

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP

Annual Report
Fiscal Year 2016



Table of Contents

Partnership Profile.....	2
Board of Directors	5
Executive Summary	6
Business Development Strategies	8
Business Expansion.....	10
International Trade Development	12
Business Attraction.....	14
Promoting Virginia	17
Policy and Legislative Initiatives	19
Performance Management.....	20
Appendix 1: High Unemployment Areas Report and Strategy.....	21
Appendix 2: Prospect Visit Data for FY 2015	24
Appendix 3: Site and Building Data for FY 2015	26
Appendix 4: Announcement Data for FY 2015	32
Appendix 5: Employment Creation and Capital Investment by PDC for FY 2015	45
Appendix 6: Audited Financial Report	50

Audited Basic Financial Statements of the Virginia Economic Development Partnership
for the Year Ended June 30, 2016

Partnership Profile

As Chairman, I am very pleased to present to you the Annual Report of the Virginia Economic Development Partnership (VEDP) for the fiscal year ending June 30, 2016. I trust that you will find this report, which is required by the *Code of Virginia* and by Chapter 780 of the 2016 Acts of Assembly, well worth your review and reference.

All of us associated with VEDP are extremely proud of our accomplishments over the past year. The high level of interest, participation, and support from Governor McAuliffe and his Administration, the important work of the General Assembly, and the many efforts by local and regional economic development organizations were all critical to our success. Equally important, I wish to highlight the vital work of the VEDP staff and their strong focus and dedication to achieving our mission and vision.

Despite current challenges in the structure and composition of our economy in the Commonwealth, all of us see reason for optimism ahead as we pursue growing opportunities in the global economy by cultivating new business investment and the expansion of existing businesses throughout Virginia. We are fully committed to continuing that work and in turn creating new jobs and meaningful investment in the Commonwealth. Closely related, we also remain focused on increasing the sales of Virginia's goods and services in international markets around the globe.

As we begin the 2017 fiscal year, VEDP has taken significant steps to reconfigure its marketing functions and align its business development efforts more closely with local and regional partners. Additionally, VEDP has established several new programs that are focused on assisting communities and businesses become more competitive in the marketplace. One of these new initiatives includes a more targeted approach to rural development, which will be spearheaded by the Board's new Rural Virginia Action Committee and staffed by VEDP's Competitive Initiatives Division. I look forward to sharing the important progress we've made in these areas in next year's report.

Our 2016 Financial Statements Report for the year ended June 30, 2016, includes an unqualified audit opinion from the Auditor of Public Accounts. The Auditor also issued a separate report on the Partnership's internal controls and compliance dated October 13, 2016, with no findings identified in this report.

Our central mission at VEDP is to enhance the quality of life and raise the standard of living for all Virginians. I know that my fellow Board members join me along with the entire VEDP team in stating that we are deeply committed to fulfilling this purpose.

Sincerely,



C. Daniel Clemente
Chairman

Partnership Profile

The Virginia Economic Development Partnership

In 1995, the General Assembly created the Virginia Economic Development Partnership (VEDP) to foster increased expansion of the Commonwealth's economy. As a state authority, the Partnership is governed by a 24-member Board comprised of businesspersons from around Virginia: 18 appointed by the Governor, four by the Speaker of the House, and two by the Senate Rules Committee. The six citizens appointed by the General Assembly must reside in regions of the Commonwealth that have a higher unemployment rate than the statewide average. The President and Chief Executive Officer is employed by the Board to oversee the fulfillment of VEDP's mission.

Mission

To enhance the quality of life and raise the standard of living for all Virginians, in collaboration with Virginia communities, through aggressive business recruitment, expansion assistance, and trade development, thereby building the tax base and creating higher income employment opportunities.

Functions

As a business development and marketing organization, VEDP encompasses the following aspects of economic development: business recruitment and expansion, international trade, research, and promotion.

Partnership Profile

Central Office

Richmond Office – Headquarters

P.O. Box 798
Richmond, Virginia 23218
Telephone: (804) 545-5600

Virginia Offices

Eastern Region

101 West Main Street, Suite 600
Norfolk, Virginia 23510
Telephone: (757) 314-2129

Northern Region

8500 Leesburg Pike, Suite 411
Tysons, Virginia 22182
Telephone: (703) 506-1032

Northwest Region

491 Airport Road, Suite 100
Winchester, Virginia 22602
Telephone: (540) 490-1566

South Central Region

220 Roanoke Boulevard
Salem, Virginia 24153
Telephone: (540) 387-2562

Southwest Region

16325 Taylor Place, Suite 300
Abingdon, Virginia 24211
Telephone: (276) 623-1536

International Offices

China and Southeast Asia

Room 3012, 3/F, Silver Court Tower
No. 85 Tao Yuan Road
Huangpu District, Shanghai
P.R. China 200021
Telephone: 86-21-6157-7305

Europe

Französische Strasse 14
10117 Berlin
Germany
Telephone: 49-30-25565009

India

Crystal Plaza, 607, B-Wing
opposite Infinity Mall, Link Road
Andheri West, Mumbai
400053 Maharashtra, India
Telephone: 91-773-873-0009

Japan

14th Floor, Kamiyacho Building
4-3-20, Toranomom
Minato, Tokyo 105-0001
Japan
Telephone: 81-3-5404-3424

United Kingdom and Ireland

1 Tonbridge Chambers
Pembury Road
Tonbridge, Kent, TN9 2HZ
Telephone: 01732 375411

Board of Directors

C. Daniel Clemente, Chair
Vienna, Virginia
Term Expires 12/31/19

Vincent J. Mastracco, Vice Chair
Norfolk, Virginia
Term Expires 12/31/19

Stephen R. Adkins
Charles City, Virginia
Term Expires 6/30/17

Edie M. Bowles
Richmond, Virginia
Term Expires 6/30/17

Valerie K. Brown
Chesapeake, Virginia
Term Expires 12/31/21

Russell B. Clark
Charlotte, Virginia
Term Expires 6/30/16

Lee Coburn
Glade Spring, Virginia
Term Expires 12/31/21

Elizabeth H. Crowther
Saluda, Virginia
Term Expires 12/31/17

William D. Euille
Alexandria, Virginia
Term Expires 12/31/17

Mark D. Heath
Martinsville, Virginia
Term Expires 6/30/21

William B. Holtzman
Mount Jackson, Virginia
Term Expires 6/30/21

David Hudgins
Glen Allen, Virginia
Term Expires 12/31/17

H. Michael Ligon
Richmond, Virginia
Term Expires 12/31/21

Chris A. Lumsden
South Boston, Virginia
Term Expires 6/30/22

Ned W. Masee
Midlothian, Virginia
Term Expires 12/31/19

Dan M. Pleasant
Danville, Virginia
Term Expires 12/31/21

John G. Rocovich, Jr.
Roanoke, Virginia
Term Expires 12/31/19

Samuel A. Schreiber
McLean, Virginia
Term Expires 12/31/17

Ex-Officio:

The Honorable Ralph S. Northam
Lieutenant Governor

The Honorable Richard D. Brown
Secretary of Finance

Glenn DuBois
Chancellor
Virginia Community College System

The Honorable Basil Gooden
Secretary of Agriculture and Forestry

The Honorable Todd P. Haymore
Secretary of Commerce and Trade

The Honorable Karen Jackson
Secretary of Technology

Executive Summary

This annual report of the Virginia Economic Development Partnership Authority (VEDP) is submitted pursuant to the requirements of § 2.2-2242, § 2.2-2238 B, and § 2.2-2239 of the *Code of Virginia* and Chapter 780, Item 125 D.1 of the 2016 Virginia Acts of Assembly. The *Code* requires VEDP to report on the status of the Commonwealth's comprehensive economic development strategy, and to prepare and report on the plan to market to high unemployment areas of the state. Chapter 780, Items 125 D.1 and D.2 of the 2016 Virginia Acts of Assembly further require that the report include the number of business prospect site visits per region of the Commonwealth and direct VEDP to identify target industries for southwest and southside Virginia. This report responds to all of those requirements. In addition, the Authority's financial statements audited by the Auditor of Public Accounts for the fiscal year ended June 30, 2016 (FY 2016) are attached to this report.

This Annual Report documents the efforts of VEDP in fulfilling its mission during FY 2016. The body of the report is organized by the major components of the Partnership's mission statement, beginning with an overview of VEDP's business development strategies. For each element of the mission statement, a summary of VEDP activities and division responsibilities is included, as well as a listing of FY 2016 accomplishments.

“Clearly a national leader in the twelve years of this study, no other state comes close to Virginia when it comes to being a consistent pro-business state.”

- AEDI / Pollina Corporate Top 10 Pro-Business States for 2015 Report



VEDP's report and plan to market to high unemployment regions of the state are included in Appendix 1, which meets the requirement articulated in § 2.2-2238 B of the *Code of Virginia*.

The next two appendices address Chapter 780, Item 125 D.1 of the 2016 Virginia Acts of Assembly. The data on business prospect site visits per planning district is contained in the tables and map of Appendix 2. Appendix 3 shows the number of sites and buildings recommended to prospects and provides the number of companies assisted with site and building recommendations.

VEDP monitors economic development activity in Virginia through its economic development announcements database. The database tracks direct investments and new jobs created in Virginia

as a result of the announced plans of new and expanding companies. This information has been maintained, with modifications, since 1960. The data used throughout this report and summarized in Appendix 4 cover announcements made between July 1, 2015, and June 30, 2016. VEDP recorded the announcement of new and expanding facilities during the year. Appendix 5 sets out the number of announcements by Planning District Commission (PDC), both in terms of new facilities and expansions. This appendix also sets out the number of new jobs and amount of new investment by PDC. It is anticipated that from those announcements, a total of 18,511 new jobs will be created, with a total of \$2.7 billion in new capital investment. Forty-seven percent of the announcements were of employers locating in economically distressed areas. These announcements are expected to create 8,466 new jobs and make capital investments exceeding \$1.255 billion.

The announcements and performance measures documented in this report represent VEDP-assisted successful economic development decisions for Virginia. For FY 2016, the 191 VEDP-assisted decisions resulted in 18,511 new jobs and \$2.7 billion in new capital investment. Further, these 191

Executive Summary

VEDP-assisted decisions will generate an estimated \$2.71 billion in new local and state tax revenue to the Commonwealth over the next 10 years.

This report is based on announcements of *planned* manufacturing and non-manufacturing capital expenditures and associated employment; many of the new facilities announced are not yet in operation. While the information indicates the kind of new economic activity occurring in the state, it does not measure total employment growth. Information for this report is obtained from the Virginia Economic Development Partnership's public and private sector contacts at state, regional and local levels, as well as from published sources and Partnership staff.

As noted above, VEDP is required by statute to report on the status of the Governor's comprehensive economic development plan. Upon taking office, each governor must develop a comprehensive economic development strategy. On August 27, 2014, Governor McAuliffe signed Executive Order Number Twenty-Six, establishing The New Virginia Economy Strategic Plan and Steering Committee. The Steering Committee published The New Virginia Economy Strategic Plan in late 2014, which will serve as the Commonwealth's four-year economic development strategic plan. The Plan identifies five key focus areas for economic growth and prosperity: "Project Ready" Infrastructure; Diversified High-Growth Industries; Preeminent Business Climate; Innovation and Entrepreneurs; and "Credentials to Careers" Workforce. VEDP has worked closely with the Governor and his Administration to advance the priorities of this strategic plan, specifically in the areas of infrastructure and site development and targeting high-growth industries. The Steering Committee is required to report annually on the Commonwealth's progress towards achieving the goals outlined in the strategic plan.

Overarching Business Development Strategies

VEDP's primary roles are to position Virginia's regions aggressively in the global market, to reinforce Virginia's support for businesses with a footprint in the Commonwealth, to assist Virginia businesses with the unique challenges of marketing their goods and services around the world, and to deliver the Virginia message effectively into business sectors that align with the Commonwealth's diverse array of assets. Results are measured by basic sector companies locating or expanding operations in Virginia, with the jobs, capital investment, and tax revenue that brings; results are also measured by increasing the pipeline of leads. Further, VEDP measures results from activity that leverages Virginia's higher education assets, and results from its collaboration with other economic development allies at the local, regional and state level. VEDP markets Virginia to companies with an existing presence in the Commonwealth through its Gold Account and Referred Account strategies; and across the U.S. and world through its regional marketing approach, focusing on active geographic markets, internationally and domestically. Within these geographies, VEDP focuses on sectors in which the Commonwealth's assets match sector needs, including Advanced Manufacturing (Advanced Materials, Aerospace, Agribusiness & Food Processing, and Transportation Equipment); Information Technology (CyberSecurity, Data Centers, Modeling & Simulation, Systems Integration & Design); Corporate Headquarters & Operations Centers; Life Sciences & Medical Technologies (BioTechnology, Medical Devices, Personalized Medicine/Health IT, and Pharmaceuticals); Professional & Business Services (Federal Contracting, Financial Services, and Process Management); Transportation, Distribution & Logistics (Logistics Supply Chain Management & Support, Maritime & Port-Related, Trucking & Warehousing); and special focus on the areas of Energy and Federal Operations.

Consistent with its mission statement, and focused on lead generation, VEDP approaches its markets collaboratively, aligning its outreach efforts with regional and local partner strategies, to maximize the use of available marketing resources and create a stronger Virginia message in the marketplace. VEDP also partners with universities, institutes, business associations and other state agencies to leverage their connectivity in the target markets. VEDP reaches its clients through a variety of tactics, including a lead-generation campaign, geographic marketing missions, industry conferences, business associations and related events, existing business roundtables, and special events. Successfully implementing VEDP's marketing efforts involves the coordination of electronic and social media strategies, CEO target campaigns, trade journal advertising, in-state business publication advertising, media tours, customer call center support, and customized presentation materials including site studies and proposals. In FY 2016, VEDP continued to leverage the Office of the Governor and Cabinet Secretaries to reach out to corporate prospects and to key Virginia-based companies.

In addition to positioning Virginia with target clients and sectors, VEDP plays a key role in managing projects to successful site location decisions for Virginia. VEDP serves as the primary portal to state, regional and local resources by using its team members as a concierge service to engage strategic partners, coordinate site visits for clients to evaluate Virginia's product and assets and prepare customized responses for these project opportunities. In addition, VEDP works directly with companies in structuring financing transactions to meet corporate capital goals. VirginiaScan (VEDP's customized sites and buildings inventory and workforce tool) and resources developed by VEDP's sophisticated Geographic Information System (GIS) team are the technology platforms used to facilitate location decisions.

Any economic development marketing effort must fully understand and adequately present its product. VEDP thus maintains a comprehensive site and building inventory and detailed labor force data and customizes information for prospects to evaluate a location decision for Virginia.

Overarching Business Development Strategies

VEDP economists track trade data, capital investment, employment and competitive information on other states. VEDP also provides data to produce various marketing materials and annual economic development publications. To support partners at the local level, VEDP offers two software tools: one is a return on investment tool for localities to use in evaluating the economic impact of projects in their communities; the second is ExecutivePulse, a contact management system that supports local and regional business retention and expansion programs. VEDP is also home of the Virginia Jobs Investment Program, which provides an economic development incentive, as well as a primary point of contact, to support our client's workforce training needs.

Virginia Incentives Produce Results: Virginia awarded 35 Commonwealth Opportunity Fund (COF) grants for a total of \$25.18 million. The recipient companies are expected to make \$1.03 billion in capital investments and create 5,874 new jobs. During FY2016, 9 Virginia Investment Partnership (VIP) grants were awarded totaling \$6.15 million. The projects are expected to create 274 new jobs, and bring \$493 billion in new capital investments. No Virginia Economic Development Incentive Grants (VEDIG) were awarded in FY2016.

Business Expansion

The Business Expansion Division¹ included the Regional Action Team whose managers met regularly with existing Virginia companies. This division oversaw the Virginia Jobs Investment Program incentive grant and worked with companies to meet their recruitment and training needs. The Division also included the Corporate Accounts Team, which implemented a regional outreach program to companies; served as liaisons to services and products within VEDP and advocated for the region within VEDP and other state agencies. Business Expansion managers participated in over 480 visits to companies and other partners across the Commonwealth. These visits included other state agencies, economic development allies, trade associations, and higher education partners. These visits also included meetings with 181 Virginia based companies in 56 distinct localities (half of which are considered distressed). Additionally, the Business Expansion Division participated in over 440 community visits covering 111 localities. Of these localities 59 (53%) are considered distressed.

The Virginia Jobs Investment Program, and its managers who interact directly with Virginia companies, is a significant resource for our businesses. The program, which helps offset the costs of recruitment and training, was the primary lead source for 40 decisions for Virginia resulting in over 3,000 new jobs and over \$45.5 million in new capital investment. The VJIP program helped support 74 additional projects that made decisions for Virginia in fiscal year 2016.

Given these two aspects of Business Expansion, this section includes both expanding Virginia businesses and new businesses which received VJIP funding.

FY 2016 Accomplishments

Information Technology continues to be a major growth sector for Virginia in terms of the number of announcements. During fiscal year 2016, 48 companies within the computer technology, software and data systems industry made announcements for Virginia, being led by **Microsoft** who continues to invest in the Commonwealth (\$402.4 million and 42 jobs). Overall, the Information Technology segment invested over \$990 million and created over 5,000 jobs, including **Walmart IT** (\$7.55 million, 292 jobs), **22nd Century Technologies** (\$1 million, 420 jobs) and **ByteCubed** (\$307,900, 217 jobs). Another sector adding growth in Virginia is bottled spirits with 7 breweries and 1 distillery choosing to locate here. **Deschutes** (\$85 million, 108 jobs), **Hardywood** (\$28.25 million, 56 jobs), **Ballast Point** (\$47.8 million and 178 jobs) and **Firehall** (\$2 million, 14 jobs) all chose to locate or expand in the state.

Selected FY 2016 Expansion Announcements		
Company	New Jobs	Capital Investment (in millions)
GEICO (Stafford & Virginia Beach)	1,118	\$1.73
Walmart IT	292	\$7.55
Microsoft*	42	\$402.40
Merck	0	\$168.00

¹ Following an organizational restructuring in August 2016 (FY17) the Business Expansion and Business Attraction Divisions were combined to form the Business Investment Division. For the purposes of this report, the Business Expansion and Business Attraction FY16 sections are referred to in the past-tense.

Business Expansion

TREX	125	\$135.20
Pentagon Federal Credit Union	200	\$26.50
Ernst & Young	462	\$12.70
KMX*	16	\$2.08
Georgia-Pacific	0	\$40.0
Apex Clean Energy	184	\$2.37
Colonna Shipyard*	51	\$34.25
SP Global*	40	\$21.93

**high unemployment community locations*

both net new jobs and new capital investment.

Existing industry retention and growth:

Expansions of existing companies in Virginia represented a significant pipeline in Virginia's active projects and decisions for Virginia this year, representing about 70% of the announcements and approximately 60% of

Existing businesses grew in all sections of the Commonwealth. In Central Virginia, **Continental Teves** (\$49 million, 25 jobs), **Direct Mail Solutions** (\$1 million, 243 jobs) and **Aerojet-Rocketdyne** (\$11 million, 100 jobs) expanded their operations. Hampton Roads had growth with **Movement Mortgage** (\$2 million, 200 jobs), **TE Connectivity** (\$9 million, 66 jobs) and **Sutherland Global** (\$2.17 million, 200 jobs). **Abbott Labs** (\$34 million, 34 jobs), Alcoa (\$.6 million, 15 jobs) and **Pacific Life** (\$3.7 million, 300 jobs) expanded in Southside Virginia. In the Valley Region, **Arkay Packaging** (\$11 million, 50 jobs), **Kingspan** (\$25 million, 15 jobs) and **Wells Fargo** (no capex, 500 jobs) all made decisions to expand locally. **TRW Automotive** (\$9 million, 60 jobs), **Utility Trailer** (\$760,000, 200 jobs) and **Somic America** (\$9.2 million, 15 jobs) expanded in Southwest Virginia. Northern Virginia had expansions with **General Dynamics** (\$138 million, 25 jobs), **Ernst & Young** (\$12.67 million, 462 jobs) and **SimVentions** (\$330,000, 201 jobs).

Gold Account companies continue to invest: Gold Accounts, those companies with a significant presence in Virginia, demonstrated their commitment to Virginia by making over \$1 billion in capital investment. These companies created over 2,700 new jobs. **Microsoft** (\$402 million) and **Merck** (\$168 million) continue to invest heavily in the state. Companies also demonstrated their confidence in Virginia's workforce as **Wells Fargo** (500 new jobs) and **Aerojet** (100 new jobs) made choices to grow in the Commonwealth.

Aggressive Implementation of Distressed Area Strategy Yields Results: VEDP places special emphasis on technical support for positioning the Commonwealth's emerging communities and regions for market visibility. VEDP representatives from Business Expansion, Business Attraction, Research and Administration travelled across the state meeting with and supporting local and regional economic developers, learning about the needs of Virginia's existing businesses, implementing VEDP's Gold Account strategy, and interacting with other stakeholders including other state agencies, Federal agencies, workforce interests, higher education institutions, and industry associations.

To further reiterate VEDP's distressed area strategy, 50% of company prospect visits to localities in FY 2016 have been to high unemployment communities. The select announcement list on the previous page also denotes distressed region locations with an asterisk (*).

International Trade Development

VEDP's International Trade programs and services are designed to increase the international sales of Virginia manufactured products and services.

VEDP offers Virginia companies numerous programs including VALET, the Going Global Defense Initiative, Global Network and trade missions to increase their sales in the international marketplace.

FY 2016 Accomplishments

Program Participation

Virginia Leaders in Export Trade (VALET) Program:

The VALET program selects 25 Virginia companies annually into a two-year intensive international sales training program. VALET offers a unique combination of State resources, private-sector expertise, and business planning to assist Virginia companies from being export-ready to actively selling internationally. The VALET program has now entered its 14th year in operation, graduating 23 companies in FY 2016. Graduates of the program in FY 2016 experienced, on average, a 53% increase in export sales during their two-year participation.

Going Global Defense Initiative (GGDI)

The purpose of this international program is to mitigate the negative impact of defense spending cuts on Virginia's economy. VEDP's GGDI is the Commonwealth's only program that replaces DOD revenue streams for Virginia's defense companies, which, in turn, preserves jobs and replaces declining state tax revenues. In its third year, VEDP's GGDI enrolled 315 defense companies in pursuit of new international business. Companies that received a program deliverable projected an average increase in international sales of 167% over the next two years.

One-on-One Export Counseling: VEDP's seven International Trade Managers, located in six offices across Virginia, provide extensive international marketing assistance to Virginia businesses.

Trade Missions: VEDP arranges trips for several companies to travel together to meet face-to-face with prospects. These potential buyers or distributors are pre-qualified, based on information provided by the Virginia business, to meet their individual export market objectives. Language assistance, meeting facilitation, and networking receptions are other benefits. In FY 2016, VEDP conducted 18 trade missions internationally to promote Virginia products and services, with 106 companies participating.

Market Research: VEDP's team of research experts performs a variety of market research services for Virginia companies. VEDP provides international research through a Global Network of in-country consultants covering 70+ countries. In FY 2016, VEDP completed 247 market research projects to help Virginia companies enter a market, find a local partner, and manage shipping, legal and payment issues.

INTERNATIONAL TRADE HIGHLIGHTS

- ◆ 23 Companies graduated from VALET.
- ◆ VEDP's GGDI enrolled 315 defense companies in its third year.
- ◆ VEDP completed 247 market research projects for Virginia companies.
- ◆ VEDP led 18 Trade Missions with 106 companies participating.

International Trade Development

Virginia Conference on World Trade: Each fall, VEDP hosts the Virginia Conference on World Trade. In FY 2016, the conference theme was *Building the New Virginia Economy in a Global Marketplace*, highlighted business opportunities for Virginia companies abroad, and attracted more than 275 attendees.

“VEDP has been essential in helping PIXIA unlock international markets! Their expertise and support has helped us progress faster than we would have been able to on our own.”

- Mark Sarojak, Pixia Corp

“VEDP has helped us transition from primarily domestic work to selling our services overseas using a methodical process. The experience of the VEDP, program partners and in-country representatives has been critical to our success.”

- Vanessa Christie, Prevailance, Inc.

Business Attraction

The mission of the Business Attraction Division was to aggressively market Virginia to domestic and international companies in order to secure investment and job creation for new business facilities in Virginia.

FY 2016 Accomplishments

The Business Attraction team planned and participated in more than 125 domestic and international marketing activities targeting site selection consultants and senior corporate prospects. Marketing calendar highlights for FY 2016 include:

VEDP partnered with the Virginia Port Authority (VPA) and Hampton Roads Economic Development Alliance and hosted 12 site selection consultants for the third annual Port of Virginia Familiarization Tour.

In partnership with the Greater Richmond Partnership, VEDP utilized the Richmond 2015 UCI Road World Championships to draw site selection consultants to Richmond for a successful four-day familiarization tour.

VEDP promoted Virginia's business location advantages at a variety of key industry-based trade shows, conferences and executive forums, including the following key events:

- **CoreNet Global Summit:** the largest gathering of Corporate Real Estate professionals. The event is also well attended by site consultants. Over 2500 corporate real estate executives attend to learn new and creative CRE solutions and to networking with colleagues from around the world.
- **Craft Brewers Conference and Expo:** the premier trade show for Craft Brewers. With 600 vendors all in one location, this is the place to shop for products and services for a brewery. This is the perfect opportunity to meet leaders in the national and international brewing arena.
- **Hannover Messe:** the world's largest industrial fair. In 2015, about 6,500 exhibitors from 70 countries participated, with more than 220,000 visitors.
- **Plastics News Executive Forum:** the forum offers a comprehensive understanding of leadership in the plastics industry, focusing on how leadership skills can translate to business success. The event offers access to executives of plastics processing companies in an intimate environment
- **Power-Gen International:** the world's largest power generation event focusing on the industry's latest innovations, technical trends and business strategies.
- **RILA's 2016 Retail Supply Chain Conference:** convened about 1,500 supply chain pros from all over the country, including executives from traditional retailers, e-commerce shops, service providers, and more. RILA draws top executives from the best U.S. retailers ready to do business. They are senior-level executives and key decision-makers who are looking to connect with current partners and develop new business relationships.

BUSINESS ATTRACTION HIGHLIGHTS

- ◆ More than 125 marketing activities attended
- ◆ 55 Decisions for Virginia
- ◆ 6,814 new jobs announced
- ◆ \$1.1 billion in new capital investment

Business Attraction

- **SelectUSA Summit:** the highest-profile event that promotes foreign direct investment (FDI) in the United States. It provides an unparalleled opportunity to bring together companies from all over the world, economic development organizations from every corner of the nation, others working to facilitate investment in the United States, and high-level government officials. Participants can find the practical tools, information and connections they need to move investments forward.
- **RSA Conference:** the standout info/cyber security event of the year! VEDP participated in the 25th annual event at the Moscone Center in San Francisco, which brought together a record number of more than 40,000 attendees.

VEDP planned and executed 9 Governor-led marketing missions:

- Middle East and India – November 3-21, 2015
- Washington, Oregon and California – September 14-17, 2015
- International Biotechnology Convention, San Francisco, CA – June 7-8, 2016
- SelectUSA Investment Summit, Washington DC, – June 20-21, 2016
- Boston, Montreal & Toronto – May 17-20, 2016
- Craft Beer Expo, Philadelphia, PA – May 4-5, 2016
- Hannover Messe, Germany & Belgium – April 24-29, 2016
- RSA Cyber Convention, San Francisco, CA – March 2-4, 2016
- IAMC, New Orleans – March 14-15, 2016

The following projects represent some of the successful economic development projects that the Business Attraction team worked in FY 2016:

Deschutes Brewery will invest \$85 million to establish its Eastern U.S. brewery in the City of Roanoke. Virginia successfully competed against North Carolina and South Carolina on the project, which will create 108 new jobs paying above the average prevailing wage in the region.

TeleTech Holdings, Inc., a leading provider of customer experience, engagement and growth solutions, will invest \$4.07 million to establish a customer experience center in Scott County. Virginia successfully competed against North Carolina, Georgia, and Tennessee for the project, which will create 300 new jobs.

ADP, a comprehensive global provider of cloud-based human capital management solutions and business process outsourcing services, analytics, and compliance expertise, will invest \$32.25 million to establish a regional customer service center in the City of Norfolk. The project will create about 1,800 new jobs.

ELDOR Corporation, an international group leader in the automotive business, will invest about \$75 million to establish its first U.S. production plant in Botetourt County. The project will create approximately 350 new jobs. The company's key manufactured products include ignition systems, engine control units, braking systems actuators, and power/electronics management systems for hybrid and electric vehicles.

Ballast Point Brewing and Spirits will invest \$47.8 million to establish an East Coast brewing operation in Botetourt County. Virginia successfully competed against several Eastern states for the project, which will create 178 new jobs.

Business Attraction

Frontier Secure, a division of Frontier Communications Corporation, will locate a customer care center in Wise County and create up to 500 new jobs. The facility will provide customer and technical support for its clients.

Harris Teeter, a wholly-owned subsidiary of The Kroger Co., will invest \$95 million to establish a 1.5 million-square-foot food distribution operation in Caroline County. Virginia successfully competed with North Carolina for the project, which will create 400 new jobs.

Carfax®, the leading provider of vehicle history information for buyers, sellers, and owners of pre-owned cars in the United States, will invest \$5 million to expand its headquarters in Fairfax County, creating 120 new jobs. The company will also invest \$10.8 million to upgrade its data center operation in Loudoun County.

Pacific Life Insurance Company will invest nearly \$4 million to open a business center in the City of Lynchburg, expanding the company's suite of innovative products and service capabilities. The project will create 300 new jobs.

Polykon Manufacturing LLC, a joint venture between Seppic, Inc. and Schülke Inc., will invest more than \$60 million to establish a manufacturing operation in Virginia in Henrico County. Virginia successfully competed against Ohio for the project, which will create approximately 50 new jobs.

AvePoint, Inc., an established leader in enabling enterprise collaboration across platforms and devices, will invest \$1.5 million to establish an operation in the City of Richmond, creating 100 new jobs. The company will also expand in Arlington County, creating 55 new jobs. Virginia successfully competed against Atlanta, Georgia for the project.

Shift Technologies "Shift" (shift.com), a people-powered marketplace that uses technology to take the hassle and guesswork out of buying and selling a car, will invest \$20 million to establish its first East Coast operation in Arlington County. The project will create 100 new, high-tech jobs.

SANJO Corte Fino, a fineblanking manufacturer based in Barcelona Spain, will invest \$17.5 million to establish its North American headquarters in the City of Virginia Beach. SANJO will supply specialty fineblanking metal components to STIHL Inc, also headquartered in Virginia Beach, as well as to tier-one automotive suppliers. Virginia successfully competed against Kentucky for the project, which will create 85 new jobs.

Promoting Virginia

VEDP plans, executes and manages various marketing outreach initiatives. VEDP embarked on a researched-based branding study. VEDP employed a public relations plan to ensure placement of favorable articles in major business and trade publications, as well as coordinated economic development press announcements. VEDP staff maintained an electronic marketing presence at YesVirginia.org, ExportVirginia.org and through the YesVA mobile application. In addition, VEDP utilized social media to target individuals seeking information specifically related to economic development topics, thereby increasing dialogue with prospects and delivering value-driven communications. VEDP produces requisite marketing brochures and collateral materials, develops and executes strategic marketing campaigns that support the Partnership's strategic marketing initiatives, as well as manages special marketing events and industry trade show participation. VEDP performed telemarketing outreach to support lead generation efforts through appointment setting services. VEDP executed Governor-led marketing missions as a strategic component to Virginia's aggressive and pro-active approach to economic development.

FY 2016 Accomplishments

Brand Study: VEDP embarked on a research-based branding study to create a new Virginia Economic Development brand identity, new strategies and tactics, and better ways to communicate with Virginia businesses, prospects, allies, leaders, and citizens. The research phase was completed in FY 2016 which included primary research gathered through interviews with businesses and site consultants as well as surveys sent to economic developers in Virginia and corporate decision makers located throughout the country. It is expected that the new brand will launch by the end of 2016.

Governor-led Marketing Missions: VEDP coordinated eight economic development marketing trips with Governor McAuliffe in FY 2016, including domestic trips to the West Coast, New Orleans, Philadelphia and Boston and international trips to the Middle East, India, Germany, Belgium and Canada.

Event and Tradeshow Collaboration: VEDP continues to collaborate with its economic development partners at events and target industry tradeshows. The Port of Virginia site selection consultant tour, Hannover Messe, CoreNet Global Summit & Reception, Retail Industry Leaders Association conference, Industrial Asset Management Council (IAMC) events, the Craft Brewers Conference and SelectUSA Investment Summit along with hospitality events in key geographic markets were all places where a combined economic development effort was on display helping to tell the Virginia story to corporate decision makers.

Virginia Conference on World Trade: Each fall, VEDP hosts the Virginia Conference on World Trade. In FY 2016, the conference theme was Building a New Virginia Economy in a Global Marketplace, which highlighted business opportunities for Virginia companies abroad and attracted more than 290 attendees from 160+ Virginia companies.

Social Media Highlights: VEDP continued an aggressive social media marketing strategy, using this medium to continue the dialogue with economic development partners and business prospects. VEDP has continued to increase audience engagement across all platforms.

www.YesVirginia.org	
FY 2016 Usage Statistics	
Sessions	141,788
Users	91,254
<small>Source: Google Analytics</small>	

Promoting Virginia

Membership in VEDP's social media networks continued to show significant growth, increasing by 46% on Facebook, 24% on LinkedIn and 64% on Twitter.

Public Relations and Communications: VEDP drafted and executed more than 50 Governor's press releases; coordinated and advanced 36 Governor and/or Secretary announcement or grand opening events; drafted and distributed more than 30 VEDP press releases; and drafted articles for publication in leading economic development and trade magazines.

In addition, VEDP published and sent out two editions of the YesVirginia Insider newsletter to over 3,000 contacts and three editions of Commerce Quarterly to more than 2,200 contacts.

Telemarketing Outreach Campaigns: VEDP continued its lead generation program to support its business attraction marketing efforts with appointment setting services. The primary objective of the call center lead generation campaign is to set telephone meetings between senior corporate executives and VEDP business managers. The program engaged in quarterly lead generation campaigns as well as event support, special project outreach, and ongoing prospect database cleansing. For the sixth year in a row VEDP's call center increased their dial count, nearing 70,000 calls. These calls generated over 195 qualified leads, resulting in a 5% increase in the number of companies to remain actively engaged with.

Policy and Legislative Initiatives

VEDP looks to find creative ways to improve Virginia's business climate and remain competitive in the global market through targeted policy, legislative, and budgetary initiatives. VEDP has successfully advanced Virginia's economic development legislative agenda through the following items, some of which are critical components to encourage existing and new companies to do business in the Commonwealth.

FY 2016 Legislative Review

VEDP worked with legislators and the Administration during the 2016 Virginia General Assembly session to enhance existing programs, fulfill commitments to existing companies, and bolster the climate for major economic development opportunities. A few major items are highlighted below.

Advocated for Legislative Initiatives that Promote Economic Development

- VEDP supported legislation to extend the Commonwealth's sales and use tax exemption for data centers. The data center industry has become one of Virginia's most valuable economic development opportunities and ideal for communities in Northern Virginia that prioritize capital investment over job creation. This legislation was necessary to ensure Virginia remains competitive for data center projects and VEDP worked closely with industry stakeholders to advance this bill.
- The General Assembly passed legislation directing the Joint Legislative Audit Review Commission to conduct a comprehensive assessment of VEDP's management, operations, programs, and governance. VEDP welcomed this opportunity to identify strengths and areas in which the organization can improve. The findings will be presented in November 2016.
- VEDP monitored over 100 legislative proposals during the 2016 General Assembly Session that would have impacted Virginia's business climate and economic development efforts. It is VEDP's practice to work with legislators and Administration officials to provide the most accurate and complete information to be used in assessing these proposals.

Secured New Funding for Economic Development Efforts

- VEDP advocated strongly for increased funding for the Commonwealth's Opportunity Fund. The Commonwealth's Opportunity Fund was nearly depleted due to unpredictable and insufficient funding over the past several years. The Governor included this increase in his proposed budget amendments, which the General Assembly approved.
- VEDP advocated for increased operational and marketing funding for the biennium and received \$5.1MM in new funding to support Business Expansion, Attraction, and International Trade efforts. Additionally, the General Assembly appropriated \$2MM over the biennium to support VEDP's Business Ready Sites Program and substantially increased funding for the Virginia Brownfields Restoration Program.

International Trade

- The General Assembly passed legislation to establish the Virginia International Trade Corporation as a stand-alone entity with the responsibilities to promote international trade. This legislation requires VEDP's International Trade personnel, programs, and funding to be transferred to the new entity on April 1, 2017. Pursuant to the statute, VEDP will be required to provide support assistance to the new entity through July 1, 2018.

Performance Measurement

VEDP is committed to increasing the prosperity of all Virginians by providing new and better job opportunities and expanding the tax base through new investment. Mindful that public resources are used to help fulfill its mission, VEDP seeks to ensure this money is spent wisely and that the public receives a reasonable return on its investment. The following performance measures are an indication of VEDP's stewardship.

FY 2016 Key Performance Measures			
Performance Measure	FY 2016 Goal	FY 2016 Results	% of Measure
Investment by new or existing companies	\$2.7 billion	\$2.7 billion	100%
New jobs created by new or existing companies	13,000	18,511	142%
Companies actively counseled or participating in trade events	390	320	82%

Return on Investment from VEDP Activities

Each year, VEDP calculates the public sector's return on investment in the Partnership's programs and activities. VEDP prepares a return on investment (ROI) analysis quarterly and reports this to the board of directors.

The ROI compares money spent on economic development (including VEDP operating costs and incentives such as COF and the Virginia Jobs Investment Program) with the projected revenue stream generated by the new jobs announced in Virginia, using an appropriate multiplier.

Return per Dollar of Money Spent on Economic Development (Present Value)*

	10 Years	20 Years
Total	\$23	\$48
Direct	\$13	\$28
Indirect	\$10	\$20

*Figures are rounded to the nearest dollar, numbers may not sum due to rounding.

Appendix One: High Unemployment Areas Report and Strategy

Despite the continuing impact of the economic crisis and federal sequestration that impacted virtually every sector of the businesses which VEDP targets, the organization continued to build on its efforts in FY 2016 to improve the opportunities for economic growth for Virginia's economically distressed areas – Virginia's "emerging communities" - through technical assistance, new investment, job creation and improved regional cooperation. While some areas continue to see declines in traditional natural resource-based and manufacturing industries, progress continues to prepare these areas for the increasingly services-based and advanced manufacturing economy. VEDP has continued actively recruiting economic development prospects with plans tailored to existing workforce skills, infrastructure, and sites and buildings.

In response to a legislative mandate that requires target industries be identified for Southwestern and Southern Virginia, VEDP continued several program activities as outlined below. VEDP continues to maintain field-based representatives in Southern Virginia and Southwestern Virginia through the Business Expansion and International Trade Departments.

FY 2016 Accomplishments

Assistance offered to communities from VEDP resources or in combination with other public and private organizations includes the following:

VEDP continued to maintain full-time professional staff deployed throughout Virginia. These managers focused on business expansion strategies, ally communication strategies, higher education partnership strategies, and delivery of the Virginia Jobs Investment Program services. The Business Expansion team had in-region staff in the Southwest, Southside, Northern, and Valley regions of Virginia. In addition to these professionals, VEDP international trade staff is also field-based.

Decisions for Virginia/High Unemployment Regions: VEDP continued to support regions with high unemployment and high poverty levels. Ninety of the projects announced for Virginia in 2016 chose one of these localities, bringing nearly 8,500 new job opportunities and over \$1.25 billion in new capital investment. Examples include a continued investment by Microsoft in Mecklenburg (42 jobs, \$402.4 million); Trex Company in Winchester (125 jobs, \$135.2 million); Colonna's Shipyard in Norfolk (51 jobs; \$34.25 million); Utility Trailer in Smyth (200 jobs; \$760,000); GEICO in Stafford (798 jobs; \$1.17 million); and Pacific Life in Lynchburg (300 jobs; \$3.699 million). In addition to the existing companies that chose to expand in distressed regions, VEDP assisted several companies in making a decision to create new facilities in Virginia including: Harris Teeter in Caroline (400 jobs; \$115.25 million); Deschutes Brewery in Roanoke City (108 jobs; \$85 million); ADP in Norfolk (1,800 jobs; \$32.25 million); TeleTech in Scott (300 new jobs; \$4.075 million); and StarSprings in Henry (68 jobs, \$3.69 million). Overall, 47% of VEDP assisted projects, 46% percent of new capital investment and 46% of new job creation happened in distressed communities.

VEDP played various roles in these decisions, from generating some of the leads to providing support to the communities with development of the financial incentive packages, often including partnerships with the Virginia Tobacco Commission, the Virginia Community College System, the Virginia Small Business Finance Authority, the Virginia Department of Housing & Community Development, and the Virginia Tourism Corporation. These companies represent a broad variety of the business sectors, and also represent the opportunities presented by strong existing

Appendix One: High Unemployment Areas Report and Strategy

business retention and growth strategies. The common element in all these decisions for Virginia is prepared communities which leveraged their assets – workforce, prepared sites and buildings, and excellent transportation – to successfully create a business case that made sense to the companies involved.

Distressed Communities Visits: In FY 2016, VEDP showed 148 projects to 81 localities, for a total of 329 distinct prospect visits. Over 60% of the prospects were introduced to localities considered distressed. Of the visits themselves, 67% occurred in distressed localities.

FY 2016 Initiatives

Organizational Optimization: VEDP makes a concerted effort to focus available recruitment and outreach resources towards growth markets that are expected to produce, over time, strong results in terms of employment gains with higher value wages and new capital investment for Virginia and its collective regions. As noted previously in this report, VEDP restructured its market-facing divisions at the start of fiscal year 2017. The following descriptions of VEDP initiatives by division are presented based on the structure that was in place in fiscal year 2016.

Business Attraction: The Business Attraction Division implemented its outreach strategies geographically, both domestically and internationally, concentrating on selected markets against which Virginia has an advantageous business climate. The domestic regions included Mid-Atlantic, Northeast, Southeast, Midwest and West regions; international regions included Europe, China, India, Japan and Canada. Managers were fully deployed on a routine basis to these markets, focusing on tailoring Virginia's message to value propositions that demonstrate the benefits of appropriate existing assets. Within these markets, Business Attraction managers strategically targeted companies in the primary sectors for which Virginia is best positioned. Business Attraction also had a focus on federal agencies.

Business Expansion: The Business Expansion Division was responsible for implementing strategies that generated new pipeline leads and decisions for Virginia from companies that had an existing presence in the Commonwealth. The Business Expansion team interacted with three primary audiences: companies with a presence in Virginia, Virginia's local and regional economic development allies, and Virginia's higher education partners. To accomplish this lead-generation objective, each Business Expansion staff professional was accountable for a portfolio of significant companies (called Gold Accounts) as well as a specific Virginia region (a Regional Development Organization). The Business Expansion Division also housed the Workforce Development Team which manages the Virginia Jobs Investment Program. These managers interacted directly with companies across the Commonwealth focusing on workforce development and training needs. The Workforce Development manager also work directly with the Business Attraction team to help tell the workforce story to companies who are considering a new facility in Virginia. The Business Expansion Division also provided support to the Virginia Biosciences Health Research Corporation's Life Sciences Grant Program.

The Business Expansion Division continued to participate in educational initiatives designed to provide opportunities for shared knowledge with all our allies and stakeholders. As part of this initiative, on-site information exchanges, including lunch and learns and familiarization tours, supported the transferring of best practices, tips and data. The Shenandoah Valley Partnership, Prince William County, the City of Williamsburg, Region 2000 and the Fredericksburg Regional Alliance were some of the allies involved with lunch and learn opportunities. The eRegion,

Appendix One: High Unemployment Areas Report and Strategy

Fauquier County and the Greater Richmond Partnership hosted familiarization tours in fiscal year 2016. In addition to our economic development allies, the Business Expansion Division participated in events and initiatives with stakeholders including SEDC's Meet the Consultants, the State Council on Higher Education, the Commonwealth Center for Advanced Manufacturing, the Virginia Association of Counties, the Virginia Municipal League, and the University Based Economic Development Group. The Business Expansion Division was also engaged with the United States Senate Productivity and Quality Awards Program, which recognizes and supports small companies in Virginia by providing leadership and guidance based on the Baldrige Criteria for Performance Excellence.

The Business Expansion Division attended conferences and events with the purpose of telling the Virginia story to a wide audience. These events included Bio-International, the AWEA Off-Shore Wind Conference, ModSim World, the Cyber Symposium, JP Morgan Chase Healthcare Conference, the Mid-American Truck Show, the South-Tec Trade Show, and the Association for Manufacturing Excellence.

International Trade: The International Trade Department focused its efforts on assisting Virginia companies increase their international sales through targeted and strategic programs, such as VALET, Going Global Defense Initiative, and Export Counseling. The International Trade Department, which has seven managers in five offices across the Commonwealth, is well-poised to continue providing exceptional services to companies, particularly in high unemployment areas, through these programs.

Technical Support for High Unemployment Areas: The Business Expansion Division supported several rural activities in FY 2016, including Virginia's Gateway Region annual investors meeting, a familiarization tour of the Virginia's eRegion, the Southwest Virginia Advanced Manufacturing Summit and the Governor's Rural Summit. Additionally, the Business Expansion Division supported local and regional allies in activities that included business partners including Business Round Tables, B2B events, Chamber events and Appreciation Events including activities in Prince George, Hampton, the New River Valley, Culpeper, Newport News, Fauquier and the Greater Richmond Partnership. Each of these partnering events helped develop strategies to serve the needs of the localities and the businesses they support. Business Expansion continued to serve as a sponsor of the Governor's Rural Summit which connects the organization to policy leaders and practitioners in rural areas.

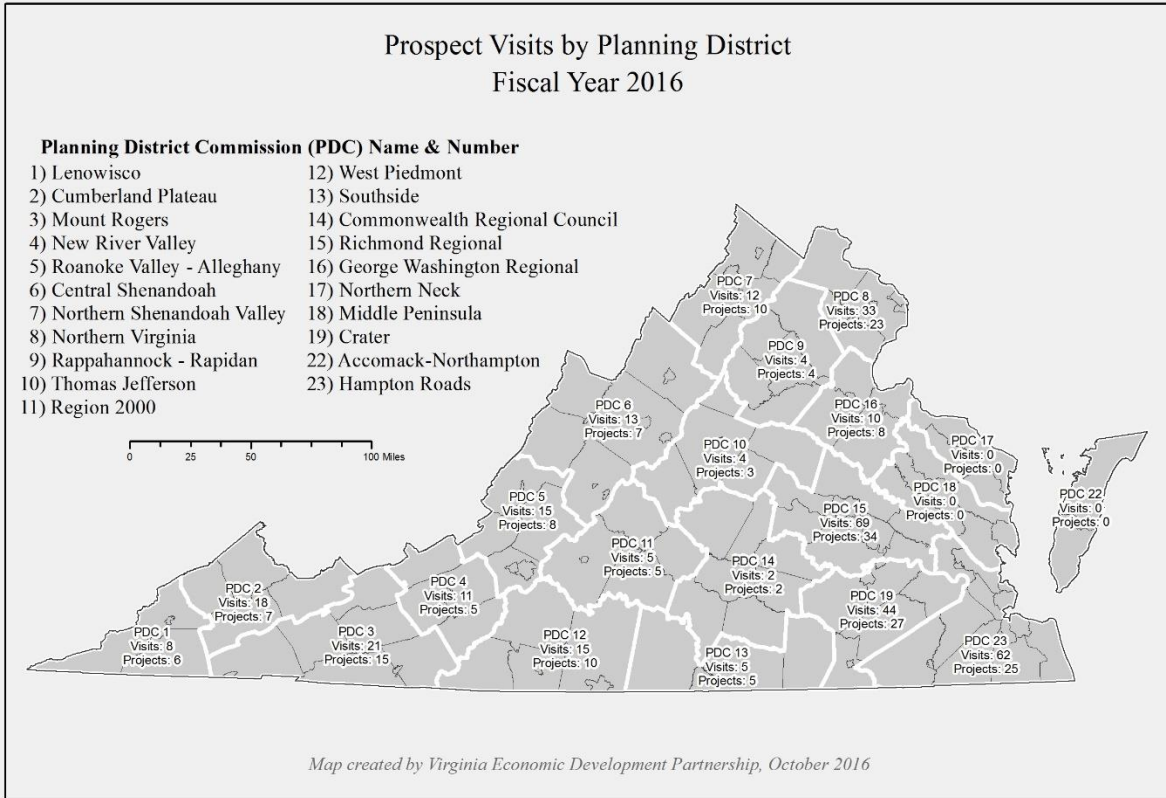
For Virginia's high unemployment communities, this system of direct connectivity with VEDP business expansion managers established a consistent partnership that should lead to stronger results from business retention/expansion strategies, and should ultimately create a larger prospect pipeline from business recruitment strategies.

Appendix Two: Prospect Visit Data for FY16

Prospect visits FY 16			
PD C #	Planning District Commission	Visits	Project s
1	Lenowisco	8	6
2	Cumberland Plateau	18	7
3	Mount Rogers	21	15
4	New River Valley	11	5
5	Roanoke Valley-Alleghany Regional Commission	15	8
6	Central Shenandoah	13	7
7	Northern Shenandoah Valley Regional Commission	12	10
8	Northern Virginia Regional Commission	33	23
9	Rappahannock-Rapidan Regional Commission	4	4
10	Thomas Jefferson	4	3
11	Region 2000 Regional Commission	5	5
12	West Piedmont	15	10
13	Southside	5	5
14	Commonwealth Regional Council	2	2
15	Richmond Regional	69	34
16	George Washington Regional Commission	10	8
17	Northern Neck	0	0
18	Middle Peninsula	0	0
19	Crater	44	27
22	Accomack-Northampton	0	0
23	Hampton Roads	62	25
	Total	329	148
	# of Localities Visited	81	

**Companies often visit sites in multiple localities. Additionally, some localities fall into two planning district commission areas. This report is representative of individual visits to localities by distinct projects. Each planning district commission total is reflective of all visits by all companies to that area.*

Appendix Two: Prospect Visit Data for FY16



Appendix Three: Sites and Buildings Data for FY16

Community Location Studies, Sites and Buildings Meeting Prospect Requirements by Planning District

Planning District	Location	Sites	Buildings	Sites & Buildings	Companies
1- Lenowisco	Lee Co.	2	3	5	5
1	Norton	0	0	0	0
1	Scott Co.	0	2	2	2
1	Wise Co.	2	1	3	3
PDC 1 Total		4	6	10	10
2 -Cumberland Plateau	Buchanan Co.	0	0	0	0
2	Dickenson Co.	0	1	1	1
2	Russell Co.	0	5	5	5
2	Tazewell Co.	0	1	1	1
PDC 2 Total		0	7	7	7
3-Mount Rogers	Bland Co.	0	0	0	0
3	Bristol	0	6	6	6
3	Carroll Co.	9	0	9	8
3	Galax	0	0	0	0
3	Grayson Co.	0	0	0	0
3	Smyth Co.	8	4	12	11
3	Washington Co.	17	0	17	12
3	Wythe Co.	21	3	24	21
PDC 3 Total		55	13	68	58
4 - New River Valley	Floyd Co.	0	0	0	0
4	Giles Co.	2	0	2	2
4	Montgomery Co.	4	7	11	8
4	Pulaski Co.	23	14	37	24
4	Radford	3	1	4	4
PDC 4 Total		32	22	54	38
5 -Roanoke Valley-Alleghany	Alleghany Co.	2	0	2	2
5	Botetourt Co.	8	22	30	20
5	Covington	2	2	4	4
5	Craig Co.	0	0	0	0
5	Franklin Co.	1	0	1	1
5	Roanoke Co.	6	10	16	13
5	Roanoke	6	23	29	17
5	Salem	0	5	5	5
PDC 5 Total		25	62	87	62

Appendix Three: Sites and Buildings Data for FY16

6 - Central Shenandoah	Augusta Co.	13	10	23	21
	6 Bath Co.	0	1	1	1
	6 Buena Vista	0	0	0	0
	6 Harrisonburg	0	4	4	4
	6 Highland Co.	0	0	0	0
	6 Lexington	0	0	0	0
	6 Rockbridge Co.	1	7	8	7
	6 Rockingham Co.	5	1	6	5
	6 Staunton	1	0	1	1
	6 Waynesboro	0	6	6	3
	PDC 6 Total	20	29	49	42
7 - Northern Shenandoah Valley	Clarke Co.	0	5	5	3
	7 Frederick Co.	38	28	66	29
	7 Page Co.	0	1	1	1
	7 Shenandoah Co.	10	3	13	9
	7 Warren Co.	12	5	17	15
	7 Winchester	0	0	0	0
	PDC 7 Total	60	42	102	57
8 - Northern Virginia	Alexandria	0	6	6	3
	8 Arlington Co.	0	6	6	4
	8 Fairfax Co.	1	20	21	12
	8 Fairfax	0	0	0	0
	8 Falls Church	0	0	0	0
	8 Loudoun Co.	6	42	48	8
	8 Manassas	0	2	2	2
	8 Manassas Park	0	0	0	0
	8 Prince William Co.	11	33	44	16
	PDC 8 Total	18	109	127	45
9 - Rappahannock-Rapidan	Culpeper Co.	8	4	12	4
	9 Fauquier Co.	6	3	9	6
	9 Madison Co.	0	0	0	0
	9 Orange Co.	1	3	4	3
	9 Rappahannock Co.	0	0	0	0
	PDC 9 Total	15	10	25	13
10 - Thomas Jefferson	Albemarle Co.	0	3	3	2
	10 Fluvanna Co.	0	1	1	1
	10 Greene Co.	0	7	7	6
	10 Louisa Co.	2	1	3	3
	10 Nelson Co.	0	0	0	0

Appendix Three: Sites and Buildings Data for FY16

	10	Charlottesville	0	3	3	2
	PDC 10 Total		2	15	17	14
11 - Region 2000		Amherst Co.	0	1	1	1
	11	Appomattox Co.	0	1	1	1
	11	Bedford Co.	1	5	6	4
	11	Campbell Co.	1	3	4	4
	11	Lynchburg	2	4	6	4
	PDC 11 Total		4	14	18	14
12 - West Piedmont		Danville	9	4	13	12
	12	Franklin Co.	1	0	1	1
	12	Henry Co.	16	19	35	23
	12	Martinsville	0	4	4	4
	12	Patrick Co.	0	1	1	1
	12	Pittsylvania Co.	21	7	28	21
	PDC 12 Total		47	35	82	62
13 - Southside		Brunswick Co.	2	0	2	1
	13	Halifax Co.	3	10	13	11
	13	Mecklenburg Co.	21	16	37	23
	PDC 13 Total		26	26	52	35
14 - Commonwealth Regional		Amelia Co.	1	2	3	2
	14	Buckingham Co.	1	0	1	1
	14	Charlotte Co.	7	0	7	6
	14	Cumberland Co.	0	0	0	0
	14	Lunenburg Co.	0	0	0	0
	14	Nottoway Co.	6	0	6	3
	14	Prince Edward Co.	3	1	4	1
	PDC 14 Total		18	3	21	13
15 - Richmond Regional		Charles City Co.	0	1	1	1
	15	Chesterfield Co.	40	79	119	46
	15	Goochland Co.	2	0	2	2
	15	Hanover Co.	12	45	57	33
	15	Henrico Co.	27	83	110	52
	15	New Kent Co.	15	0	15	10
	15	Powhatan Co.	0	0	0	0
	15	Richmond	5	67	72	20
	PDC 15 Total		101	275	376	164
16 - George Washington		Caroline Co.	6	6	12	12

Appendix Three: Sites and Buildings Data for FY16

	16	Fredericksburg	4	1	5	3
	16	King George Co.	7	1	8	7
	16	Spotsylvania Co.	6	16	22	16
	16	Stafford Co.	5	7	12	10
		PDC 16 Total	28	31	59	48
17 - Northern Neck		Lancaster Co.	0	0	0	0
	17	Northumberland Co.	0	0	0	0
	17	Richmond Co.	0	0	0	0
	17	Westmoreland Co.	0	0	0	0
		PDC 17 Total	0	0	0	0
18 - Middle Peninsula		Essex Co.	0	0	0	0
	18	Gloucester Co.	1	0	1	1
	18	King and Queen Co.	2	0	2	1
	18	King William Co.	6	0	6	1
	18	Mathews Co.	0	0	0	0
	18	Middlesex Co.	0	0	0	0
		PDC 18 Total	9	0	9	3
19 - Crater		Charles City Co.	0	1	1	1
	19	Chesterfield Co.	40	79	119	46
	19	Colonial Heights	1	0	1	1
	19	Dinwiddie Co.	16	5	21	14
	19	Emporia	4	22	26	10
	19	Greensville Co.	26	20	46	28
	19	Hopewell	0	5	5	4
	19	Petersburg	2	8	10	8
	19	Prince George Co.	14	27	41	27
	19	Surry Co.	4	1	5	3
	19	Sussex Co.	13	0	13	12
		PDC 19 Total	120	168	288	154
22 - Accomack-Northampton		Accomack Co.	0	1	1	1
	22	Northampton Co.	3	0	3	2
		PDC 22 Total	3	1	4	3
23 - Hampton Roads		Chesapeake	10	14	24	16
	23	Franklin	4	9	13	13
	18	Gloucester Co.	1	0	1	1
	23	Hampton	4	27	31	14
	23	Isle of Wight Co.	23	10	33	25
	23	James City Co.	14	11	25	19

Appendix Three: Sites and Buildings Data for FY16

23	Newport News	2	13	15	14
23	Norfolk	4	15	19	12
23	Poquoson	0	0	0	0
23	Portsmouth	3	6	9	8
23	Southampton	17	5	22	14
23	Suffolk	44	16	60	26
19	Surry Co.	4	1	5	3
23	Virginia Beach	4	28	32	21
23	Williamsburg	0	0	0	0
23	York Co.	5	2	7	6
PDC 23 Total		139	157	296	192
State Total¹		680	937	1617	149

¹State totals do not include duplicate entries for Charles City, Chesterfield, Franklin, Gloucester, and Surry Counties, each located in two PDCs.

Franklin Co-Roanoke & West Piedmont

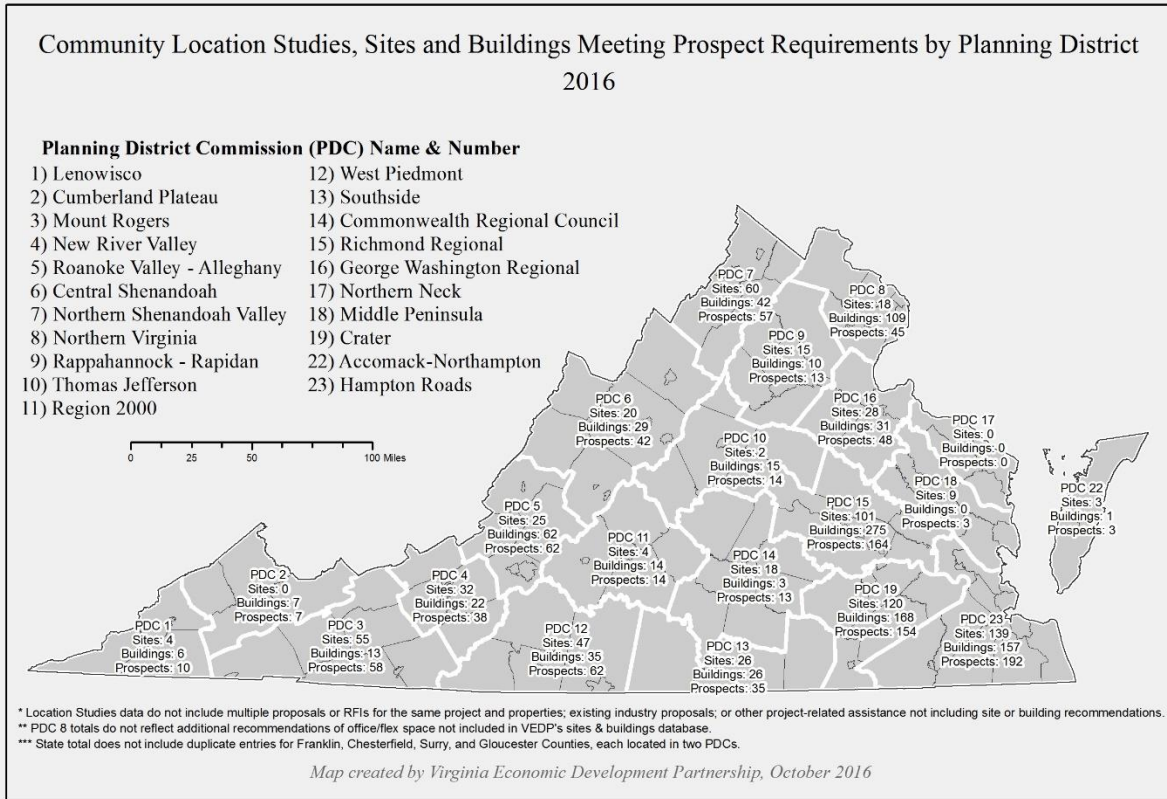
Chesterfield Co - Richmond Regional & Crater

Charles City-Richmond Regional & Crater

Surry - Crater & Hampton Roads

Gloucester-Middle Peninsula & Hampton Roads

Appendix Three: Sites and Buildings Data for FY16



Appendix Four: Announcements Data for FY16

Company Name	PDC	Location	MFG	Type	Business	Employment	Investment
Sunset Digital Communications	1	Scott County	N	E	Data center for search and transmission	22	\$1.06
NorrisBuilt Fabrication, LLC	1	Wise County	M	E	Welding and fabrication of skids for buildings	24	\$1.50
Mountain Top Lumber	1	Wise County	M	E	Manufacturing wood chips and mulch	7	\$0.40
Mullican Flooring	1	Wise County	M	E	Flooring manufacturer	0	\$2.00
<i>Expansion Total</i>					<i>4 announcements</i>	<i>53</i>	<i>\$4.96</i>
TeleTech	1	Scott County	N	N	Call center and customer support services	300	\$4.07
Native Cloud Virginia, LLC	1	Scott County	N	N	Data storage and managed services	72	\$42.00
Frontier Secure	1	Wise County	N	N	Call center for telecommunications provider	500	\$0.00
<i>New Total</i>					<i>3 announcements</i>	<i>872</i>	<i>\$46.07</i>
<i>PDC 1 Total</i>					<i>7 announcements</i>	<i>925</i>	<i>\$51.04</i>
3B Consulting	2	Russell County	N	E	Engineering project management and consulting.	15	\$2.50
AT&T Wireless	2	Russell County	N	E	Customer service center	45	\$0.00
Stone Mountain Health Services	2	Buchanan County	N	E	Health services company	22	\$0.10
Blue Wolf Sales and Service	2	Tazewell County	M	E	HQ:Manufacturer and supplier of industrial strength cleaners	15	\$1.56
Crane Mats	2	Russell County	M	E	Manufacture wooden mats for construction	10	\$0.60
<i>Expansion Total</i>					<i>5 announcements</i>	<i>107</i>	<i>\$4.76</i>
<i>PDC 2 Total</i>					<i>5 announcements</i>	<i>107</i>	<i>\$4.76</i>
Branch Botanicals	3	Wythe County	M	N	HQ; Manufacturer of natural flavorings for food and cosmetics	40	\$21.93
<i>New Total</i>					<i>1 announcement</i>	<i>40</i>	<i>\$21.93</i>
Chris Renee Cosmetics	3	Washington County	M	E	HQ: Producer of natural beauty products.	37	\$2.03
Ingenco Resources Development	3	Bristol	N	E	Generating electricity from landfill gas	4	\$4.50
Schaffner MTC Transformers*	3	Wythe County	M	E	Specialty electrical transformer manufacturing	79	\$3.13
Wolf Hills Fabricators	3	Washington County	M	E	HQ: Manufacture of transporters for mining industry and overhead cranes.	26	\$1.35
Gatorade	3	Wythe County	M	E	Sports beverage bottling company	0	\$5.80
Studio Brew	3	Bristol	M	E	HQ: Craft brewery	14	\$2.00

Appendix Four: Announcements Data for FY16

Utility Trailer Manufacturing Co.	3	Smyth County	M	E	Truck trailer manufacturing	200	\$0.76
Woodgrain Millwork	3	Smyth County	M	E	Wooden door and window component manufacturing	17	\$1.86
TRW Automotive	3	Smyth County	M	E	Steering component manufacturing	60	\$9.00
Somic America, Inc.*	3	Wythe County	M	E	Manufacturer of automotive steering components.	15	\$9.23
<i>Expansion Total</i>					<i>10 announcements</i>	<i>452</i>	<i>\$39.65</i>
PDC 3 Total					11 announcements	492	\$61.57
Polymer Solutions Incorporated	4	Montgomery County	N	N	Laboratory and testing services for plastics and rubber manufacturers	19	\$0.65
<i>New Total</i>					<i>1 announcement</i>	<i>19</i>	<i>\$0.65</i>
Java Productions	4	Montgomery County	N	E	Develops custom solutions for technology and business problems	20	\$0.10
Camrett Logistics	4	Pulaski County	N	E	Third-party logistics provider	38	\$2.13
Volvo Trucks North America*	4	Pulaski County	M	E	Truck manufacturing facility	32	\$38.20
ProChem Inc.	4	Montgomery County	M	E	Provider of industrial water and wastewater treatment.	30	\$0.40
Radford Army Ammunition Plant	4	Pulaski County	M	E	Natural gas power and steam plant for ammunition manufacturer	0	\$60.00
Inorganic Ventures	4	Montgomery County	M	E	Medical device manufacturing company	0	\$0.10
VPT, Inc.	4	Montgomery County	M	E	Manufacturer of power components for use in avionics, military, and space applications.	16	\$1.00
Corning, Inc.	4	Montgomery County	M	E	Manufacturing chemicals for use in catalytic converters	0	\$0.81
Ozmo App	4	Montgomery County	N	E	Ozmo helps tech companies and their consumers solve any device issue quickly and effectively.	55	\$0.56
<i>Expansion Total</i>					<i>9 announcements</i>	<i>191</i>	<i>\$103.29</i>
PDC 4 Total					10 announcements	210	\$103.94
Deschutes Brewery	5	Roanoke City	M	N	Craft brewery	108	\$85.00
Ballast Point Brewing and Spirits	5	Botetourt County	M	N	Beer production, distribution and hospitality	178	\$47.80
Eldor Corporation S.p.A*	5	Botetourt County	M	N	Ignition coil and other automotive component manufacturing	350	\$75.20
<i>New Total</i>					<i>3 announcements</i>	<i>636</i>	<i>\$208.00</i>
Wells Fargo	5	Roanoke County	N	E	Customer support and operations center	500	\$0.00

Appendix Four: Announcements Data for FY16

Corrugated Container Corporation	5	Roanoke County	M	E	Manufacturer of point-of-purchase displays, shipping boxes, and other cardboard products	22	\$0.28
Integrity Windows, Inc.	5	Roanoke County	M	E	Manufactures fiberglass windows and doors for the construction market.	60	\$1.69
Arkay Packaging	5	Botetourt County	M	E	Folding carton manufacturing company	50	\$11.00
Allstate	5	Roanoke County	N	E	Insurance services	0	\$17.70
Koppers	5	Roanoke County	N	E	Rail transportation equipment	7	\$2.90
Atlantic Emergency Solutions	5	Roanoke County	M	E	Emergency vehicle manufacturing and repair center	10	\$0.20
<i>Expansion Total</i>					<i>7 announcements</i>	<i>649</i>	<i>\$33.77</i>
PDC 5 Total					10 announcements	1,285	\$241.77
Wolfe Street Brewing Company	6	Harrisonburg	M	N	Craft brewing company	8	\$0.10
<i>New Total</i>					<i>1 announcement</i>	<i>8</i>	<i>\$0.10</i>
Virginia Poultry Growers Cooperative	6	Rockingham County	M	E	Turkey processor	6	\$61.89
TSSI Tactical and Survival Specialties Inc.	6	Harrisonburg	M	E	HQ: Tactical gear and equipment manufacturing and supply	0	\$0.40
Serco Inc.*	6	Harrisonburg	N	E	Analyzing and classifying patent applications.	25	\$0.00
Graphic Packaging International	6	Staunton	M	E	Packaging solutions for food, beverage, and other consumer products companies.	45	\$20.00
AccuTec Blades, Inc.	6	Augusta County	M	E	Manufacturer of blades for household and industrial use.	53	\$5.38
Merck & Co	6	Rockingham County	M	E	Biopharmaceutical manufacturing expansion	0	\$168.00
Rocco Building Supplies	6	Harrisonburg	N	E	Warehouse for building supply wholesale company	0	\$1.80
Premier Fabrication Solutions	6	Buena Vista	M	E	Provide of metal fabrication and machine part creation services	12	\$0.47
Innovative Refrigeration Systems, Inc.	6	Augusta County	M	E	Refrigeration equipment manufacturing	100	\$1.60
American Tire Distributors	6	Harrisonburg	N	E	Distribution Center for Automobile Tires	0	\$1.62
Hermitage Hill Brewery	6	Augusta County	M	E	Farm and brewery	12	\$0.65
<i>Expansion Total</i>					<i>11 announcements</i>	<i>253</i>	<i>\$261.80</i>
PDC 6 Total					12 announcements	261	\$261.90
IT Federal	7	Warren County	N	N	Provides IT and data center services.	600	\$40.00
Centro Global Solutions	7	Frederick County	N	N	Call center for healthcare, financial services, automotive, and telecommunications industries	300	\$0.05

Appendix Four: Announcements Data for FY16

AG Laser Technology LLC	7	Warren County	M	N	Designs, engineers, fabricates and finishes metal doors	32	\$3.10
FCA North America (Fiat Chrysler)*	7	Frederick County	N	N	Warehouse and distribution center for automobile manufacturing parts	65	\$12.20
Handsome Brook Farm, LLC	7	Clarke County	M	N	Pasture raised egg cleaning, inspecting, and packaging	105	\$6.40
<i>New Total</i>					<i>5 announcements</i>	<i>1,102</i>	<i>\$61.75</i>
Shawnee Canning Co.	7	Frederick County	M	E	Fruit canning	5	\$0.50
Trex Company Inc.	7	Winchester	M	E	Manufacturer of wood-alternative decking and railing	89	\$15.40
Rubbermaid Commercial Products	7	Frederick County	M	E	Metal trashcan production and distribution	0	\$18.00
Kingspan Insulation, LLC*	7	Frederick County	M	E	Manufactures insulation, building, fabric, and solar products	15	\$25.00
Tactical Walls	7	Page County	M	E	Manufacturer of gun and jewel safes	28	\$0.89
<i>Expansion Total</i>					<i>5 announcements</i>	<i>137</i>	<i>\$59.79</i>
<i>PDC 7 Total</i>					<i>10 announcements</i>	<i>1,239</i>	<i>\$121.54</i>
Koch Industries	8	Arlington County	N	N	Government affairs branch	100	\$3.00
Allied Telecom Group, LLC	8	Arlington County	N	N	HQ; Internet, data transport, voice, and unified communications services	10	\$0.10
Ventech Solutions	8	Prince William County	N	N	A public sector focused system integration and consulting services firm.	200	\$1.50
Pilot Malt House Virginia, LLC	8	Loudoun County	M	N	Malt manufacturing for breweries	7	\$0.89
GW Medical Faculty Associates	8	Arlington County	N	N	Back office for medical network	230	\$9.60
LifeFuels	8	Fairfax County	N	N	HQ: Developer of nutrition technology.	32	\$0.00
REAN Cloud Solutions	8	Fairfax County	N	N	Developer of secure, managed cloud solutions.	25	\$0.00
Resilient Corporation	8	Fairfax County	N	N	Business intelligence and consulting	30	\$0.00
Stereolize Inc.*	8	Fairfax County	N	N	HQ: High end presentations company.	10	\$0.01
Arion Systems	8	Fairfax County	N	N	HQ: Engineering and technical services	13	\$0.00
Driversiti	8	Fairfax County	N	N	Designing applications for mobile devices.	11	\$0.00
Avnet Government Solutions LLC	8	Fairfax County	N	N	HQ: Supply chain management	50	\$0.10
AvePoint	8	Arlington County	N	N	Software platform design	55	\$0.28
Allegheny Science and Technology	8	Fairfax County	N	N	Delivering mission critical management and technology services	10	\$0.05
Hanley Energy*	8	Loudoun County	N	N	US headquarters for data center energy management company.	20	\$0.50

Appendix Four: Announcements Data for FY16

McKeon Group	8	Alexandria	N	N	Government relations consulting and lobbying firm	10	\$0.10
Sentry Control Systems*	8	Loudoun County	N	N	HQ; Parking systems technology consultants.	10	\$0.10
Kuatro Technologies*	8	Fairfax County	N	N	HQ; Provider of custom outsourced software development services	20	\$0.50
Basket Savings	8	Arlington County	N	N	Developer of web based mobile applications.	65	\$10.00
Iron Mountain Information Management, LLC	8	Prince William County	N	N	Data Center	25	\$350.00
ZELTIQ Aesthetics, Inc.	8	Fairfax County	N	N	Medical technology	22	\$0.00
Shipcom Wireless	8	Arlington County	N	N	Designs supply chain management software and implements solutions for public sector clients	10	\$0.10
Sestra Systems	8	Loudoun County	M	N	Manufactures beverage distribution system	115	\$0.80
CTIIC	8	Fairfax County	N	N	Coordinates intelligence concerning cyber threats	50	\$35.00
Precision Pipeline Solutions	8	Prince William County	N	N	Gas utility infrastructure installation	263	\$5.00
Systaaq Diagnostic Products	8	Prince William County	N	N	Developing molecular diagnostics products	1	\$0.20
Jack's Run Brewery	8	Loudoun County	M	N	Brewery	10	\$1.00
Shift	8	Arlington County	N	N	Shift provides a technology platform and services layer that connects car buyers and car sellers.	100	\$20.00
Votenet Solutions	8	Arlington County	N	N	Online voting products and services	30	\$0.30
OneWeb, LLC	8	Arlington County	N	N	Satellite design company	10	\$1.20
ABC Imaging	8	Fairfax County	M	N	Imaging and print solutions	232	\$11.50
MaxSent	8	Fairfax County	N	N	Security	77	\$0.00
PocketShip, Inc.	8	Fairfax City	N	N	Creators of online delivery application	12	\$0.00
Vecteron Web Design	8	Fairfax County	N	N	Media and communications	10	\$0.00
		<i>New Total</i>			<i>34 announcements</i>	<i>1,875</i>	<i>\$451.83</i>
Convoke Inc	8	Arlington County	N	E	Software for banks and credit unions	18	\$0.56
Ernst & Young	8	Fairfax County	N	E	Consulting services	462	\$12.67
The Washington Post	8	Fairfax County	N	E	Design of publishing software and mobile apps	40	\$0.10
Walmart Technology	8	Fairfax County	N	E	E-commerce and IT services for Walmart.	173	\$0.10
22nd Century Technologies Inc.	8	Fairfax County	N	E	IT services, primarily for federal agencies.	420	\$1.00
Lowers Risk Group	8	Loudoun County	N	E	IT company providing risk mitigation, loss prevention, and employment screening.	282	\$0.44

Appendix Four: Announcements Data for FY16

Pentagon Federal Credit Union	8	Fairfax County	N	E	HQ: Federal credit union	200	\$26.50
Carfax Inc.	8	Loudoun County	N	E	Provider of vehicle history reports.	0	\$10.80
Carfax Inc.	8	Fairfax County	N	E	IT company and vehicle history report provider.	120	\$5.00
ByteCubed LLC	8	Arlington County	N	E	HQ: Technology consulting firm	217	\$0.31
REAN Cloud LLC	8	Fairfax County	N	E	Cloud IT solutions for finance, healthcare, and government.	61	\$0.10
CRA, Inc.	8	Fairfax County	N	E	Information technology solutions	20	\$0.20
ClearForce LLC	8	Fairfax County	N	E	Information technology consulting	61	\$0.10
Bam Bams	8	Manassas	M	E	Manufacturing promotional merchandise for corporate and sporting events.	43	\$1.07
BDO USA*	8	Fairfax County	N	E	Accounting services for public and privately held companies	319	\$4.56
Perfect Sense	8	Fairfax County	N	E	Software developer	102	\$0.50
Strategy and Management Services, Inc.	8	Fairfax County	N	E	Offers IT solutions for a variety of clients	25	\$0.00
Temeku Technologies	8	Fairfax County	N	E	Provider of technology and service	10	\$0.00
Manalto Inc.	8	Fairfax County	N	E	HQ:Manages social media accounts for corporate clients	19	\$0.10
O3B Networks*	8	Prince William County	N	E	Network communications service provider	45	\$2.00
AddThis	8	Fairfax County	N	E	Media web-tracking and data analytics company	37	\$0.00
BlueAlly, LLC	8	Fairfax County	N	E	HQ: IT Services	15	\$0.00
ScienceLogic, Inc	8	Fairfax County	N	E	HQ: IT management and monitoring solutions for IT Operations and Cloud Computing.	59	\$1.00
Havit Advertising	8	Arlington County	N	E	Advertising agency	10	\$0.10
OnDeck	8	Arlington County	N	E	Technology financial company	100	\$1.00
Airbus Satair*	8	Loudoun County	N	E	Warehouse for aircraft parts	15	\$1.00
Zerion Software	8	Loudoun County	N	E	Software development company	29	\$0.14
Collaborative Solutions LLC	8	Fairfax County	N	E	HQ; IT management consulting firm	344	\$0.15
Grant Thornton LLP*	8	Arlington County	N	E	Accounting and other professional services	348	\$15.75
General Dynamics	8	Fairfax County	N	E	HQ; Global aerospace and defense company	25	\$138.00
Novel Applications of Vital Information, Inc.	8	Fairfax County	N	E	Cybersecurity, Information Security and Systems integration company.	87	\$0.10
Palo Alto Networks, Inc.	8	Fairfax County	N	E	Cybersecurity solutions provider	50	\$3.00
IMT Holdings Corp.	8	Fairfax County	N	E	HQ; Provider of natural language processing software products	30	\$0.10

Appendix Four: Announcements Data for FY16

Great-Circle Technologies	8	Fairfax County	N	E	Provider of Big Data analytic solutions for public and private clients	271	\$0.10
Atlantic Coast Cotton	8	Prince William County	N	E	Wholesale & Distribution	50	\$1.30
BerkelyNet	8	Prince William County	N	E	Technology-based insurance services	0	\$19.50
Ampcus, Inc.	8	Fairfax County	N	E	Information Technology	90	\$0.00
Applied Signals Intelligence, Inc.	8	Fairfax County	N	E	Cyber-electromagnetics and intelligence surveillance and reconnaissance systems provider	10	\$0.00
Carahsoft Technology Corp.	8	Fairfax County	N	E	Information technology	150	\$0.00
Walmart IT	8	Fairfax County	N	E	Technology support for Walmart	292	\$7.55
CACI International, Inc.	8	Fairfax County	N	E	Systems integration and software development	344	\$0.00
Clarabridge	8	Fairfax County	N	E	Software	20	\$0.00
Command Security Corporation	8	Fairfax County	N	E	HQ; uniformed security services	15	\$0.00
Cvent, Inc.	8	Fairfax County	N	E	Event management technology company	121	\$0.00
EdgeConnex, Inc.	8	Fairfax County	N	E	Hosted solutions	14	\$0.00
Rosoka Software, Inc.	8	Fairfax County	N	E	Provider of natural language processing and geospatial analysis software	10	\$0.00
SSB BART Group	8	Fairfax County	N	E	Software and consulting	30	\$0.00
Target Labs	8	Fairfax County	N	E	Software and information technology	16	\$0.00
Unissant	8	Fairfax County	N	E	Software development and consulting	80	\$0.00
WIPS Co.,Ltd.*	8	Fairfax County	N	E	Intellectual property services	26	\$0.00
Zayo Group, LLC	8	Fairfax County	N	E	Cloud services	20	\$0.00
IronNet Cybersecurity	8	Fairfax County	N	E	Provides cybersecurity solutions	90	\$1.40
Alarm.com, Inc.	8	Fairfax County	N	E	Wireless and web-enabled security technology	200	\$3.00
Virid, Inc.	8	Fairfax County	N	E	Ecommerce solutions provider	21	\$0.50
3Pillar Global	8	Fairfax County	N	E	Information Technology	24	\$0.00
Aderas, Inc.	8	Fairfax County	N	E	Information Technology	10	\$0.00
Crypsis	8	Fairfax County	N	E	Cybersecurity	10	\$0.00
EdgeConneX, Inc.	8	Fairfax County	N	E	Headquarters for data center management and wireless telecommunications company	10	\$0.00
Fulcrum	8	Fairfax County	N	E	Information Technology	18	\$0.00

Appendix Four: Announcements Data for FY16

Insperty	8	Fairfax County	N	E	HR Consulting	10	\$0.00
Juniper Networks	8	Fairfax County	N	E	Information Technology	10	\$0.00
Vectrus	8	Fairfax County	N	E	Information Technology	30	\$0.00
White64	8	Fairfax County	N	E	Advertising firm	10	\$0.00
Yext	8	Fairfax County	N	E	Social media	13	\$0.00
Southland Concrete	8	Prince William County	N	E	Headquarters for precast concrete manufacturing and construction company	0	\$6.00
Evolent Health	8	Arlington County	N	E	Healthcare IT consulting company	304	\$2.00
CC Pace Systems, Inc.	8	Fairfax County	N	E	Information technology	12	\$0.00
Cogent Communications	8	Fairfax County	N	E	Telecommunications	40	\$0.00
Euclid Systems Corporation	8	Fairfax County	M	E	Research and manufacture vision products	12	\$0.00
Distil Networks	8	Arlington County	N	E	HQ: Website security solutions provider	28	\$0.00
DLT Solutions	8	Fairfax County	N	E	Information technology	45	\$0.00
Expereo*	8	Fairfax County	N	E	Internet service provider	77	\$0.00
Incept Data Solutions	8	Fairfax County	N	E	Information Technology	60	\$0.00
Vrico	8	Fairfax County	N	E	Information Technology	42	\$0.00
Whereoware	8	Fairfax County	N	E	Information technology	15	\$0.00
Resilient Corporation	8	Fairfax County	N	E	Data analytics company	61	\$0.25
Opower	8	Arlington County	N	E	HQ; Creator of CRM solutions for utility companies	60	\$6.70
		<i>Expansion Total</i>			<i>77 announcements</i>	<i>6,557</i>	<i>\$274.75</i>
		<i>PDC 8 Total</i>			<i>111 announcements</i>	<i>8,432</i>	<i>\$726.58</i>
BrightFarms	9	Culpeper County	N	N	Greenhouse for lettuce, tomatoes, and other vegetables.	24	\$7.35
		<i>New Total</i>			<i>1 announcement</i>	<i>24</i>	<i>\$7.35</i>
Aerojet Rocketdyne	9	Orange County	M	E	Electromedical and control instruments manufacturing	100	\$11.00
Continental Automotive Systems*	9	Culpeper County	M	E	Automotive brake component manufacturing	25	\$49.00
Lohmann Specialties*	9	Orange County	M	E	Manufacturer of adhesive bonding materials	56	\$6.70
Euro-Composites Corp.*	9	Culpeper County	M	E	Manufactures advanced honeycomb composite materials used in the aerospace industry.	58	\$10.50
		<i>Expansion Total</i>			<i>4 announcements</i>	<i>239</i>	<i>\$77.20</i>
		<i>PDC 9 Total</i>			<i>5 announcements</i>	<i>263</i>	<i>\$84.55</i>

Appendix Four: Announcements Data for FY16

Borrowed & Blue Inc.	10	Charlottesville	N	E	B2B concierge assisting with wedding and event planning	28	\$0.25
Rivanna Medical	10	Charlottesville	M	E	Medical device and technology company	13	\$0.24
Apex Clean Energy, Inc.	10	Charlottesville	M	E	Wind farm and turbine manufacturing company	184	\$2.36
Carbon-Core Corp.	10	Fluvanna County	M	E	Manufactures plastic and other core materials for architectural, marine, and other uses	16	\$0.50
<i>Expansion Total</i>					<i>4 announcements</i>	<i>241</i>	<i>\$3.36</i>
PDC 10 Total					4 announcements	241	\$3.36
Xpress Natural Gas LLC	11	Appomattox County	N	N	Natural gas delivery and storage by tank fleet.	50	\$7.80
Pacific Life	11	Lynchburg	N	N	Financial and insurance services call center	300	\$3.70
<i>New Total</i>					<i>2 announcements</i>	<i>350</i>	<i>\$11.50</i>
Schrader International	11	Campbell County	M	E	Design, manufacture, and assemble sensors for air fluid control engines and vehicle industries.	0	\$2.10
Abbott Laboratories	11	Campbell County	M	E	Nutritional formula product	34	\$34.00
Gerdau*	11	Lynchburg	M	E	Fabricator of steel for structural purposes	0	\$6.95
Blue Ridge Optics LLC	11	Bedford County	M	E	Manufactures precision optical components and coatings	15	\$1.00
<i>Expansion Total</i>					<i>4 announcements</i>	<i>49</i>	<i>\$44.05</i>
PDC 11 Total					6 announcements	399	\$55.54
StarSprings*	12	Henry County	M	N	Manufacturer of mattress units	68	\$3.69
Performance Livestock and Feed Co. Inc.	12	Henry County	M	N	Livestock feed production	32	\$4.20
Roobrik	12	Danville	N	N	Long term care assistant software	5	\$0.20
Netarus	12	Danville	N	N	Software/hardware for marine construction	5	\$0.25
<i>New Total</i>					<i>4 announcements</i>	<i>110</i>	<i>\$8.34</i>
Faneuil, Inc.	12	Martinsville	N	E	Call center services	30	\$0.00
The Results Companies	12	Henry County	N	E	Call center for Business Process Management company	500	\$0.00
DanChem Technologies	12	Pittsylvania County	M	E	Chemical product and preparation manufacturing	5	\$6.54
Chaos Mountain Brewing	12	Franklin County	M	E	Expansion of brewery facility	9	\$0.60
Hometown Ice, LLC	12	Franklin County	M	E	Ice manufacturing and distribution	3	\$1.75
Alcoa	12	Henry County	M	E	Titanium forging and fabrication facility for the aerospace industry	15	\$8.60
Drake Extrusions Inc.*	12	Henry County	M	E	Manufacturer of specialty yarn	30	\$6.00

Appendix Four: Announcements Data for FY16

Ply Gem Windows	12	Franklin County	M	E	Vinyl window manufacturing	76	\$1.98
Fleetwood Homes	12	Franklin County	M	E	Manufacturer of prefabricated homes	41	\$1.32
Nationwide Homes Inc.	12	Martinsville	M	E	Modular home manufacturing company	59	\$0.99
Gregory Lumber, Inc.	12	Pittsylvania County	M	E	Sawmill	3	\$3.00
Telvista	12	Danville	N	E	Call center	150	\$0.00
	<i>Expansion Total</i>				<i>12 announcements</i>	921	\$30.76
	<i>PDC 12 Total</i>				<i>16 announcements</i>	1,031	\$39.11
Slick Rock Lumber	13	Halifax County	M	N	Sawmill	13	\$0.54
Springfield Distillery	13	Halifax County	M	N	Whiskey distillery	5	\$0.16
	<i>New Total</i>				<i>2 announcements</i>	18	\$0.70
Microsoft Corporation	13	Mecklenburg County	N	E	Data center expansion	42	\$402.40
	<i>Expansion Total</i>				<i>1 announcement</i>	42	\$402.40
	<i>PDC 13 Total</i>				<i>3 announcements</i>	60	\$402.40
Textron, Inc.	14	Nottoway County	M	N	Manufacturing and testing of unmanned aerial vehicles	50	\$1.00
	<i>New Total</i>				<i>1 announcement</i>	50	\$1.00
Buckingham Branch Railroad	14	Buckingham County	N	E	Short line railroad	7	\$2.00
	<i>Expansion Total</i>				<i>1 announcement</i>	7	\$2.00
	<i>PDC 14 Total</i>				<i>2 announcements</i>	57	\$3.00
Thermal Gradient	15	Richmond City	N	N	Medical device and testing company	42	\$3.68
AvePoint	15	Richmond City	N	N	Software platform design	100	\$1.50
Aqueous Solutions Global	15	Richmond City	M	N	Provider of water filtration technologies	23	\$1.80
Thought Logic	15	Richmond City	N	N	Consulting and business analytics firm	100	\$0.00
Fajon Turbine Services, Inc.	15	Chesterfield County	M	N	Manufacturer of steam and gas turbine replacement parts for the power generation industry	45	\$0.70
Erodex*	15	Henrico County	M	N	Graphite machining for turbine blades	3	\$2.00
L Knife & Son, Inc.	15	Henrico County	N	N	Warehouse facility for specialty beverage	110	\$0.00
Polykon Manufacturing LLC*	15	Henrico County	M	N	Chemical manufacturing for the cosmetics and pharmaceutical industries	54	\$56.41
	<i>New Total</i>				<i>8 announcements</i>	477	\$66.09

Appendix Four: Announcements Data for FY16

Hardywood Craft Beer	15	Gochland County	M	E	Craft brewery	56	\$28.25
ImmunArray*	15	Richmond City	N	E	HQ: Provider and developer of health diagnostic applications.	7	\$4.50
Blue Bee Cider LLC	15	Richmond City	M	E	Relocation of cidery	4	\$1.14
SanAir Technologies Laboratory, Inc.	15	Powhatan County	N	E	Environmental testing services for national clients	10	\$0.00
Bonfire Funds	15	Henrico County	N	E	Web-based fundraising platform for the general public	20	\$0.00
Wellborn + Wright	15	Henrico County	M	E	Manufactures home décor and interior finishes from reclaimed wood, including, doors, furniture items, and others.	25	\$0.20
Triple Crossing Brewery	15	Richmond City	M	E	Brewery	4	\$1.00
Specialty Coating and Laminating	15	Hanover County	M	E	Manufacturing poly-extrusion and aqueous-coated paper	52	\$2.50
R1 International*	15	Richmond City	N	E	Warehouse and distribution center for rubber products	15	\$1.00
Hudson Industries	15	Henrico County	M	E	Foam cushion and mattress manufacturing for medical and consumer use	87	\$0.75
Direct Mail Solutions	15	Henrico County	N	E	Full service mail shop	243	\$1.00
Carmax Inc.	15	Richmond City	N	E	Technology center for car dealership	50	\$1.00
Associated Distributors	15	Henrico County	N	E	Warehouse for alcoholic and non-alcoholic beverage distributor	130	\$20.00
Hamilton Beach Brands Inc.	15	Henrico County	N	E	HQ: Small electrical kitchen appliance manufacturer	0	\$2.50
<i>Expansion Total</i>					<i>14 announcements</i>	<i>703</i>	<i>\$63.84</i>
<i>PDC 15 Total</i>					<i>22 announcements</i>	<i>1,180</i>	<i>\$129.93</i>
Harris Teeter	16	Caroline County	N	N	Warehouse to supply retail operations	400	\$115.25
6 Bears and a Goat	16	Stafford County	M	N	Microbrewery	20	\$3.00
<i>New Total</i>					<i>2 announcements</i>	<i>420</i>	<i>\$118.25</i>
SimVentions, Inc.	16	Fredericksburg	N	E	Modeling and simulation programming company.	201	\$0.33
McKesson Pharmaceutical	16	Caroline County	N	E	Pharmaceutical distribution center	30	\$6.00
GEICO Corporation	16	Stafford County	N	E	IT and call center for car insurance company	798	\$1.17
AKAL Security	16	Stafford County	N	E	Security contractor for Department of Homeland Security.	25	\$0.00
United Welding	16	Stafford County	M	E	Welding and pipe fabrication	15	\$0.80
Bingham and Taylor	16	Stafford County	M	E	Manufacturer of meter boxes and other components for water utilities	20	\$2.00
<i>Expansion Total</i>					<i>6 announcements</i>	<i>1,089</i>	<i>\$10.30</i>

Appendix Four: Announcements Data for FY16

	PDC 16 Total					8 announcements	1,509	\$128.55
Monroe Bay Vineyard LLC	17	Westmoreland County	M	E	Winery and cidery	7	\$0.39	
	Expansion Total				1 announcement	7	\$0.39	
	PDC 17 Total					1 announcement	7	\$0.39
Gerdau Ameristeel*	19	Dinwiddie County	M	E	Manufacturer of long steel products	0	\$8.55	
Dominion Virginia Power	19	Greensville County	N	E	Natural gas-fired power station	44	\$1,300.00	
	Expansion Total				2 announcements	44	\$1,308.55	
	PDC 19 Total					2 announcements	44	\$1,308.55
KmX Chemical*	22	Accomack County	M	E	R&D; Chemical processing	16	\$2.08	
	Expansion Total				1 announcement	16	\$2.08	
	PDC 22 Total					1 announcement	16	\$2.08
Interchange Company	23	Portsmouth	N	N	Third party logistics and warehousing	0	\$5.00	
TAG America Inc.*	23	Virginia Beach	M	N	Development, production, and marketing of chemical products.	15	\$0.70	
General Insulation Company, Inc.(GIC)	23	Portsmouth	N	N	Distribution of insulation materials	25	\$1.00	
Tradition Brewing	23	Newport News	M	N	Brewery	10	\$0.70	
ADP	23	Norfolk	N	N	Provider of cloud-based human capital management solutions and business process outsourcing services, analytics, and compliance expertise.	1,800	\$32.25	
Automark Solutions LLC	23	Virginia Beach	N	N	HQ; Developer of software for the automotive industry	35	\$0.04	
Emser Tile, LLC	23	Suffolk	N	N	Warehouse for east coast distribution	98	\$16.25	
Back Bay Brewery	23	Virginia Beach	M	N	Craft beer brewery	10	\$2.30	
Commonwealth Brewing	23	Virginia Beach	M	N	Craft beer brewery	5	\$0.10	
	New Total					9 announcements	1,998	\$58.34
Regulus Global	23	Virginia Beach	N	E	Defense logistics and consulting	25	\$3.45	
TE Connectivity*	23	Hampton	M	E	Communication cables and wire for harsh environments, including undersea	66	\$9.00	
Colonna's Shipyard	23	Norfolk	M	E	Shipbuilding and repair	51	\$34.25	
Faneuil, Inc.	23	Hampton	N	E	Call center services	170	\$1.85	
Prillamen Crane & Rigging	23	Hampton	M	E	Overhead traveling crane, hoist, and monorail system manufacturing	0	\$0.52	

Appendix Four: Announcements Data for FY16

GEICO Corporation	23	Virginia Beach	N	E	IT and call center for car insurance company	390	\$0.56
Movement Mortgage	23	Norfolk	N	E	Mortgage services company	200	\$2.00
Norfolk Southern Corporation	23	Norfolk	N	E	Expansion of railway headquarters	166	\$8.20
Hermes Abrasives*	23	Virginia Beach	M	E	Manufactures and applies abrasive coatings	0	\$1.30
Sutherland Global Services	23	Chesapeake	N	E	Consulting for the insurance industry	200	\$2.17
Back Bay Brewing	23	Virginia Beach	M	E	Brewery expansion	0	\$1.40
Printpack, Inc.	23	Newport News	M	E	Manufacturer of flexible and specialty rigid packaging	50	\$25.70
Zero Point	23	Virginia Beach	N	E	National security consulting and training business	44	\$2.53
215Gear	23	Virginia Beach	M	E	HQ: Manufacture and distribution of tactical gear	5	\$0.75
Atlantic Bay Mortgage	23	Virginia Beach	N	E	HQ; financial services/mortgage operations center	50	\$0.15
Q.E.D. Systems	23	Virginia Beach	N	E	HQ; Defense contracting - IT/Engineering/Industrial Services/Logistics	0	\$4.20
Stock Design & Machine. Inc.	23	Virginia Beach	M	E	HQ; engineering services; specialty machining	3	\$1.00
Fortis Solutions Group	23	Virginia Beach	M	E	HQ; Label and flexible packaging manufacturer	15	\$2.30
Klett Consulting Group	23	Virginia Beach	N	E	Financial consulting for public and private clients	65	\$0.12
<i>Expansion Total</i>					<i>19 announcements</i>	<i>1,500</i>	<i>\$101.44</i>
<i>PDC 23 Total</i>					<i>28 announcements</i>	<i>3,498</i>	<i>\$159.78</i>
<i>Not Publicly Announced</i>	<i>Confidential Total</i>				<i>13 Announcements</i>	<i>890</i>	<i>\$689.99</i>
<i>Grand Total</i>					<i>287 Announcements</i>	<i>22,146</i>	<i>\$4,581.01</i>

Appendix 5: Employment Creation and Capital Investment by PDC for FY 2016

	Announcements	Employment	Investment (millions)
New Total	3	872	\$46.07
Expansion Total	4	53	\$4.96
PDC 1 Total	7	925	\$51.04
New Total	0	0	0
Expansion Total	5	107	\$4.76
PDC 2 Total	5	107	\$4.76
New Total	1	40	\$21.93
Expansion Total	10	452	\$39.66
PDC 3 Total	11	492	\$61.59
New Total	1	19	\$0.65
Expansion Total	8	191	\$43.30
PDC 4 Total	9	210	\$43.95
New Total	3	636	\$208.00
Expansion Total	4	632	\$12.97
PDC 5 Total	7	1,268	\$220.97
New Total	0	0	\$0
Expansion Total	8	228	\$258.39
PDC 6 Total	8	228	\$258.39

Appendix 5: Employment Creation and Capital Investment by PDC for FY 2016

New Total	4	802	61.7
Expansion Total	4	132	59.29
PDC 7 Total	8	934	\$120.99
New Total	23	1635	\$450.74
Expansion Total	36	4953	\$245.95
PDC 8 Total	59	6,588	\$696.69
New Total	1	24	\$7.35
Expansion Total	4	239	\$77.20
PDC 9 Total	5	263	\$84.55
New Total	0	0	\$0.00
Expansion Total	4	241	\$3.35
PDC 10 Total	4	241	\$3.35
New Total	2	350	\$11.50
Expansion Total	4	49	\$44.05
PDC 11 Total	6	399	\$55.55
New Total	2	100	\$7.89
Expansion Total	8	265	\$26.03
PDC 12 Total	10	365	\$33.92

Appendix 5: Employment Creation and Capital Investment by PDC for FY 2016

New Total	2	18	\$0.70
Expansion Total	1	42	\$402.40
PDC 13 Total	3	60	\$403.10
New Total	1	50	\$1.00
Expansion Total	1	7	\$2.00
PDC 14 Total	2	57	\$3.00
New Total	6	267	\$66.09
Expansion Total	8	535	\$39.20
PDC 15 Total	14	802	\$105.29
New Total	1	400	\$115.25
Expansion Total	3	1019	\$3.50
PDC 16 Total	4	1419	\$118.75
New Total	0	0	\$0.00
Expansion Total	0	0	\$0.00
PDC 17 Total	0	0	\$0.00
New Total	0	0	\$0.00
Expansion Total	0	0	\$0.00
PDC 18 Total	0	0	\$0.00
New Total	0	0	0
Expansion Total	1	0	\$8.55

Appendix 5: Employment Creation and Capital Investment by PDC for FY 2016

PDC 19 Total	1	0	\$8.55
New Total	0	0	\$0.00
Expansion Total	1	16	\$2.08
PDC 22 Total	1	16	\$2.08
New Total	5	1,938	\$55.20
Expansion Total	12	1,362	\$92.41
PDC 23 Total	17	3,300	\$147.61
Confidential	10	837	\$279.39
Grand Total	191	18,511	\$2,703.51

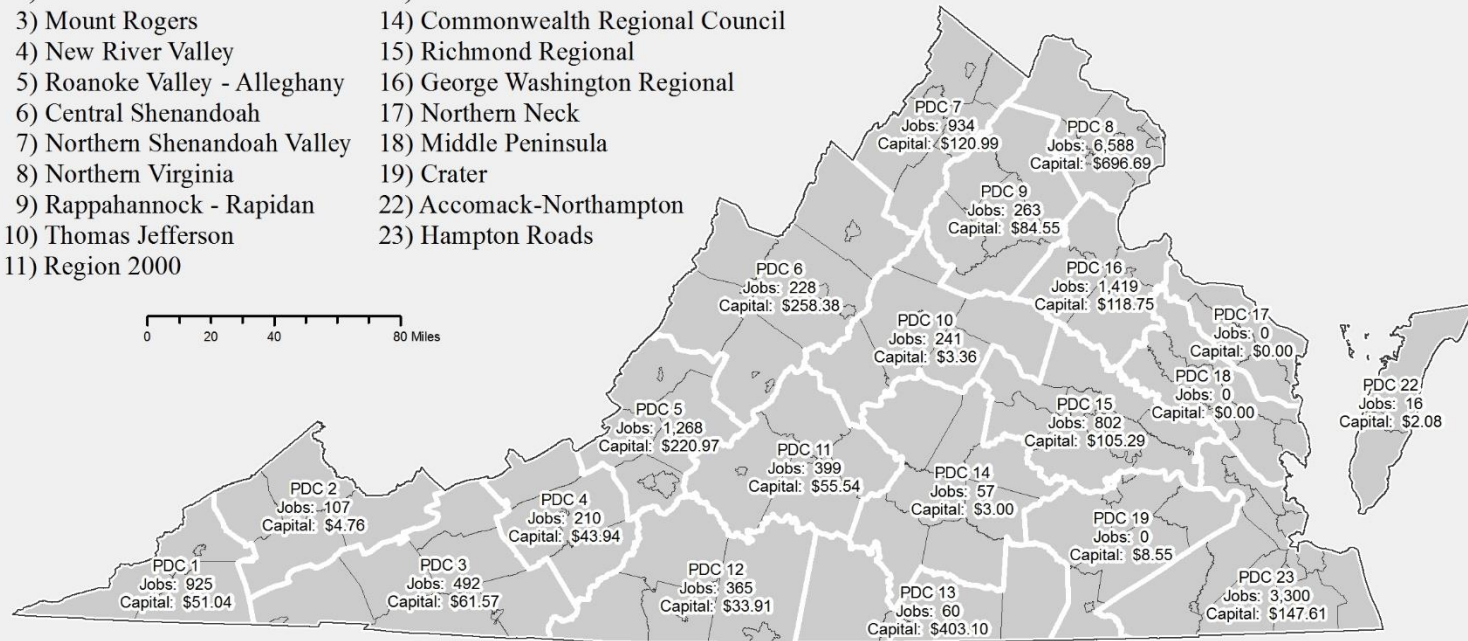
Note: FY 2016 announcements are preliminary; all announcements are subject to revision

Appendix 5: Employment Creation and Capital Investment by PDC for FY 2016

Employment Creation and Capital Investment by Planning District Fiscal Year 2016

Planning District Commission (PDC) Name & Number

- | | |
|-------------------------------|-----------------------------------|
| 1) Lenowisco | 12) West Piedmont |
| 2) Cumberland Plateau | 13) Southside |
| 3) Mount Rogers | 14) Commonwealth Regional Council |
| 4) New River Valley | 15) Richmond Regional |
| 5) Roanoke Valley - Alleghany | 16) George Washington Regional |
| 6) Central Shenandoah | 17) Northern Neck |
| 7) Northern Shenandoah Valley | 18) Middle Peninsula |
| 8) Northern Virginia | 19) Crater |
| 9) Rappahannock - Rapidan | 22) Accomack-Northampton |
| 10) Thomas Jefferson | 23) Hampton Roads |
| 11) Region 2000 | |



Numbers on map indicate jobs created and capital invested in millions for FY2016. All announcements are subject to revision.

Map created by Virginia Economic Development Partnership, October 2016

Appendix 6: Audited Financial Report

Virginia Economic Development Partnership
Audited Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

- TABLE OF CONTENTS -

	<u>Pages</u>
INTRODUCTORY SECTION	
Appointed Officials	2
FINANCIAL SECTION	
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet-Governmental Funds	10
Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual-Cash Basis-General and Special Revenue Funds	13
Notes to Financial Statements	14-36
Required Supplementary Information	37-39
Independent Auditor's Report on Financial Statements	40-42

INTRODUCTORY SECTION

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
Richmond, Virginia

APPOINTED OFFICIALS

As of June 30, 2016

Board of Directors

Chris A. Lumsden, Chair
C. Daniel Clemente, Vice Chair

Stephen R. Adkins	William B. Holtzman
Edie M. Bowles	David Hudgins
Valerie K. Brown	H. Michael Ligon
Russell B. Clark	Ned W. Massee
Lee Coburn	Vincent J. Mastracco
Elizabeth H. Crowther	Dan M. Pleasant
William D. Euille	John G. Rocovich, Jr.
Mark D. Heath	Samuel A. Schreiber

The Honorable Ralph S. Northam, Ex-Officio
The Honorable Richard D. Brown, Ex-Officio
The Honorable Maurice Jones, Ex-Officio
The Honorable Todd P. Haymore, Ex-Officio
The Honorable Karen Jackson, Ex-Officio
Dr. Glenn DuBois, Ex-Officio

Interim President and Chief Executive Officer

Daniel C. Gundersen

FINANCIAL SECTION

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF JUNE 30, 2016

The Virginia Economic Development Partnership (Partnership) management offers the readers of the Partnership's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2016. We encourage the reader to consider this information presented here in conjunction with the financial statements and accompanying notes.

Overview of the Financial Statements

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Partnership in a manner similar to a private sector business.

The Statement of Net Position presents information on all of the Partnership's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Partnership is improving or deteriorating.

The Statement of Activities presents information showing how the Partnership's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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. For example, expenses that are accrued for the net pension liability in the current period are expected to be paid with future funding appropriations from the Commonwealth of Virginia (COV).

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 Partnership, like other political subdivisions of the COV, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial activities of the Partnership are reported in *governmental funds*.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Partnership's near-term financing requirements.

Reconciliations between Government-Wide and Fund Financial Statements

There are two reconciliations between the government-wide and the fund financial statements. The first is found on the Balance Sheet and explains the difference between the *fund balance* on the Balance Sheet and *net position* on the Statement of Net Position. The second is found on the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, which reconciles the difference between the *net change in fund balances* on the fund-based statement and the *change in net position* on the government-wide based statement. Both statements describe in sufficient detail the amounts and the reasons for those differences.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an organization's financial position. At the close of the fiscal year ended June 30, 2016, the Partnership had a net position of (\$9,775,298) compared to a net position of (\$11,061,822) as of June 30, 2015. Following is an analysis of the changes in the net position of the Partnership.

	<u>Net Position</u>		
	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Current and other assets	\$ 3,944,464	\$ 3,696,305	\$ 248,159
Capital assets, net of depreciation	<u>1,763,616</u>	<u>616,235</u>	<u>1,147,381</u>
Total assets	5,708,080	4,312,540	1,395,540
Deferred outflows of resources	<u>1,632,588</u>	<u>955,080</u>	<u>677,508</u>
Total assets and deferred outflows	<u>7,340,668</u>	<u>5,267,620</u>	<u>2,073,048</u>
Non-current liabilities	15,379,453	13,549,642	1,829,811
Other liabilities	<u>513,513</u>	<u>360,800</u>	<u>152,713</u>
Total liabilities	15,892,966	13,910,442	1,982,524
Deferred inflows of resources	<u>1,223,000</u>	<u>2,419,000</u>	<u>(1,196,000)</u>
Total liabilities and deferred inflows	<u>17,115,966</u>	<u>16,329,442</u>	<u>786,524</u>
Net position:			
Net investment in capital assets	1,763,616	616,235	1,147,381
Unrestricted	<u>(11,538,914)</u>	<u>(11,678,057)</u>	<u>139,143</u>
Total net position	<u>\$(9,775,298)</u>	<u>\$(11,061,822)</u>	<u>\$ 1,286,524</u>

Total assets increased this fiscal year by \$1,395,540 when compared to last year. The principal causes of this increase were an increase of \$371,042 in the Current asset, operating grants receivable due to the addition of a new federal grant program in FY2016, offset by a decrease in other current assets of \$122,883. Capital assets, net of depreciation increased \$1,147,381 due to leasehold improvements, furniture, and equipment acquisitions related to the Partnership's main office relocation to the James Center in FY2016.

Fiscal Year 2016 Annual Report

Deferred outflows of resources increased by \$677,508. This increase includes \$118,508 additional employer pension contributions in FY2016 over the prior year, \$470,000 related to the change in proportion and difference between employer pension contributions and proportionate share of contributions, and \$89,000 for the difference between expected and actual experience. These amounts have been recorded in compliance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

Total liabilities increased by \$1,982,524 due to an increase in the Non-current liabilities of the Partnership's net pension liability of \$1,667,000, as well as an increase in net other post-employment obligation of \$190,169, offset by a decrease in compensated absences liability of \$27,358. Other liabilities increased by \$152,713 due to an increase in unearned revenue of \$23,650 related to the timing of participation fees collected for events in the subsequent fiscal year, as well as an increase in other current liabilities of \$129,063 due to the timing of accounts payable transactions.

Deferred inflows of resources decreased by \$1,196,000. This decrease includes \$1,014,000 related to the net difference between projected and actual earnings on pension plan investments, as well as \$182,000 for changes in proportion and differences between employer pension contributions and proportionate share of pension plan contributions. These amounts have been recorded in compliance with GASB 68.

Net investment in capital assets consists primarily of leasehold improvements, furniture, computers and peripheral technology equipment used to deliver program services to clients. The Partnership considers technology a vital asset in its efforts to market Virginia and will continue to invest in technology to ensure that its equipment and software are updated to take advantage of the latest data handling capabilities and increased processing speeds.

The remaining *Net position* balance of (\$11,538,914) is classified as *unrestricted*. The Partnership has recorded \$14,486,529 of net pension liability and other post retirement obligations that are expected to be paid with future appropriations from the COV. The Partnership's Current and other assets exceed its Other liabilities by \$3,430,951.

	<u>Changes in Net Position</u>		<u>Increase (Decrease)</u>
	<u>2016</u>	<u>2015</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 491,135	\$ 462,636	\$ 28,499
Operating grants	2,102,384	1,824,666	277,718
General revenues:			
General Fund appropriations	20,764,353	21,504,351	(739,998)
Other	351,679	191,154	160,525
Total revenues	<u>23,709,551</u>	<u>23,982,807</u>	<u>(273,256)</u>
Expenses:			
Business Expansion	2,637,233	2,570,890	66,343
Business Attraction	2,933,486	3,174,080	(240,594)
International Trade	5,819,915	5,660,438	159,477
Research	2,296,599	2,316,166	(19,567)
Communications and Promotions	1,941,756	3,092,559	(1,150,803)
Information Technology	1,603,280	1,425,711	177,569
Administration	4,090,758	3,591,884	498,874
Pass-Through Payments	1,100,000	1,500,000	(400,000)
Total expenses	<u>22,423,027</u>	<u>23,331,728</u>	<u>(908,701)</u>

Fiscal Year 2016 Annual Report

Increase (Decrease) in net position	1,286,524	651,079	635,445
Beginning net position	<u>(11,061,822)</u>	<u>(11,712,901)</u>	<u>651,079</u>
Ending net position	<u>\$ (9,775,298)</u>	<u>\$(11,061,822)</u>	<u>\$ 1,286,524</u>

Net position for the Partnership increased by \$1,286,524 during the current fiscal year. The total revenues decrease of \$273,256 is due primarily to a reduction in general fund appropriations provided by the COV related to the Governor's budget reductions and pass-through payment funding, offset by additional COV revenue received for the VITAL International Trade program, Governor's marketing missions and a new Partnership brand program. Operating grants revenue increase is due to the addition of a new federal grant program in International Trade for FY2016.

Total expenses for the Partnership decreased by \$908,701. The decrease in spending is primarily due to reductions in international and domestic advertising campaigns in the Communications and Promotions division as part of the Governor's budget reductions, as well as a reduction in pass-through payments. This was offset by increased spending in Administration for severance paid to the former President and Chief Executive Officer.

General and Special Revenue Fund Budgetary Highlights

The *Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual-Cash Basis* is presented to provide information on the budget as originally prepared and the final budget on which the Partnership operated for the fiscal year. Also, the final budget is compared to the cash basis actual results by revenue source and expenditure activity. The Partnership's budget, as originally prepared, included revenue provided by the COV of approximately \$18.7 million. This amount was adjusted by a \$2.0 million increase related to the VITAL program (\$.9 million), brand program (\$.5 million), and Governor's marketing missions (\$.6 million). Operating grants revenues were below budget due to the timing of reimbursement payments for federal grant programs received after June 30, 2016. Actual expenditures were below the final budget by approximately \$4.2 million for the fiscal year. This included \$1.4 million in the International Trade division carried over to FY2017 for the VITAL program and \$1.4 million in the Communications and Promotions division related to advertising and branding (\$.7 million) and Governor's marketing missions (\$.7 million), as well as underspending in the Business Expansion, Business Attraction, Research, and Administration divisions.

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 describe the nature of the Partnership's reporting entity and the relationship to the COV as a whole, the basis on which the financial statements were prepared, and the methods used for presentation. Further, the notes provide explanations of specific accounts with significant balances.

Requests for Information

This financial report is designed to provide a general overview of the Partnership's finances for all those with an interest in the Partnership's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Interim President and Chief Executive Officer, Virginia Economic Development Partnership, P.O. Box 798, Richmond, Virginia, 23218-0798.

Basic Financial Statements

Fiscal Year 2016 Annual Report

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
 STATEMENT OF NET POSITION
 As of June 30, 2016

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 2,295,471
Operating grants receivable	1,088,391
Other receivables	110,014
Prepaid expenses	431,699
Lease deposits (Note 5)	18,889
Capital assets, net of accumulated depreciation (Note 6)	
Leasehold improvements, furniture, and equipment	<u>1,763,616</u>
Total assets	5,708,080
Deferred outflows of resources (Note 9)	<u>1,632,588</u>
Total assets and deferred outflows of resources	<u>7,340,668</u>
Liabilities	
Accounts payable	271,332
Accrued payroll	166,781
Unearned revenue	75,400
Long-term liabilities due within one year	
Compensated absences (Note 8)	556,467
Long-term liabilities due in more than one year	
Compensated absences (Note 8)	336,457
Net pension liability (Note 9)	12,313,000
Net other post-employment obligation (Note 10)	<u>2,173,529</u>
Total liabilities	15,892,966
Deferred inflows of resources (Note 9)	<u>1,223,000</u>
Total liabilities and deferred inflows of resources	<u>17,115,966</u>
Net position	
Net investment in capital assets	1,763,616
Unrestricted	<u>(11,538,914)</u>
Total net position	<u>\$ (9,775,298)</u>

The accompanying notes are an integral part of the financial statements.

Fiscal Year 2016 Annual Report

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
 STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
Governmental Activities				
Business Expansion	\$ 2,637,233	\$ 14,067	\$ 51,250	\$ (2,571,916)
Business Attraction	2,933,486	11,792		(2,921,694)
International Trade	5,819,915	280,792	2,051,134	(3,487,989)
Research	2,296,599			(2,296,599)
Communications and Promotions	1,941,756	181,195		(1,760,561)
Information Technology	1,603,280			(1,603,280)
Administration	4,090,758	3,289		(4,087,469)
Pass-through Payments	1,100,000			(1,100,000)
Total governmental activities	22,423,027	491,135	2,102,384	(19,829,508)
General Revenues				
Revenue provided by the General Fund of the Commonwealth (Note 4)				20,764,353
Interest revenue				12,718
Other revenue				338,961
Total general revenues				21,116,032
Increase in net position				1,286,524
Net position, July 1, 2015				(11,061,822)
Net position, June 30, 2016				\$ (9,775,298)

The accompanying notes are an integral part of the financial statements.

Fiscal Year 2016 Annual Report

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 2)	\$ 2,295,471	\$	\$ 2,295,471
Due from the special revenue funds	1,088,391		
Operating grants receivable		1,088,391	1,088,391
Other receivables	110,014		110,014
Prepaid expenses	431,699		431,699
Lease deposits (Note 5)	18,889		18,889
Total assets	\$ 3,944,464	\$ 1,088,391	\$ 3,944,464
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 271,332		\$ 271,332
Accrued payroll	166,781		166,781
Due to the general fund		1,088,391	
Unearned revenue	75,400		75,400
Total liabilities	513,513	1,088,391	513,513
Fund Balances:			
Nonspendable	450,588	-	450,588
Committed	-	-	-
Unassigned fund balance	2,980,363	-	2,980,363
Total fund balances	3,430,951	-	3,430,951
Total liabilities and fund balances	\$ 3,944,464	\$ 1,088,391	\$ 3,944,464

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances, Governmental Funds	\$ 3,430,951
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,763,616
Noncurrent liabilities (compensated absences, net pension liability and net other post employment obligation) are not due and payable with current financial resources and, therefore, are not reported in the funds.	(14,969,865)
Total net position of governmental activities	\$ (9,775,298)

The accompanying notes are an integral part of the financial statements.

Fiscal Year 2016 Annual Report

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 OF GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Revenue provided by the General Fund of the Commonwealth (Note 4)	\$ 20,764,353	\$ -	\$ 20,764,353
Participation fees	411,097	-	411,097
Sponsorship fees	21,067	-	21,067
Operating grants	51,250	2,051,134	2,102,384
Interest revenue	12,718	-	12,718
Other revenue	397,932	-	397,932
Total revenues	21,658,417	2,051,134	23,709,551
Expenditures			
Business Expansion	2,650,054	-	2,650,054
Business Attraction	2,933,696	-	2,933,696
International Trade	3,756,958	2,051,134	5,808,092
Research	2,287,886	-	2,287,886
Communications and Promotions	1,934,968	-	1,934,968
Information Technology	1,510,961	-	1,510,961
Administration	5,377,454	-	5,377,454
Pass-through Payments	1,100,000	-	1,100,000
Total expenditures	21,551,977	2,051,134	23,603,111
Revenues over expenditures	106,440	-	106,440
Fund balance, July 1, 2015	3,324,511	-	3,324,511
Fund balance, June 30, 2016	\$ 3,430,951	\$ -	\$ 3,430,951

The accompanying notes are an integral part of the financial statements.

Fiscal Year 2016 Annual Report

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net increase (decrease) in fund balance of the governmental funds	\$	106,440
---	----	---------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		1,147,381
---	--	-----------

Some expenses reported in the statement of activities (compensated absences, net pension liability and net other post employment obligation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>32,703</u>
--	--	---------------

Increase in net position of governmental activities	\$	<u><u>1,286,524</u></u>
---	----	-------------------------

The accompanying notes are an integral part of the financial statements.

Fiscal Year 2016 Annual Report

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - CASH BASIS
 GENERAL AND SPECIAL REVENUE FUNDS
 For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		General Fund Actual	Special Revenue Fund Actual	Variances with Final Budget- Positive (Negative)
	Original	Final			
Revenues					
Revenue provided by the General Fund of the Commonwealth (Note 4)	\$ 18,716,050	\$ 20,764,353	\$ 20,764,353	\$ -	\$ -
Participation fees	523,500	585,500	411,097		(174,403)
Sponsorship fees	25,000	25,000	21,067		(3,933)
Operating grants	-	2,428,500	51,250	1,680,093	(697,157)
Interest revenue	4,000	4,000	12,718		8,718
Other revenue	105,000	215,000	287,918		72,918
Total revenues	19,373,550	24,022,353	21,548,403	1,680,093	(793,857)
Expenditures					
Business Expansion	2,704,092	2,771,324	2,627,847		143,477
Business Attraction	3,219,430	3,239,891	2,958,176		281,715
International Trade	4,200,533	7,543,034	3,709,132	2,051,134	1,782,768
Research	2,450,871	2,467,026	2,289,008		178,018
Communications and Promotions	2,236,955	3,572,725	1,939,494		1,633,231
Information Technology	1,528,005	1,537,698	1,492,534		45,164
Administration	3,249,664	5,539,492	5,354,056		185,436
Pass-through Payments	1,100,000	1,100,000	1,100,000		-
Total expenditures	20,689,550	27,771,190	21,470,247	2,051,134	4,249,809
Revenues over (under) expenditures	(1,316,000)	(3,748,837)	78,156	(371,041)	3,455,952
Fund balance, July 1, 2015	1,316,000	3,748,837	2,535,345	-	(1,213,492)
Fund balance, June 30, 2016 (Note 3)	\$ -	\$ -	\$ 2,613,501	\$ (371,041)	\$ 2,242,460

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Virginia Economic Development Partnership (the Partnership) was established on July 1, 1996, by Chapter 638 of the 1995 Acts of Assembly and operates as an authority in accordance with the provisions of Chapter 22 of Title 2.2 of the Code of Virginia. The Partnership's major activities are to encourage, stimulate, and support the development and expansion of the economy of the Commonwealth.

The Partnership is a component unit of the Commonwealth of Virginia. A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The Partnership is an integral part of the reporting entity of the Commonwealth of Virginia; accordingly, the Partnership's financial statements are included in the financial statements of the Commonwealth as a discretely presented component unit.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles. The Statement of Net Position and the Statement of Activities are referred to as "government-wide" financial statements and are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Interfund activity and balances between the General Fund and Special Revenue Fund have been eliminated in the government-wide financial statements. The Statement of Activities shows the extent that direct expenses of governmental functions are offset by program revenues. In cases where certain indirect costs have been allocated to the various divisions by headcount, program expenses will include both direct and indirect costs. Program revenues include charges for services and operating grants. Charges for services are comprised primarily of participation fees and shared mission reimbursements. Operating grants are grants awarded to the Partnership from the federal government and other sources.

The Balance Sheet and the Statement of Revenue, Expenditures, and Changes in Fund Balances are referred to as "governmental fund" financial statements and 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Partnership considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as in accrual accounting. However, debt service payments and expenditures related to compensated absences are only recorded when payment is due. The Partnership reports its activities in governmental funds. The general fund is used for its primary operating fund and accounts for

all financial transactions not accounted for in the special revenue funds. The special revenue funds are used to account for federal grant revenues and related expenditures for operating grants awarded to the Partnership by the federal government. Both the General Fund and Special Revenue Fund are considered major governmental funds.

Fund balances for the Partnership's governmental funds financial statements are classified in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Fund balances are classified as restricted, committed or assigned if the related resources reported in governmental funds have either externally or internally imposed restrictions on their usage. Nonspendable fund balances represent assets such as prepaid expenses and lease deposits that are unavailable to be spent on future operations. The unassigned fund balances represents the remainder of the fund balances funds.

C. Operating Grants Receivable

Operating grants receivable represents the amount due from the federal government for grants that are funded based on reimbursement of expenses paid by the Partnership.

D. Prepaid Expenses

The Partnership's prepaid expenses include amounts paid for promotional activities, other services and portions of insurance premiums for which the economic benefits had not been received as of June 30, 2016.

E. Capital Assets

Capital assets are defined by the Partnership as those assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are valued at estimated market value at the date of donation. Capital assets are comprised of leasehold improvements, furniture, and equipment. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over useful lives of five to ten years.

F. Unearned Revenue

Unearned revenue includes amounts received for sponsorship and participation fees at June 30, 2016, for various events to be held in the next fiscal period.

G. Compensated Absences

Compensated absences represent the amounts of vacation, sick, and compensatory leave earned by the Partnership employees, but not taken at June 30, 2016. Compensated absences were calculated in accordance with GASB Statement No. 16, "Accounting for Compensated Absences." This statement requires the accrual of Social Security and Medicare taxes to be paid by the Partnership on all accrued compensated absences.

H. Pensions

The Virginia Retirement System (VRS) State Employee Retirement Plan is a single employer pension plan that is treated like a cost-sharing plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS State Employee Retirement Plan and the additions to/deductions from the VRS State Employee Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by VRS are reported at fair value.

I. Deferred Inflows and Outflows of Resources

Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period. The deferred outflows of resources have a positive effect on net position similar to assets.

Deferred inflows of resources are defined as the acquisition of net assets applicable to a future reporting period. The deferred inflows of resources have a negative effect on net position similar to liabilities.

J. Budgets and Budgetary Accounting

The Partnership's budget was primarily established by the Appropriation Act as enacted by the General Assembly of Virginia for the fiscal year ended June 30, 2016, which is the second year of the biennium ended June 30, 2016. No payments were made to the Partnership out of the state treasury except in pursuance of appropriations made by law. Payments from the state treasury were deposited into Partnership bank accounts in accordance with the provisions of Chapter 22 of Title 2.2 of the Code of Virginia and expended for purposes as stated in those provisions. The budget is prepared on the cash basis. The budget is prepared collectively to include both the General Fund and Special Revenue Fund.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent deposits not with the Treasurer of Virginia and cash in the Local Government Investment Pool (LGIP) with the Treasurer of Virginia. Cash on deposit is held in demand deposit accounts maintained for operating and payroll costs and is covered by federal depository insurance and carry no significant risk. Cash on deposit includes a deposit in Chinese RMB used to pay the Partnership's international vendors and is valued in U.S. dollars at cost. As of June 30, 2016, the Partnership's holding in this currency was valued at \$13,024. The LGIP funds are held in pooled accounts, are considered cash equivalents and, accordingly, also carry no significant risk as defined by Statement 40 of the Governmental Accounting Standards Board. VEDP deposits are secured in accordance with the provisions of the Virginia Security for Public Deposit Act § 2.2-4400 of the Code of Virginia.

3. RECONCILIATION OF BUDGETARY FUND BALANCE TO GAAP FUND BALANCE

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Cash Basis – General and Special Revenue Funds presents comparisons of the legally adopted budget prepared on the cash basis with actual data prepared on the cash basis. To enhance this comparison, actual data on the cash basis is reconciled to actual data on the GAAP basis as follows:

	<u>Total all Funds</u>
Fund balance, cash basis, June 30, 2016	\$ 2,242,460
Add: Prepaid expenses and other accrued Receivables	1,630,104
Deduct: Accrued expenses and unearned Revenues	<u>(441,613)</u>
Fund balance, GAAP basis, June 30, 2016	<u>\$ 3,430,951</u>

4. REVENUE PROVIDED BY THE GENERAL FUND OF THE COMMONWEALTH

The original appropriation from the General Fund of the Commonwealth has been adjusted as follows:

Original appropriation, Chapter 665	\$ 19,276,464
Add: VITAL Program	950,000
Brand Program	495,000
Governor's Marketing Missions	605,000
Central Appropriations Adjustments	707,193
Deduct: Governor's 7% Budget Reductions	(1,267,607)
FY2016 Other Budget Reductions	<u>(1,697)</u>
Revenue provided by the General Fund of the Commonwealth	<u>\$ 20,764,353</u>

5. LEASE DEPOSITS

The Partnership maintains offices in Tokyo, Japan and Shanghai, China. Each landlord requires a lease deposit as part of the lease agreement for those locations. The Tokyo lease deposit is held in a non-interest bearing account in the amount of 991,800 Japanese Yen and was valued at \$9,450 at June 30, 2016. The Shanghai lease deposit is held in a non-interest bearing account in the amount of 58,776 Chinese RMB and was valued at \$9,439 at June 30, 2016.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

<u>Capital Assets Being Depreciated</u>	<u>Balance June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Leasehold improvements, furniture and equipment	\$ 2,106,847	\$ 1,436,567	\$ (921,875)	\$ 2,621,539
Less: accumulated depreciation	<u>1,490,612</u>	<u>289,186</u>	<u>(921,875)</u>	<u>857,923</u>
Leasehold improvements, furniture and equipment, net of accumulated depreciation	<u>\$ 616,235</u>	<u>\$ 1,147,381</u>	<u>\$ -</u>	<u>\$ 1,763,616</u>

7. COMMITMENTS

The Partnership is committed under various operating leases and office use agreements for office facilities and equipment through May 2027. Expense under these agreements for the fiscal year ended June 30, 2016, amounted to \$1,581,211. A summary of minimum future obligations under these agreements as of June 30, 2016, follows:

<u>Year Ending June 30</u>	<u>Obligations</u>
2017	\$ 460,587
2018	1,231,820
2019	1,268,178
2020	1,362,594
2021	1,405,333
2022-2026	7,934,209
2027-2031	<u>1,567,479</u>
Total future minimum rental payments	<u>\$ 15,230,200</u>

8. COMPENSATED ABSENCES

Compensated absences activity for the fiscal year ended June 30, 2016, was as follows:

<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
\$ 920,282	\$ 613,121	\$ 640,479	\$ 892,924
	Due Within One Year		<u>(556,467)</u>
	Due in More Than One Year		<u>\$ 336,457</u>

9. PENSION PLAN

General Information about the Pension Plan

Plan Description

All Partnership full-time, salaried permanent employees are automatically covered by the VRS State Employee Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. The State Employee Retirement Plan is a single employer plan treated as a cost-sharing employer plan for financial reporting purposes. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS State Employee Retirement Plan – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN

<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • State employees* • Members in Plan 1 or Plan 2

<p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014</p> <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan.</p> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
--	---	---

<p>Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
--	--	---

<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit.</p>

<p>five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>		<p>Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
---	--	--

<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p>Service Retirement Multiplier Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>

		<p><u>Defined Contribution Component:</u> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

		<p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

<p>circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member Is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p>	<p>Disability Coverage State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting</p>

<p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p>Defined Contribution Component: Not applicable.</p>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to the Partnership by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, the 5.00% member contribution was paid by the employer. Beginning July 1, 2012 Partnership employees were required to pay the 5.00% member contribution and the Partnership was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. The Partnership’s contractually required contribution rate for the year ended June 30, 2016 was 12.33% of covered employee compensation for employees in the VRS State Employee Retirement Plan for July 2015, 13.28% for August 2015 and 14.22% for September 2015 through June 2016.

This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the VRS State Employee Retirement Plan was 15.80%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions for the VRS State Employee Retirement Plan were funded at 78.02% of the actuarial rate for the year ended June 30, 2016. Additional funding provided by the General Assembly moved the contribution rate to 90% of the actuarial rate by September 2015 and for the remainder of FY2016. Contributions from the Partnership to the VRS State Employee Retirement Plan were \$1,073,588 and \$955,080 for the years ended June 30, 2016 and June 30, 2015, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Partnership reported a liability of \$12,313,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Partnership’s proportion of the Net Pension Liability was based on the Partnership’s actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015 the Partnership’s proportion of the VRS State Employee Retirement Plan was 0.20111% as compared to 0.19015% at June 30, 2014.

For the year ended June 30, 2016, the Partnership recognized pension expense of \$798,000 for the VRS State Employee Retirement Plan. Since there was a change in proportionate share between June 30, 2014 and June 30, 2015, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016 the Partnership reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 89,000	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	886,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	470,000	337,000
Employer contributions subsequent to the measurement date	<u>1,073,588</u>	<u>-</u>
Total	<u>\$ 1,632,588</u>	<u>\$ 1,223,000</u>

Fiscal Year 2016 Annual Report

\$1,073,588 reported as deferred outflows of resources related to pensions resulting from the Partnership's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30

2017	\$ (325,000)
2018	\$ (304,000)
2019	\$ (190,000)
2020	\$ 155,000

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 2 years and females were set back 3 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with females set back 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of withdrawals for less than 10 years of service
- Decrease in rates of male disability retirement
- Reduce rates of salary increase by 0.25% per year

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2015, NPL for the VRS State Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>State Employee Retirement Plan</u>
Total Pension Liability	\$ 22,521,130
Plan Fiduciary Net Position	16,398,575
Employers’ Net Pension Liability (Asset)	\$ 6,122,555
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.81%

The total pension liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System’s notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
	Inflation		2.50%
	* Expected arithmetic nominal return		8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the Partnership for the VRS State Employee Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Partnership’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Partnership’s proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 7.00%, as well as what the Partnership’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1.00% Increase <u>(8.00%)</u>
Partnership’s proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$ 17,685,000	\$ 12,313,000	\$ 7,808,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at: <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

10. OTHER EMPLOYMENT AND OTHER POST-EMPLOYMENT BENEFITS

The Partnership is a participating employer in other employment and post-employment benefit plans. The Group Life Insurance plan, Virginia Sickness and Disability Program (VSDP) and the Retiree Health Insurance Credit fund are administered by the VRS. The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for these plans. A copy of that report may be obtained by writing to the system at P.O. Box 2500, Richmond, Virginia 23218-2500. The Partnership is also a participating employer in the Health Benefits Program for Retirees, Survivors and Long Term Disability (LTD) Participants administered by the Commonwealth’s Department of Human Resource Management (DHRM). The Commonwealth issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for this plan and a copy of that report may be obtained by writing Financial Reporting, 101 N. 14th Street, Richmond, VA 23219. As of June 30, 2016, the Partnership’s combined net other post-employment benefit obligation for these plans was \$2,173,529.

GROUP LIFE INSURANCE

The Group Life Insurance plan provides life insurance benefits to full time employees of the Partnership. As a part of the plan, life insurance benefits are provided to retired employees in accordance with Title 51.1 of the Code of Virginia (1950), as amended. To be eligible for the retired employee portion of the plan, the employee must have retired or terminated employment after age 50 and have had at least 10 years of service (including 5 years of continuous service) or at age 55 and have had 5 years of continuous service or retired because of disability. At retirement or termination, natural death coverage starts to reduce by 25 percent each year until coverage reaches 25 percent of its value at retirement or termination.

Post-employment life insurance benefits are advance funded on an actuarially determined basis using the aggregate cost actuarial method with the same actuarial assumptions used for determining pension plan contribution rates. All contributions to the plan are made by the Partnership. The Partnership's actuarially determined rate for the current year was 1.19% of creditable compensation of \$7,682,448 resulting in a contribution of \$91,421. This contribution covers premiums for active employees and actual death claims for retirees. As of June 30, 2016, the Partnership had no net post-employment benefit obligation for this plan.

HEALTH INSURANCE CREDIT PROGRAM

The Retiree Health Insurance Credit fund was established on January 1, 1990, and provides benefits to employees with at least 15 years of service credit under the VRS retirement plan. The program provides a maximum credit reimbursement of \$4 per month per year of service credit against the monthly health insurance premiums of eligible retirees.

The amount required to fund all credits is financed on a current disbursement basis by the employers participating in the plan and is based on contribution rates determined by the VRS actuary. The Partnership's actuarially determined rate for the current year was 1.05% of creditable compensation of \$7,675,614 resulting in a contribution of \$80,594. As of June 30, 2016, the Partnership's net post-employment benefit obligation for this plan was \$246,278.

VIRGINIA SICKNESS AND DISABILITY PROGRAM

The VSDP was established on January 1, 1999, and covers salaried employees who work at least 20 hours per week. The VSDP provides income protection to employees for absences due to sickness or disability from the first day on the job. After a 7 calendar-day waiting period following the first incident of disability, eligible employees receive short-term benefits ranging from 60 to 100 percent of compensation up to a maximum of 125 working days, based upon months of qualified service. If the disability continues after the short-term disability period, the employee becomes eligible to receive long-term disability benefits equal to 60 percent of compensation until they return to work, reach normal retirement age, or death, whichever is sooner.

The Partnership is required to make contributions to the VRS for the cost of providing long-term disability under the VSDP. The Partnership's actuarially determined rate for the current year was 0.66% of creditable compensation of \$7,327,940 resulting in a contribution of \$48,365. As of June 30, 2016, the Partnership's net post-employment benefit obligation for this plan was \$405,918.

HEALTH BENEFITS PROGRAM FOR RETIREES, SURVIVORS AND LTD PARTICIPANTS

The Health Benefits Program for Retirees, Survivors and LTD Participants was established to allow eligible employees who retire before age 65 to continue healthcare coverage under the same healthcare plans offered to active employees. This continuation is also available to LTD participants and the spouses of retired employees and LTD participants.

The Partnership's actuarially determined liability under this program arises from the implicit rate subsidies that occur when retirees, LTD participants, and surviving spouses are insured in a group with current employees. The liability is determined by computing expected future benefit pay out cost, less expected future participant contributions. All participants are required to pay the total subsidized contributions for benefits coverage. As of June 30, 2016, the Partnership's net post-employment benefit obligation for this plan was \$1,521,333.

11. DEFERRED COMPENSATION PLAN

Employees of the Partnership may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Partnership matching up to \$20 per pay period. The dollar amount of the match can change depending on the funding available in the Partnership's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were \$32,346 for the fiscal year 2016.

12. RISK MANAGEMENT

The Partnership is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Partnership is insured for these risks through commercial insurance policies. Further, the Partnership is insured for workers compensation and for loss from employee actions by an insurance policy issued by the Chubb Group and the Great Northern Insurance Company. Policy coverage for loss from employee actions is \$50,000 per year with a \$1,000 deductible for each loss.

The Partnership participates in the state health care insurance plan maintained by the Commonwealth of Virginia, which is administered by DHRM. The Partnership pays premiums to DHRM for health insurance coverage. Information relating to the Commonwealth's insurance plan is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

13. LEGISLATIVE CONTINGENCY

The 2016 legislative session passed House Bill No. 858 that created the International Trade Corporation. One of the several enactment clauses would transfer budget and personnel in the Partnership's Trade Division to this new entity on April 1, 2017. The Partnership does not anticipate that this action, if it occurs, would have any material impact on its core mission or operations.

Required Supplementary Information

Required Supplementary Information

**Schedule of Employer's Share of Net Pension Liability
VRS State Employee Retirement Plan
For the Years Ended June 30, 2016 and 2015***

	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	0.20111%	0.19015%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$12,313,000	\$10,646,000
Employer's Covered Payroll	\$7,745,983	\$7,349,371
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	158.96%	144.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.81%	74.28%

Schedule is intended to show information for 10 years. Since 2016 is the second year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

Required Supplementary Information

**Schedule of Employer Contributions
VRS State Employee Retirement Plan
For The Years Ended June 30, 2007 through 2016**

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2016	\$1,073,588	\$1,073,588	\$ -	\$7,675,614	13.99%
2015	\$955,080	\$955,080	\$ -	\$7,745,983	12.33%
2014	\$643,805	\$643,805	\$ -	\$7,349,371	8.76%
2013	\$653,491	\$653,491	\$ -	\$7,459,946	8.76%
2012	\$482,844	\$482,844	\$ -	\$7,338,059	6.58%
2011	\$444,254	\$444,254	\$ -	\$6,751,577	6.58%
2010	\$349,116	\$349,116	\$ -	\$7,005,326	4.98%
2009	\$456,191	\$456,191	\$ -	\$7,322,483	6.23%
2008	\$455,658	\$455,658	\$ -	\$7,409,075	6.15%
2007	\$417,060	\$417,060	\$ -	\$7,265,848	5.74%

Notes to Required Supplementary Information for the Year Ended June 30, 2016

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made for the VRS - State Employee Retirement Plan effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of withdrawals for less than 10 years of service
- Decrease in rates of male disability retirement
- Reduce rates of salary increase by 0.25% per year



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 13, 2016

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
And Review Commission

Board of Directors
Virginia Economic Development Partnership

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the Virginia Economic Development Partnership as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Virginia Economic Development Partnership 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 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.

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, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Virginia Economic Development Partnership as of June 30, 2016, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and Special Revenue Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages three through seven, the Schedule of Employer's Share of Net Pension Liability – VRS State Employee Retirement Plan on page 37, the Schedule of Employer Contributions – VRS State Employee Retirement Plan on page 38, and the Notes to the Required Supplementary Information on pages 38 through 39 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 13, 2016, on our consideration of the Virginia Economic Development Partnership'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. 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 Virginia Economic Development Partnership's internal control over financial reporting and compliance.


AUDITOR OF PUBLIC ACCOUNTS