1) Personal income figures for 2014 are estimated.

(2) Amounts for 2005-2013 were revised to reflect the incorporation of newly available and revised source data.

(3) Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

Source: U.S. Bureau of Economic Analysis (BEA)

Note: Details may not agree to BEA due to rounding.

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<u>2009 (2)</u>	<u>2008 (2)</u>	<u>2007 (2)</u>	<u>2006 (2)</u>	<u>2005 (2)</u>
\$ 194	\$ 328	\$ 221	\$ 322	\$ 623
288	270	321	327	259
872	1,034	794	880	762
13,469	15,642	17,151	17,912	16,214
15,652	17,009	17,299	17,105	17,131
16,629	16,805	16,872	16,624	16,619
9,165	9,559	9,591	8,798	8,369
13,376	13,844	14,212	14,035	13,608
15,582	15,908	17,051	17,155	17,352
106,744	104,058	97,450	90,640	83,292
20,113	19,045	18,012	16,585	15,697
13,326	13,048	12,474	12,113	11,439
30,780	29,697	28,256	26,905	25,666
93,847	96,044	89,761	82,051	72,481
<u>\$ 350,037</u>	<u>\$ 352,291</u>	<u>\$ 339,465</u>	<u>\$ 321,452</u>	<u>\$ 299,512</u>

**Taxable Sales by Business Class (1) (2)**Last Ten Calendar Years  
(Dollars in Millions)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Apparel	\$ 6,668	\$ 6,545	\$ 4,749	\$ 4,601	\$ 4,494
Automotive	2,945	2,860	2,717	2,555	2,397
Food	27,924	27,150	25,691	24,617	24,134
Furniture, Home Furnishings, and Equipment	2,645	2,612	2,538	2,442	2,519
General Merchandise	21,852	21,568	20,635	19,836	19,577
Lumber, Building Materials and Supply	8,513	8,112	7,750	7,652	7,369
Fuel	1,880	1,899	1,828	1,691	1,582
Machinery, Equipment and Supplies	300	357	309	243	173
Miscellaneous	16,031	16,228	16,341	16,402	16,780
Hotels, Motels, Tourist Camps, etc.	3,098	3,107	2,988	2,837	2,804
Alcoholic Beverage	640	559	567	545	532
Other Miscellaneous and Unidentifiable	2,088	2,321	2,955	2,997	3,505
Total	<u>\$ 94,584</u>	<u>\$ 93,318</u>	<u>\$ 89,068</u>	<u>\$ 86,418</u>	<u>\$ 85,866</u>
Direct Sales Tax Rate (3)	5.3%	5.0%	5.0%	5.0%	5.0%

- (1) Retail sales information is available only on a calendar-year basis.
- (2) Data from tax year 2005 is not available. Beginning with the third quarter of tax year 2005, business classification categories provided by the Department of Taxation changed to reflect NAICS codes. Consequently, the first half of tax year 2005 information is not available in a comparable form to the second half of tax year 2005. Files from before the third quarter of tax year 2005 will never be directly comparable with files from the third quarter of tax year 2005 and thereafter.
- (3) Effective July 1, 2013, the sales tax rate increased from 5.0 percent to 5.3 percent.

Source: Department of Taxation

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2004</u>	<u>2003</u>
\$ 5,015	\$ 5,191	\$ 4,917	\$ 4,087	\$ 3,719
2,440	2,563	2,413	5,146	4,810
23,721	22,502	19,943	21,931	20,887
3,013	3,448	3,684	6,015	5,666
19,387	19,574	17,104	13,312	12,686
8,140	9,354	8,929	9,006	7,431
1,539	1,729	1,778	488	487
241	238	213	3,581	3,151
18,527	18,301	18,355	14,914	13,297
3,066	3,079	3,003	2,354	2,307
517	487	456	409	483
4,495	5,577	8,683	48	49
<u>\$ 90,101</u>	<u>\$ 92,043</u>	<u>\$ 89,478</u>	<u>\$ 81,291</u>	<u>\$ 74,973</u>
5.0%	5.0%	5.0%	4.5%	4.5%

**Sales Tax Revenue by Business Class (1)**

Tax Year 2013 and Nine Years Ago

	Tax Year Ended December 31, 2013				Tax Year Ended December 31, 2004			
	Number of Filers	% of Total	Tax Liability	% of Total	Number of Filers	% of Total	Tax Liability	% of Total
Alcoholic Beverage	349	0.3%	\$ 640,480,189	0.7%	297	0.2%	\$ 408,612,950	0.5%
Apparel	7,693	7.3%	6,667,649,807	7.0%	6,099	4.2%	4,087,521,249	5.0%
Automotive	3,130	3.0%	2,944,915,714	3.1%	11,898	8.3%	5,145,672,486	6.3%
Food	21,958	20.9%	27,923,706,237	29.5%	27,106	18.9%	21,930,876,550	27.0%
Fuel	2,521	2.4%	1,879,990,640	2.0%	825	0.6%	488,123,421	0.6%
Furniture, Home Furnishings, and Equipment	3,769	3.6%	2,645,419,359	2.8%	8,727	6.1%	6,014,658,518	7.4%
General Merchandise	16,738	16.0%	21,852,270,498	23.1%	9,976	6.9%	13,311,798,761	16.4%
Hotels, Motels, Tourist Camps, etc.	2,274	2.2%	3,097,653,107	3.3%	2,095	1.5%	2,353,824,453	2.9%
Lumber, Building Materials, and Supply	5,597	5.3%	8,513,182,877	9.0%	4,734	3.3%	9,006,350,759	11.1%
Machinery, Equipment, and Supply	160	0.2%	300,424,290	0.3%	9,061	6.3%	3,581,337,858	4.4%
Miscellaneous	34,044	32.4%	16,031,181,872	17.0%	62,465	43.5%	14,913,904,303	18.3%
Other Miscellaneous and Unidentifiable	6,688	6.4%	2,087,598,511	2.2%	260	0.2%	48,436,164	0.1%
Total	104,921	100.0%	\$ 94,584,473,101	100.0%	143,543	100.0%	\$ 81,291,117,472	100.0%

(1) Due to confidentiality issues, the names of the ten largest revenue payers are not presented. The categories presented are intended to provide alternative information regarding the sources of the state's revenue.

Sources: Department of Taxation  
Weldon Cooper Center for Public Service, University of Virginia



# Debt Capacity

## Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts in Thousands except Per Capita)

For the Fiscal Year Ended June 30,	Governmental Activities			Business-type Activities		Total Primary Government	Debt as a Percentage of Personal Income (2)	Amount Per Capita (3)
	General Obligation Bonds	Non- General Obligation Bonds	Other Long-term Obligations (1)	Non-General Obligation Bonds	Other Long-term Obligations (1)			
2014	\$ 742,869	\$ 5,555,935	\$ 233,002	\$ 317,305	\$ 6,072	\$ 6,855,183	1.65%	\$ 823
2013	791,992	5,593,228	285,594	314,662	6,453	6,991,929	1.73%	849
2012	873,741	5,703,448	326,543	-	449	6,904,181	1.75%	844
2011	960,374	4,701,764	348,972	-	918	6,012,028	2.15%	749
2010	1,049,386	4,120,056	366,170	-	1,594	5,537,206	1.54%	702
2009	1,077,520	3,549,958	373,594	-	2,883	5,003,955	1.43%	638
2008	1,001,989	3,345,259	312,890	-	4,082	4,664,220	1.32%	601
2007	900,329	3,363,275	341,574	-	2,610	4,607,788	1.36%	599
2006	716,498	3,231,917	342,805	-	5,967	4,297,187	1.34%	564
2005	657,032	2,930,344	231,131	463,357	9,709	4,291,573	1.43%	571

- (1) Pension, compensated absences, other postemployment benefits, uninsured employers' fund, lottery prizes payable, tuition benefits payable, and pollution remediation obligations have been excluded.
- (2) Personal income amounts used for this calculation were obtained from the U. S. Bureau of Economic Analysis.
- (3) Population statistics used in this calculation were provided by the Department of Taxation. Fiscal year 2014 population was estimated.

Sources: Department of Accounts  
Department of Taxation  
U. S. Bureau of Economic Analysis

**Ratios of General Obligation Bonded Debt Outstanding**

Last Ten Fiscal Years

(Amounts in Thousands except Per Capita)

For the Fiscal Year Ended June 30,	General Bonded Debt Outstanding [1] [2]				Percentage of Tax Revenues [5]	Amount Per Capita [6]
	Governmental		Higher Education	Total		
	9(b) [3]	9(c) [4]	9(c)			
2014	\$ 706,192	\$ 36,677	\$ 925,086	\$ 1,667,955	14.82%	\$ 200
2013	752,493	39,499	877,858	1,669,850	14.73%	203
2012	831,148	42,593	906,474	1,780,215	16.77%	218
2011	914,574	45,800	765,280	1,725,654	17.35%	215
2010	999,841	49,545	631,275	1,680,661	18.49%	213
2009	1,040,636	36,884	573,550	1,651,070	17.41%	211
2008	935,105	66,884	487,296	1,489,285	14.72%	192
2007	821,563	78,766	411,842	1,312,171	13.41%	171
2006	626,124	90,374	325,969	1,042,467	11.20%	137
2005	555,447	101,585	296,963	953,995	11.42%	127

[1] Beginning with fiscal year 2014, GASB Statement No. 65 removed deferrals of debt defeasance from the debt balances. Balances reported in prior fiscal years netted the deferrals against the debt balances. Amounts are net of unamortized premiums, discounts, deferrals on debt defeasance, and/or issuance expenses.

[2] There are currently no Section 9(a) bonds outstanding.

[3] Section 9(b) bonds have been authorized by the citizens of Virginia through bond referenda to finance capital projects. These bonds are retired through the use of state appropriations.

[4] Section 9(c) bonds are issued to finance capital projects which, when completed, will generate revenue to repay the debt.

[5] Individual and fiduciary Income tax collections were used for this calculation.

[6] Population statistics used in this calculation are provided by the Department of Taxation. Fiscal year 2014 population was estimated.

Source: Department of Accounts

## Computation of Legal Debt Limit and Margin

Last Ten Fiscal Years  
(Dollars in Thousands)

Tax Revenues Required for Computation	2014	2013	2012	2011
Taxes on Income and Retail Sales:				
Individual and Fiduciary Income Tax [1]	\$ 11,253,348	\$ 11,339,965	\$ 10,612,836	\$ 9,944,370
Corporate Income Tax [2]	757,491	796,728	859,923	822,259
State Sales and Use Tax [3]	3,399,223	3,419,489	3,314,677	3,190,452
Total	\$ 15,410,062	\$ 15,556,182	\$ 14,787,436	\$ 13,957,081
<b>Average Tax Revenues (Three Fiscal Years)</b>	<b>\$ 15,251,227</b>	<b>\$ 14,766,900</b>	<b>\$ 13,967,817</b>	<b>\$ 13,453,996</b>

### Section 9(a) [2] General Obligation Debt Limit [4]

Debt Issuance Limit				
(30% of 1.15 times annual tax revenues)	\$ 5,316,471	\$ 5,366,883	\$ 5,101,665	\$ 4,815,193
Less Bonds Outstanding:	-	-	-	-
Debt Issuance Margin for Section 9(a) [2]				
General Obligation Bonds	\$ 5,316,471	\$ 5,366,883	\$ 5,101,665	\$ 4,815,193
Debt Applicable to Limit as a % Limit	0.00%	0.00%	0.00%	0.00%

### Section 9(b) General Obligation Debt Limit

Debt Issuance Limit				
(1.15 times average tax revenues for three fiscal years)	\$ 17,538,911	\$ 16,981,935	\$ 16,062,990	\$ 15,472,096
Less Bonds Outstanding:**				
Public Facilities Bonds [6]	706,192	752,493	831,148	914,574
Transportation Facilities Refunding Bonds [5] [6]	-	-	-	-
Debt Issuance Margin for Section 9(b)				
General Obligation Bonds	\$ 16,832,719	\$ 16,229,442	\$ 15,231,842	\$ 14,557,522
Debt Applicable to Limit as a % Limit	4.03%	4.43%	5.17%	5.91%

### Additional Section 9(b) Debt Borrowing Restriction:

Four-year Authorization Restriction (25% of 9(b) Debt Limit)	\$ 4,384,728	\$ 4,245,484	\$ 4,015,747	\$ 3,868,024
Less 9(b) Debt authorized in past three fiscal years	-	-	-	-
Maximum Additional Borrowing Restriction (amount that may be authorized by the General Assembly)	\$ 4,384,728	\$ 4,245,484	\$ 4,015,747	\$ 3,868,024

### Section 9(c) General Obligation Debt Limit

Debt Issuance Limit				
(1.15 times average tax revenues for three fiscal years)	\$ 17,538,911	\$ 16,981,935	\$ 16,062,990	\$ 15,472,096
Less Bonds Outstanding:**				
Parking Facilities Bonds [6]	17,045	17,538	18,383	19,445
Transportation Facilities Bonds [6]	19,632	21,961	24,210	26,355
Higher Educational Institution Bonds [6]	925,086	877,866	906,474	765,280
Debt Issuance Margin for Section 9(c)				
General Obligation Bonds	\$ 16,577,148	\$ 16,064,570	\$ 15,113,923	\$ 14,661,016
Debt Applicable to Limit as a % Limit	5.48%	5.40%	5.91%	5.24%

\*\*Bonds included on this schedule are only those which are backed by the full faith and credit of the Commonwealth.

- [1] Includes taxes imposed pursuant to Articles 2 and 9 of Chapter 3, Title 58.1 of the *Code of Virginia*. Fiscal year 2004 restated to reflect actual data as reported in the Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General and Major Special Revenue Funds of each respective year's CAFR.
- [2] Includes taxes imposed pursuant to Article 10 of Chapter 3, Title 58.1 of the *Code of Virginia*.
- [3] Includes taxes imposed pursuant to Chapter 6, Title 58.1 of the *Code of Virginia*, less taxes identified in Sections 58.1-605 and 58.1-638.
- [4] Debt limit applies only to debt authorized pursuant to Article X, Section 9(a)(2) of the Constitution of Virginia.
- [5] These bonds refunded certain Section 9(c) debt, and because the Governor did not certify the feasibility of the refinanced project, it must be applied against the Section 9(b) Debt Limit.
- [6] Beginning with fiscal year 2014, GASB Statement No. 65 removed deferrals of debt defeasance from the debt balances. Balances reported in prior fiscal years netted the deferrals against the debt balances. Net of unamortized discounts, premiums, and/or deferral on debt defeasance.

Sources: Department of Accounts  
Department of the Treasury

2010	2009	2008	2007	2006	2005
\$ 9,088,252	\$ 9,481,109	\$ 10,114,833	\$ 9,787,592	\$ 9,308,570	\$ 8,352,366
806,473	648,033	807,852	879,575	871,554	616,690
3,264,210	3,116,831	3,302,181	3,274,286	3,029,949	3,093,725
\$ 13,158,935	\$ 13,245,973	\$ 14,224,866	\$ 13,941,453	\$ 13,210,073	\$ 12,062,781
\$ 13,543,258	\$ 13,804,097	\$ 13,792,131	\$ 13,071,436	\$ 11,906,836	\$ 10,655,153
\$ 4,539,833	\$ 4,569,861	\$ 4,907,579	\$ 4,809,801	\$ 4,557,475	\$ 4,161,659
-	-	-	-	-	-
\$ 4,539,833	\$ 4,569,861	\$ 4,907,579	\$ 4,809,801	\$ 4,557,475	\$ 4,161,659
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$ 15,574,747	\$ 15,874,712	\$ 15,860,950	\$ 15,032,151	\$ 13,692,862	\$ 12,253,426
993,372	1,027,941	916,483	797,300	596,464	520,655
6,469	12,696	18,622	24,263	29,660	34,792
\$ 14,574,906	\$ 14,834,075	\$ 14,925,845	\$ 14,210,588	\$ 13,066,738	\$ 11,697,979
6.42%	6.56%	5.90%	5.47%	4.57%	4.53%
\$ 3,893,687	\$ 3,968,678	\$ 3,965,238	\$ 3,758,038	\$ 3,423,215	\$ 3,063,356
-	-	-	-	-	1,019,529
\$ 3,893,687	\$ 3,968,678	\$ 3,965,238	\$ 3,758,038	\$ 3,423,215	\$ 2,043,827
\$ 15,574,747	\$ 15,874,712	\$ 15,860,950	\$ 15,032,151	\$ 13,692,862	\$ 12,253,426
21,151	6,527	7,590	8,804	9,939	11,040
28,394	30,358	59,294	69,962	80,435	90,545
631,275	573,550	487,296	411,842	325,969	296,963
\$ 14,893,927	\$ 15,264,277	\$ 15,306,770	\$ 14,541,543	\$ 13,276,519	\$ 11,854,878
4.37%	3.85%	3.49%	3.26%	3.04%	3.25%

**Schedule of Pledged Revenue Bond Coverage  
Primary Government 9(d) General Long-term Debt**

Last Ten Fiscal Years

(Dollars in Thousands except Coverage)

	For the Fiscal Year Ended June 30,	Beginning Balance, as restated (1)	Pledged Revenues (2)	Operating Expenses (3)	Net Available for Debt Service	Debt Service Requirements (4) (5) (6)		Coverage
						Principal	Interest	
<b>Primary Government Revenue Bonds:</b>								
<b>Route 460 Funding Corporation of Virginia (5)</b>	2014	\$ (8,958)	\$ -	\$ 448	\$ (9,406)	\$ -	\$ 12,084	(0.78)
(Series 2012A and 2012B CAB)	2013	-	-	130	(130)	-	-	-
<b>Pocahontas Parkway Association (6)</b>								
(Series 1998A-D and 2001A)	2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
	2013	-	-	-	-	-	-	-
	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
	2010	-	-	-	-	-	-	-
	2009	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-
	2007	-	-	-	-	-	-	-
	2006	(140,294)	11,680	30,214	(158,828)	-	-	-
	2005	(115,062)	10,344	29,675	(134,393)	-	9,121	(14.73)

- (1) The Route 460 Funding Corporation of Virginia was restated due to the implementation of GASB Statement No. 65 as discussed in Note 2.
- (2) Bonds payable solely from toll revenues.
- (3) Operating expenses are exclusive of principal and interest.
- (4) Includes principal and interest of revenue bonds only. Does not include debt defeasance transactions.
- (5) This entity was established in fiscal year 2013. No debt service payments were required during fiscal year 2013.
- (6) This entity was established in 1999. The toll rights owned by the Pocahontas Parkway Association were sold on June 29, 2006; the association was relieved of any outstanding debt at that time and has no bonds outstanding at June 30, 2014, to report.

Source: Department of Accounts

## Demographic and Economic Information

## Schedule of Demographic and Economic Statistics

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population In Thousands (1)</u>	<u>Personal Income In Thousands (2)(3)</u>	<u>Per Capita Income (3)</u>	<u>Public Primary and Secondary School Enrollment</u>	<u>Unemployment Rate</u>
2014	8,332	\$ 414,293,551	\$ 49,723	1,273,211	5.2 %
2013	8,235	403,497,332	48,998	1,264,880	5.6 %
2012	8,178	395,359,184	48,344	1,258,521	6.0 %
2011	8,029	379,474,544	47,263	1,253,038	6.5 %
2010	7,886	358,579,884	45,470	1,245,937	7.0 %
2009	7,839	350,036,552	44,653	1,236,546	5.6 %
2008	7,758	352,290,656	45,410	1,232,436	3.4 %
2007	7,694	339,464,616	44,121	1,221,939	3.1 %
2006	7,623	321,452,236	42,169	1,214,737	3.2 %
2005	7,512	299,512,292	39,871	1,185,612	3.5 %

(1) Population figure for fiscal year 2014 is estimated.

(2) Personal income amount for fiscal year 2014 is estimated.

(3) Amounts for fiscal years 2005-2013 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.

Sources: Department of Education  
Department of Taxation  
Virginia Employment Commission  
U.S. Bureau of Economic Analysis

## Principal Employers (1)

Current Year and Nine Years Ago

<u>Employer</u>	<u>2013 Rank (2)</u>	<u>2004 Rank</u>
U.S. Department of Defense	1	1
Wal-Mart	2	2
Fairfax County Public Schools	3	3
Huntington Ingalls Industries, Inc.	4	4
Sentara Healthcare	5	8
Food Lion	6	5
U. S. Postal Service	7	6
County of Fairfax	8	7
HCA Virginia Health System (3)	9	-
U. S. Department of Homeland Defense (3)	10	-

(1) The Virginia Employment Commission is precluded from disclosing the actual number of employees per the Confidential Information Protection and Statistical Efficiency Act – Title V of Public Law 107-347. All Employers above have an employment size of 1,000 or more.

(2) Calendar year 2013 is the most recent information available.

(3) Previous ranking not available.

Source: Virginia Employment Commission (1)



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## Operating Information

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**State Employees by Function (1)**

Last Ten Fiscal Years

	2014	2013	2012	2011	2010
<b>General Government</b>					
Virginia Information Technologies Agency	263	270	262	261	295
Department of Taxation	877	873	917	976	1,044
Department of General Services	614	621	624	634	654
All other	1,663	1,677	1,571	1,936	1,608
<b>Education</b>					
Colleges and Universities	56,086	55,223	53,979	49,107	47,981
All other	2,663	2,662	2,667	3,287	3,276
<b>Transportation</b>					
Department of Transportation	7,365	7,212	7,167	7,024	6,852
Department of Motor Vehicles	2,040	1,999	1,926	1,949	1,900
All other	198	193	190	242	233
<b>Resources and Economic Development</b>					
Department of Conservation & Recreation	747	1,165	933	909	930
Department of Environmental Quality	822	779	731	743	768
All other	2,950	2,898	2,957	3,001	2,874
<b>Individual and Family Services</b>					
Department of Health	3,593	3,646	3,784	3,827	3,856
Behavioral Health Agencies	7,629	8,314	8,803	8,757	8,635
All other	5,545	5,804	5,740	5,576	5,622
<b>Administration of Justice</b>					
Department of State Police	2,792	2,779	2,640	2,627	2,533
Department of Juvenile Justice	2,339	2,405	2,499	2,380	2,442
Correctional Facilities	9,922	9,738	9,656	9,656	9,623
All other	6,579	6,606	6,363	6,262	6,314
<b>Business-type Activities</b>					
Department of Alcoholic Beverage Control	2,272	2,182	3,306	2,483	2,461
Virginia Lottery	279	275	270	267	257
All other	94	84	81	82	77
State Total (2)	<u>117,332</u>	<u>117,405</u>	<u>117,066</u>	<u>111,986</u>	<u>110,235</u>

(1) Includes salaried and wage employees but excludes adjunct faculty.

(2) Totals have been rounded and may vary slightly from the Department of Human Resource Management reports.

Source: Department of Human Resource Management

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
353	377	400	453	1,068
947	1,014	927	1,031	1,026
618	624	634	621	603
1,918	1,960	1,915	1,778	1,775
48,485	48,032	48,004	47,371	44,725
3,551	3,806	3,811	3,813	3,555
8,261	8,680	8,824	9,338	9,401
1,931	2,001	2,044	2,102	2,056
215	239	231	110	129
953	960	753	709	937
800	842	882	870	862
3,334	3,369	3,412	3,263	3,161
3,750	3,800	3,943	3,817	3,646
8,355	8,341	8,361	7,679	6,609
5,957	5,550	5,540	6,424	7,868
2,671	2,668	2,700	2,604	2,607
2,314	2,457	2,295	2,312	2,222
10,437	10,802	10,456	10,368	10,398
6,285	6,441	6,454	5,382	5,036
2,581	2,472	1,938	1,851	1,726
252	241	265	261	271
74	50	48	257	257
<u>114,042</u>	<u>114,726</u>	<u>113,837</u>	<u>112,414</u>	<u>109,938</u>

**Operating Indicators by Function**

Last Nine Fiscal Years

	2014	2013	2012
<b>General Government</b>			
<b>Virginia Department of Taxation</b>			
Number of Returns Processed (calendar year) (1)	Not yet available	7,520,463	7,446,060
<b>Department of Accounts</b>			
Number of Payments Processed Via Check	1,466,309	1,530,548	1,624,902
Number of Payments Processed Electronically	9,729,332	9,552,890	9,856,757
Percentage Processed Electronically	86.9%	86.2%	85.8%
<b>Education</b>			
<b>State Council of Higher Education</b>			
Number of Students Enrolled at State-supported Colleges and Universities	537,370	539,025	535,294
<b>Department of Education</b>			
Number of Public Primary and Secondary School Enrollment	1,273,211	1,264,880	1,258,521
<b>Transportation</b>			
<b>Department of Transportation</b>			
Number of Vehicles Paying Tolls for the Pocahontas Parkway (2)	N/A	N/A	N/A
<b>Resources and Economic Development</b>			
<b>Department of Environmental Quality</b>			
Number of Permits Issued	5,890	1,750	4,063
Number of Inspections Conducted	8,307	9,044	9,834
<b>Department of Housing and Community Development</b>			
Number of Housing Units Improved to Define Standards through Housing Program	3,677	7,396	7,279
<b>Department of Agriculture and Consumer Services</b>			
Number of Food Inspections Conducted	8,886	10,441	12,966
Number of Weights/Measure Equipment Inspected	76,342	62,488	68,292
<b>Department of Forestry</b>			
Number of Firefighters Trained in Forest Fire Control	1,233	1,197	1,178
<b>Individual and Family Services</b>			
<b>Comprehensive Services for At-Risk Youth and Families</b>			
Number of Youth Served	15,025	13,516	15,425
<b>Department for Aging and Rehabilitative Services</b>			
Number of Medicare Recipients	1,203,462	1,244,136	1,190,827
<b>Department of Medical Assistance Services</b>			
Number of Medicaid Recipients	1,177,922	1,046,790	996,835
<b>Department of Behavioral Health and Developmental Services (3)</b>			
Number of Patients Served	2,269	2,455	2,608
Number of Beds Used	2,822	3,071	3,471
<b>Department of Social Services</b>			
Average Number of Households Receiving Food Stamps	451,640	453,244	434,223
Number of Households Receiving Child Support Enforcement Assistance	320,942	347,729	349,661
<b>Department of Health</b>			
Number of WIC Participants	244,181	267,465	270,962
Number of Childhood Immunizations Administered	1,675,572	1,736,396	1,439,233

2011	2010	2009	2008	2007	2006
6,969,581	6,998,747	7,079,611	6,893,047	6,746,596	7,860,850
1,658,227	1,625,763	1,715,164	2,597,746	1,431,918	1,522,865
9,912,627	11,141,067	10,059,109	8,065,038	2,861,979	2,684,123
85.7%	87.2%	85.4%	75.6%	66.7%	63.8%
519,772	501,866	467,093	449,671	428,642	412,336
1,253,038	1,245,937	1,236,546	1,232,436	1,221,939	1,214,737
N/A	N/A	N/A	N/A	N/A	5,746,292
2,486	2,780	1,925	2,389	3,491	2,011
10,441	11,804	11,599	11,721	11,730	10,471
7,675	7,231	5,198	3,248	3,392	3,459
12,003	13,516	14,639	17,551	14,623	16,350
66,760	53,329	57,275	84,481	77,921	101,471
1,192	1,123	1,034	1,200	1,300	1,000
16,617	17,242	17,957	19,658	18,498	16,722
1,143,243	1,122,522	1,104,765	1,071,681	1,039,059	1,010,487
992,816	937,522	857,662	818,452	805,458	812,796
2,724	2,754	2,877	2,915	3,003	3,033
3,317	3,396	3,533	2,891	2,988	3,499
396,613	350,599	277,498	240,821	228,116	223,116
352,825	359,317	359,487	359,977	363,272	361,909
270,219	275,580	270,378	258,593	270,918	247,386
1,773,402	1,602,907	1,470,403	1,455,166	1,076,412	1,093,450

Continued on next page

**Operating Indicators by Function** (Continued from previous page)

Last Nine Fiscal Years

	2014	2013	2012
<b>Administration of Justice</b>			
<b>Supreme Court</b>			
Number of Criminal Trials (calendar year)	699,270	720,630	708,943
Number of Civil Trials (calendar year)	1,232,899	1,264,219	1,299,053
Number of Traffic Hearings (calendar year)	1,887,252	1,891,207	1,956,836
<b>Compensation Board</b>			
Number of Constitutional Officers Receiving Financial Support	649	651	650
<b>Department of State Police</b>			
Number of Traffic Citations Issued (calendar year)	686,812	588,307	550,122
Number of Arrests (calendar year)	21,777	19,611	19,460
<b>Department of Corrections</b>			
Number of Inmates	30,275	29,803	29,685
<b>Business-type Activities</b>			
<b>Virginia Lottery</b>			
Number of Plays Sold - Pick 3	265,144,318	253,682,839	243,270,273
Number of Plays Sold - Pick 4	244,143,030	232,184,205	222,774,015
Number of Plays Sold - Cash 5	30,114,799	28,302,849	26,677,286
Number of Plays Sold - Megamillions	115,298,827	89,518,093	140,240,940
Number of Plays Sold - Win for Life (4)	14,870,716	15,950,166	17,682,922
Number of Plays Sold - Lotto South (4)	-	-	-
Number of Plays Sold - Millionaire Raffle (5)	6,600,000	6,945,500	6,625,456
Number of Plays Sold - Fast Play Bingo (5)	20,095,274	16,581,338	12,094,785
Number of Plays Sold - Powerball (6)	113,724,880	145,690,841	89,046,990
Number of Plays Sold - Decades of Dollars (7)	12,236,092	13,243,504	15,467,376
Number of Tickets Sold - Instant Tickets	988,592,675	887,139,810	842,121,604
<b>Virginia College Savings Plan</b>			
Number of Prepaid Tuition Contractholders	70,490	68,637	69,847
<b>Virginia Employment Commission</b>			
Number of Individuals Receiving Unemployment Benefits	115,155	127,091	136,753
New Unemployment Benefit Claims	253,310	284,218	318,935

- (1) Information is not yet available for fiscal year 2014.
- (2) The assets of the Pocahontas Parkway Association (previously reported as a blended component unit of the Virginia Department of Transportation, part of primary government), including the rights and obligations to manage, operate, maintain and collect tolls, were sold in June 2006. Therefore, this information is not available subsequent to fiscal year 2006.
- (3) This agency is structured to provide services primarily in a community setting. Although they have a significant amount of capital and operating costs in facility operations, inpatient treatment methodology is being deemphasized over time. Their inpatient census will continue to decline in the future. Over \$250 million of community funding (state and Federal dollars) each fiscal year supports 40 community services boards across the Commonwealth. These entities serve approximately 300,000 Virginians each year.
- (4) Win for Life replaced Lotto South during fiscal year 2006.
- (5) Fast Play Bingo and Millionaire Raffle began during fiscal year 2007; therefore, information for fiscal year 2006 and prior is not available.
- (6) Powerball began during fiscal year 2010; therefore, information for fiscal year 2009 and prior is not available.
- (7) Decades of Dollars began during fiscal year 2011; therefore, information for fiscal year 2010 and prior is not available.

2011	2010	2009	2008	2007	2006
697,360	705,777	731,609	741,701	733,714	710,380
1,289,633	1,372,483	1,397,850	1,366,596	1,335,192	1,327,296
2,069,668	2,143,109	2,050,896	2,019,753	1,973,047	1,971,413
650	650	654	649	650	650
567,480	686,173	647,396	652,837	646,166	600,121
20,132	22,713	23,996	22,475	23,348	22,622
32,116	31,735	32,708	33,157	31,647	31,072
241,963,816	246,899,030	250,634,329	256,605,411	265,398,821	257,008,607
207,174,550	197,460,420	185,418,033	183,990,214	179,922,714	169,761,961
26,657,009	28,242,740	29,267,637	29,022,974	27,520,707	27,723,536
138,496,457	174,882,294	162,095,735	166,144,927	130,299,581	159,665,341
21,052,138	28,440,948	32,128,730	37,717,958	41,323,625	17,529,322
-	-	-	-	-	44,322,641
6,600,000	6,600,000	8,905,555	8,798,720	13,005,307	-
8,915,566	6,884,748	6,772,764	9,229,805	6,600,000	-
66,614,340	34,562,352	-	-	-	-
8,377,354	-	-	-	-	-
756,837,222	711,155,383	690,382,366	694,902,491	698,271,837	689,315,033
70,955	71,373	71,898	71,812	71,382	70,006
162,025	190,370	219,646	122,144	106,554	110,881
360,657	418,431	474,777	279,939	260,804	260,381

Sources: Compensation Board  
 Comprehensive Services for At-Risk Youth and Families  
 Department of Agriculture and Consumer Services  
 Department of Behavioral Health and Developmental Services  
 Department of Education  
 Department of Environmental Quality  
 Department of Forestry  
 Department of Health  
 Department of Housing and Community Development  
 Department of Medical Assistance Services  
 Department of Social Services  
 Department of State Police  
 Department of Transportation  
 State Council of Higher Education  
 Virginia Lottery  
 Supreme Court  
 Virginia College Savings Plan  
 Virginia Employment Commission

**Capital Asset Statistics by Function (1)**

Last Nine Fiscal Years

	2014	2013	2012
<b>General Government</b>			
<b>Department of General Services</b>			
Number of Buildings	63	62	62
Total Square Footage of Buildings	5,026,991	4,961,416	4,961,416
Vehicles	14,769	14,424	14,161
<b>Education</b>			
<b>State Council of Higher Education</b>			
Campuses of In-State Institutions	276	252	262
Campuses of Out-of-State Institutions	146	142	158
<b>Transportation</b>			
<b>Department of Transportation</b>			
Bridges Maintained	13,049	13,047	13,042
State Maintained Highway Lane Miles (calendar year) (1)	Not yet available	71,937	71,779
Vehicles	7,768	7,762	7,797
Number of Buildings (2)	3,488	3,501	3,487
Total Square Footage of Buildings	8,158,974	8,119,018	7,830,447
<b>Resources and Economic Development</b>			
<b>Department Conservation &amp; Recreation</b>			
State Parks	37	37	37
Acres of State Parks (in thousands)	68	67	69
Natural Area Preserves	39	39	39
Acres of Natural Area Preserves (in thousands)	34	35	31
Historic Sites	3	3	3
Acres of Historic Sites (in thousands)	0.3	0.3	0.3
Number of Buildings (3)	1,345	1,345	1,164
Total Square Footage of Buildings	2,560,662	2,560,662	1,152,257
<b>Department of Forestry</b>			
State Forests	23	23	22
Buildings	295	295	295
Total Square Footage of Buildings	600,602	600,602	600,602
<b>Individual and Family Services</b>			
<b>Department of Behavioral Health and Developmental Services</b>			
Number of Buildings	409	408	407
Total Square Footage of Buildings	5,534,625	5,523,762	5,169,937
<b>Administration of Justice</b>			
<b>Department of State Police</b>			
Number of Stations	65	65	65
Number of Buildings	147	148	144
Total Square Footage of Buildings	685,109	681,987	562,736
<b>Department of Corrections</b>			
Number of Buildings	1,843	1,881	1,858
Total Square Footage of Buildings	11,799,780	11,889,055	11,872,765
<b>Business-type Activities</b>			
<b>Department of Alcoholic Beverage Control</b>			
Number of Buildings	24	24	25
Total Square Footage of Buildings	1,180,501	1,180,501	1,185,501

(1) Information not yet available for 2014.

(2) Includes storage sheds.

(3) Includes cabins.



2011	2010	2009	2008	2007	2006
54	55	48	48	47	45
5,259,506	5,053,912	4,718,480	4,409,026	4,358,746	4,236,832
13,983	13,534	13,322	13,262	12,779	11,841
250	244	254	258	207	116
166	121	87	67	63	110
12,949	12,949	12,912	12,603	12,603	12,603
71,668	71,561	71,349	71,091	70,784	70,105
7,593	7,734	8,185	9,060	9,443	9,952
3,520	3,513	3,526	3,562	3,595	3,582
7,916,019	7,713,617	7,683,384	7,734,267	7,750,199	7,624,896
37	37	37	37	37	34
69	71	69	68	67	66
39	39	39	38	35	34
30	30	29	28	25	25
3	3	3	3	3	3
0.3	0.3	0.3	0.3	0.3	0.3
1,164	1,164	1,168	991	991	989
1,152,257	1,152,257	1,154,487	1,223,427	1,223,427	1,284,589
22	19	19	19	17	17
295	295	295	295	295	283
600,602	600,602	600,602	600,602	600,602	587,838
429	438	435	441	449	446
5,901,505	5,744,389	5,743,088	6,037,953	6,161,843	6,263,527
65	64	66	66	66	66
145	145	145	145	143	143
562,736	562,736	550,736	550,736	526,617	526,617
1,820	1,835	1,826	1,817	1,809	1,812
11,771,319	11,920,234	12,160,909	11,963,087	11,787,810	11,102,021
25	25	24	22	21	22
1,185,501	1,185,501	1,142,273	787,348	784,548	789,548

Sources: Department of Conservation and Recreation  
Department of Forestry  
Department of Motor Vehicles  
Department of State Police

Department of Transportation  
Department of the Treasury  
State Council of Higher Education for Virginia

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