

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP

Annual Report
Fiscal Year 2017



**VIRGINIA ECONOMIC DEVELOPMENT
PARTNERSHIP AUTHORITY
ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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As Chairman of the Board of Directors, I am pleased to present to you the Annual Report of the Virginia Economic Development Partnership Authority (VEDP) for the fiscal year ending June 30, 2017. This Annual Report is being presented in accordance with the requirements of the *Code of Virginia* and Chapter 836 of the 2017 Acts of Assembly.

Fiscal Year 2017 was a time of great challenge and change and opportunities for VEDP. Indeed, my tenure as Chairman of the Board just began in the Spring of 2017, as a newly reconstituted Board took the reins of VEDP. The new Board is excited about the future opportunities for the Commonwealth of Virginia and VEDP. Further, the Board is grateful for the support and input from the Governor's Administration, the General Assembly, and our regional and local partners in helping to position VEDP to be the best that it can be, in all facets of its operations. I wish to acknowledge the strong leadership of VEDP provided by its new President and Chief Executive Officer, Stephen Moret, and the significant work of the VEDP staff to push forward with VEDP's mission, while dealing with the external and internal challenges brought about by changes at all levels of the organization. I also wish to acknowledge the guidance provided by the former Board and in particular Dan Clemente and Chris Lumsden in offering a steady hand in times of change and in selecting the new President and CEO.

As in FY 2017, FY 2018 will bring significant change to VEDP. These are fluid and exciting times. Although VEDP reorganized its operational structure during FY 2017, additional reorganization is underway, seeking the most appropriate and efficient balance of staffing and duties. The new Board, itself, is working to fulfill its new responsibilities and to integrate its new Advisory Committees into its operations. During FY 2018, VEDP will be unveiling a new Strategic Plan for the Commonwealth. The data backing the Strategic Plan will come from many places and stakeholders including in particular the Economic Growth Strategy initiative instituted in FY 2017.

Our 2017 Financial Statements Report for the year ended June 30, 2017, includes an unqualified audit opinion from the Auditor of Public Accounts, the 21st year in a row that an unqualified opinion has been provided to VEDP. The Auditor also issued a separate report on the Partnership's internal controls and compliance, with no findings identified in this report.

We are confident that VEDP is positioning itself to maximize its ability to be a leader in the economic development community and to execute its mission 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 the best is ahead for business attraction, business expansion, and international trade development in the Commonwealth.

Sincerely,



Vincent J. Mastracco, Jr.
Chairman

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 836, Item 125 D of the 2017 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 836, Items 125 D.1 and D.2 of the 2017 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, 2017 (FY 2017) are attached to this report.

This Annual Report documents the efforts of VEDP in fulfilling its mission during FY 2017. The body of the report is organized by the major components of VEDP's operating Divisions.

VEDP's report and plan to market to high unemployment regions of the Commonwealth 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 836, Item 125 D.1 of the 2017 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 projected 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 VEDP-assisted announcements made between July 1, 2016, and June 30, 2017. 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 5 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 19,352 new jobs will be created, with a total of \$2 billion in new capital investment. Forty-six percent of the announcements were of employers locating in economically distressed areas. VEDP considers localities with higher than average unemployment or higher than average poverty to be economically distressed. These announcements are expected to create over 6,900 new jobs and make capital investments exceeding \$1 billion.

This report is based on announcements of planned manufacturing and basic sector non-manufacturing capital expenditures and associated employment; most of the new facilities announced are not yet in operation. A basic sector company or function is one that derives more than 50% of its revenue from outside of the Commonwealth. While the information indicates the kind of new economic activity occurring in the Commonwealth, it does not measure total employment growth. Information for this report is obtained from VEDP's public and private sector contacts at state, regional and local levels, as well as from published sources and VEDP staff. As with VEDP's counterpart organizations in other states, VEDP generated the lead for some, but not all of the projects

Executive Summary

included in this report. Economic development is a team sport that requires the work and cooperation of a large number of partners, public and private. VEDP considers a “VEDP-assisted” project to be one in which VEDP participated in one or more of the following support activities:

- Lead generation: the opportunity was identified by VEDP
- RFI-RFP response: VEDP received and responded to a request for information or a request for proposals from a client
- Community assistance or planning: VEDP delivered a financial proposal or made a presentation to the client
- VEDP-administered incentives: VEDP supported the project with one or more of its incentive programs or a custom performance grant
- Specialized research: VEDP provided specific or customized research based upon a request from a partner or client
- Coordination with other state agencies: VEDP coordinated with partner agencies to address client questions or concerns
- Site/building recommendations: VEDP, in collaboration with regional and local partners, identified viable real estate options to support the project
- Property tour/client logistics: VEDP coordinated a prospect visit to the community to support the project
- Workforce solution: VEDP developed a workforce solution to support the project

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 serves 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 and readers are directed to that report.

FY 2017 was a year of great challenge and change for VEDP. Through the early part of the Fiscal Year, much time and energy was spent responding to information requests from the Joint Legislative Audit and Review Commission. Latter parts of the Fiscal Year were spent in responding to various aspects of the JLARC report. Further, in the summer of 2016, VEDP reorganized, by (among other things) merging the Business Attraction and Business Expansion divisions. While this and other organizational changes were intended to improve the effectiveness of VEDP, the changes nevertheless have resulted in transitional challenges and strains on the staff. Still further, in November, 2016, the Board selected a new President and CEO for VEDP, Stephen Moret, with the attendant staff needs to prepare for and adjust to a new leader. And still further, in the 2017 session of the General Assembly, legislation was passed to reorganize the VEDP Board, to require a new Division of Incentives, to add an internal audit function, and to add two new Advisory Committees to

Executive Summary

the Board. Throughout FY 2017 and into FY 2018, minor restructurings of the duties and functions of various Divisions has continued.

The overall responses to the challenges and changes have made and will make VEDP stronger and better positioned to be a first-class state economic development organization for the Commonwealth.

Participation in Ongoing Special Initiatives

All of the Divisions of VEDP, have been actively engaged in VEDP's Economic Growth Strategy report and in the development and implementation of VEDP's Strategic Plan, Marketing Plan and Operational Plan. It is expected that these initiatives will become operational in FY 2018.

Partnership Profile

In 1995, the General Assembly created the Virginia Economic Development Partnership Authority (VEDP) to foster increased expansion of the Commonwealth's economy. As a state authority, the Partnership is currently governed by a 17-member Board. In accordance with the reorganization legislation, which took effect in the Spring of 2017, the current Board is comprised of:

- Six *ex officio* members: the Secretary of Commerce and Trade, the Secretary of Finance, the Chairman of the Virginia Growth and Opportunity Board, the Executive Director of the Virginia Port Authority, and the Staff Directors of the House Committee on Appropriations and the Senate Committee on Finance
- Seven nonlegislative citizen members appointed by the Governor; and
- Four nonlegislative citizen members appointed by the General Assembly's Joint Rules Committee

A listing of the current Board members is provided on the following pages, as is a listing of Board members prior to the Spring 2017 reorganization.

The President and Chief Executive Officer of VEDP is employed by the Board to oversee the fulfillment of VEDP's mission.

Functions

As a business development and marketing organization, VEDP encompasses the following aspects of economic development: business investment and expansion, workforce development, international trade, economic competitiveness, research, and communications and promotions.

Offices

The offices from which VEDP conducts its operations are listed below.

FY 2017 Performance Metrics

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.

Partnership Profile

FY 2017 Key Performance Measures			
Performance Measure	FY 2017 Goal	FY 2017 Expected Results	% of Measure
Investment by new or existing companies	\$2.8 billion	\$2.047 billion*	73%
New jobs created by new or existing companies	13,500	19,352*	143%
Companies actively counseled or participating in trade events	350	348	99%

* These are the expected results from the VEDP-assisted projects announced in FY 2017. All projects undertaken by VEDP involve coordination and cooperation with our state, regional and local partners, public and private. To be a “VEDP-assisted project,” VEDP must have participated in one or more of the following support activities:

- Lead generation: the opportunity was identified by VEDP
- RFI-RFP response: VEDP received and responded to a request for information or a request for proposals from a client
- Community assistance or planning: VEDP delivered a financial proposal or made a presentation to the client
- VEDP-administered incentives: VEDP supported the project with one or more of its incentive programs or a custom performance grant
- Specialized research: VEDP provided specific or customized research based upon a request from a partner or client
- Coordination with other state agencies: VEDP coordinated with partner agencies to address client questions or concerns
- Site/building recommendations: VEDP, in collaboration with regional and local partners, identified viable real estate options to support the project
- Property tour/client logistics: VEDP coordinated a prospect visit to the community to support the project
- Workforce solution: VEDP developed a workforce solution to support

Partnership Profile

Board of Directors, Following the Spring 2017 Reorganization:

Vincent J. Mastracco, Jr., Chair Norfolk, Virginia	Chris A. Lumsden, Vice Chair South Boston, Virginia
Carrie H. Chenery Staunton, Virginia	C. Daniel Clemente, Chair Vienna, Virginia
Heather Engel Suffolk, Virginia	Gregory B. Fairchild Charlottesville, Virginia
William Hayter Abingdon, Virginia	Ned W. Massee Midlothian, Virginia
Dan M. Pleasant Danville, Virginia	Xavier R. Richardson Fredericksburg, Virginia
Carlos Tapias Dublin, Virginia	

Ex-Officio Members of the Board:

The Honorable Richard D. Brown, Secretary of Finance

The Honorable Todd P. Haymore, Secretary of Commerce and Trade

John O. (“Dubby”) Wynne, Chairman of the Virginia Growth and Opportunity Board,

John F. Reinhart, Chief Executive Officer and Executive Director of the Virginia Port Authority

Betsey Daley, Staff Director of the Senate Committee on Finance

Robert Vaughan, Staff Director of the House Committee on Appropriations

As of June 30, 2017, the membership of the Board’s new Committee on Business Development and Marketing and its new Committee on International Trade had not yet been selected.

Partnership Profile

Board of Directors, Prior to Spring 2017 Reorganization:

C. Daniel Clemente, Chair Vienna, Virginia	Vincent J. Mastracco, Jr., Vice Chair Norfolk, Virginia
Stephen R. Adkins Charles City, Virginia	Edie M. Bowles Richmond, Virginia
Valerie K. Brown Chesapeake, Virginia	Russell B. Clark Charlotte, Virginia
Lee Coburn Glade Spring, Virginia	Elizabeth H. Crowther Saluda, Virginia
William D. Euille Alexandria, Virginia	Mark D. Heath Martinsville, Virginia
William B. Holtzman Mount Jackson, Virginia	David Hudgins Glen Allen, Virginia
H. Michael Ligon Richmond, Virginia	Chris A. Lumsden South Boston, Virginia
Ned W. Massee Midlothian, Virginia	Dan M. Pleasant Danville, Virginia
John G. Rocovich, Jr. Roanoke, Virginia	Samuel A. Schreiber McLean, Virginia

Ex-Officio Members of the Board:

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

Partnership Profile

Central Office

Richmond Office – Headquarters

901 East Cary Street, Suite 900

P.O. Box 798

Richmond, Virginia 23218

Telephone: (804) 545-5600

Other Virginia Offices

Eastern Region - Trade

Norfolk, Virginia 23510

Telephone: (757) 314-2129

Eastern Region – VJIP

Portsmouth, Virginia

(757) 334-1258

Northern Region – Trade and VJIP

Tysons Corner, Virginia 22182

Telephone: (703) 506-9742

Northwest Region - Trade

Winchester, Virginia 22602

Telephone: (540) 490-1566

South Central Region - Trade

Salem, Virginia 24153

Telephone: (540) 387-2562

South Central Region - VJIP

Roanoke, Virginia

Telephone: (804) 839-3946

Southwest Region - Trade

Abingdon, Virginia 24211

Telephone: (276) 623-1536

Southwest Region – Business Investment

Wise, Virginia

Telephone: (276) 730-4709

Southwest Region – VJIP

Bristol, Virginia

(276) 730-4717

Valley Region – VJIP

Staunton, Virginia

(804) 921-0002

International Offices

China - Trade

Room 3012, 3/F, Silver Court Tower

No. 85 Tao Yuan Road

Huangpu District, Shanghai

P.R. China 200021

Telephone: 86-21-6157-7331

Japan

14th Floor, Kamiyacho MT Building

4-3-20, Toranomon

Minato-ku, Tokyo 105-0001

Japan

Telephone: 81-3-5404-3424

Republic of South Korea

22F, Seoul City Tower

110, Huam ro Jung-Gu

Seoul, 04637 Korea

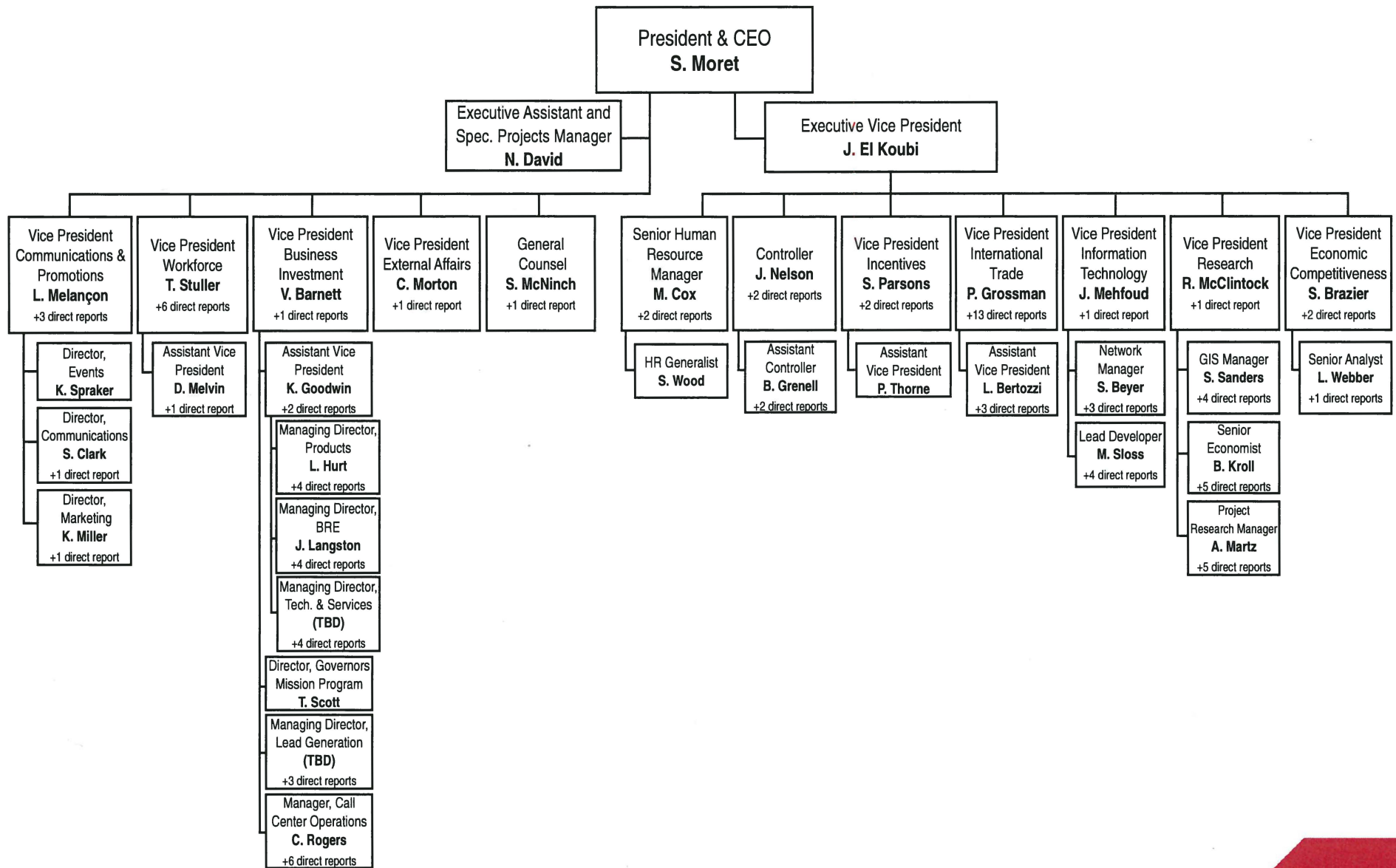
Telephone: 822 6399 7761

Partnership Profile

Organization Chart

Provided on the next page is a working draft of the organizational chart for VEDP, reflecting the structure of VEDP as of the fall of 2017. This differs from the structure in place after the summer of 2016 reorganization and the structure in place at the end of FY 2017.

VEDP ORGANIZATIONAL CHART



Business Investment

Early in FY 2017, the former Business Attraction and Business Expansion Divisions of VEDP were merged into the new Business Investment Division. It is the mission of this Division to aggressively market Virginia to domestic and international companies to secure investment and job creation for new business facilities in Virginia, and to encourage the growth and expansion of existing Virginia businesses.

This Division includes five teams:

- the Lead Generation Team, which focuses on attracting new investment opportunities from domestic U.S. companies and international companies;
- the Products Team, which focuses on new and expanding opportunities in the manufacturing and logistics sectors;
- the Technology and Services Team, which focuses on new and expanding opportunities in the technology and business services sectors;
- the Business Retention and Expansion Team, which provides a systematic approach for proactive communication with Virginia's existing businesses to better understand challenges and obstacles for growth; identify opportunities to improve Virginia's business climate; create supply chain opportunities; and increase and assist with retention and expansion projects;
- the Call Center Team, which supports VEDP's lead generation efforts by, among other things, making direct early contact with companies that may wish to do business in Virginia. The call center performs telemarketing outreach to support lead generation efforts through appointment setting services.

In addition, the support for the Governor's Marketing and Trade Missions now comes out of the Business Investment Division. VEDP enlists the Governor's participation in these missions as a strategic component to Virginia's aggressive and pro-active approach to economic development. Prior to the reorganizations in FY 2017, this function and the Call Center function were housed in the Communications and Promotions Division.

FY 2017 Accomplishments

In FY 2017, there were 144 "Decisions for Virginia" announced by the Business Investment Division. All projects undertaken by the Business Investment Division involve coordination and cooperation with our state, regional and local partners, public and private. In each of these 144 projects, VEDP participated in one or more of the following support activities:

- Lead generation: the opportunity was identified by VEDP
- RFI-RFP response: VEDP received and responded to a request for information or a request for proposals from a client
- Community assistance or planning: VEDP delivered a financial proposal or made a presentation to the client
- VEDP-administered incentives: VEDP supported the project with one or more of its incentive programs or a custom performance grant

Business Investment

- Specialized research: VEDP provided specific or customized research based upon a request from a partner or client
- Coordination with other state agencies: VEDP coordinated with partner agencies to address client questions or concerns
- Site/building recommendations: VEDP, in collaboration with regional and local partners, identified viable real estate options to support the project
- Property tour/client logistics: VEDP coordinated a prospect visit to the community to support the project
- Workforce solution: VEDP developed a workforce solution to support the project.

These 144 project announcements are expected to generate more than 19,000 new jobs and \$2 billion in capital investment.

The Business Investment Division planned and participated in more than 60 domestic and international lead generation activities targeting site selection consultants and senior corporate prospects. 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:** This is the largest gathering of Corporate Real Estate professionals. The event is also well attended by site consultants. Over 2,500 corporate real estate executives attend to learn new and creative CRE solutions and to network with colleagues from around the world.
- **Craft Brewers Conference and Expo:** This is 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.
- **Site Selectors Guild Annual Conference:** The Site Selectors Guild is the only association of the world's foremost professional site selection consultants. Guild members provide location strategy to corporations across the globe and for every industry, sector, and function. Founded in 2010, the Site Selectors Guild is dedicated to advancing the profession of international corporate site selection by promoting integrity, objectivity, and professional development. Members are peer-nominated, vetted, and must demonstrate significant, professional location advisory experience. Guild membership is the highest standard in the site selection industry.
- **RILA's 2017 Retail Supply Chain Conference:** At this conference, about 1,500 supply chain professionals from all over the country convened, 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.
- **SelectUSA Summit:** This is 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.

Business Investment

- **RSA Conference:** This is the standout information technology/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.

Through the Business Investment Division, VEDP planned and executed 8 Governor-led marketing missions in FY 2017:

- Israel & Farnborough – July 8-13, 2016
- Japan, South Korea, Singapore & Australia – November 13-22, 2016
- California – January 8-10, 2017
- California – February, 14-15, 2017
- Florida – April 10, 2017
- Mexico – May 1-4, 2017
- New York & Texas – May 9-11, 2017
- Europe – June 18-30, 2017

Participation in Ongoing Special Initiatives

Together with other Divisions of VEDP, BI has been actively engaged in VEDP's Economic Growth Strategy report and in the development and implementation of VEDP's Strategic Plan, Marketing Plan and Operational Plan. It is expected that these initiatives will become operational in FY 2018.

Illustrative Projects

The following five projects are illustrative of the successful economic development projects that the Business Investment Division worked in FY 2017, reflecting small projects, large projects, new businesses to Virginia, expansions of Virginia businesses, and projects around the Commonwealth in a variety of industries:

Amazon Web Services, Inc.: Amazon Web Services will expand its presence in the Commonwealth with a new East Coast corporate campus in Fairfax County. Amazon Web Services plans to create up to 1,500 new jobs and to invest approximately \$84.6 million. This was a lead generated by VEDP, from its ongoing relationship with Amazon on a variety of projects across the Commonwealth. Among other things, VEDP assisted with the development of an incentive package, approved by the Major Employment and Investment Project Approval Commission, to encourage the company to make this Decision for Virginia.

CoStar Group: CoStar Group is establishing a new research and software development center in the City of Richmond. The company plans to create up to 732 new jobs and to invest approximately \$8.17 million. The primary lead-source for this impactful announcement was the Greater Richmond Partnership. VEDP assisted with workforce solutions, coordination with other state agencies and the development of an incentive package.

Business Investment

Novatech Group: Novatech Group (a Canadian company) is establishing its first U.S. manufacturing operation in Henry County. The project involves a capital investment of approximately \$3 million and the creation of up to 50 new jobs. This lead was generated by VEDP, through our ongoing outreach to site selection consultants. VEDP assisted with site selection, including tours by the company of sites across the Commonwealth that would meet its criteria, and with the development of an incentive package meeting the needs of the Commonwealth and the company.

Peet's Coffee and Tea: Peet's Coffee will invest approximately \$58 million and create up to 135 new jobs in support of its new East Coast manufacturing operation in the City of Suffolk. This lead came to VEDP through a site selection consultant with whom VEDP has cultivated a strong relationship. VEDP participated by arranging for the company to tour several sites in central Virginia and Hampton Roads and coordinating an acceptable incentive package.

Shamrock Farms: Shamrock Farms has chosen to expand its milk and dairy operations in Augusta County. The expansion will double its operations in Augusta County and involve a capital investment of approximately \$24 million and the creation of up to 70 jobs. As is typical for expansions of existing operations, the lead for this opportunity came from the locality. VEDP assisted by offering workforce solutions, coordinating with other state agencies and offering an incentive package.

International Trade

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

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

FY 2017 Accomplishments

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 Commonwealth resources, private-sector expertise, and business planning to assist Virginia companies to become export-ready and to actively sell their products and services internationally. The VALET program has now entered its 15th year in operation, graduating 22 companies in FY 2017. Graduates of the program in FY 2017 experienced, on average, a 54% increase in export sales during their two-year participation.

Going Global Defense Initiative (GGDI); Go Global with Coal and Energy Technology

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 Department of Defense revenue streams for Virginia's defense companies, which, in turn, preserves jobs and replaces declining state tax revenues. In its fourth year, the GGDI enrolled 46 defense companies in pursuit of new international business. There is a similar Go Global with Coal and Energy Technology program which helps coal and energy technology companies in the area served by the Virginia Coalfield Economic Development Authority find new markets for their goods and services.

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

Trade Missions & Trade Shows: The International Trade Division arranges trips for several companies to travel together to meet face-to-face with potential customers. 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 2017, International Trade conducted 9 trade missions internationally to promote Virginia products and services, with 59 companies participating. International Trade also exhibited at 12 international trade shows with 68 companies participating.

INTERNATIONAL TRADE HIGHLIGHTS

- ◆ 22 Companies graduated from VALET.
- ◆ VEDP's GGDI enrolled 46 defense companies in its fourth year.
- ◆ VEDP completed 388 market research projects for Virginia companies.
- ◆ VEDP led 9 Trade Missions with 59 companies participating.
- ◆ VEDP exhibited at 12 international trade shows with 68 companies participating.

International Trade

Market Research: International Trade's team of research experts performs a variety of market research services for Virginia companies. International Trade provides international research through a Global Network of in-country consultants covering 70+ countries. In FY 2017, the International Trade Division completed 388 market research projects to help Virginia companies enter a market, find a local partner, and manage shipping, legal and payment issues.

Virginia Conference on World Trade: Each fall, VEDP hosts the Virginia Conference on World Trade. In FY 2017, the conference theme was International Business: Strengthening your Future. The program highlighted business opportunities for Virginia companies abroad, and attracted more than 280 attendees.

Separate Virginia International Trade Corporation

In the 2017 General Assembly session, the General Assembly did not act on the transfer of the international trade functions of VEDP into a new Virginia International Trade Corporation. VEDP continues its work to integrate international trade into the other functions of VEDP in a more robust manner.

Participation in Ongoing Special Initiatives

Together with other divisions of VEDP, International Trade has been actively engaged in VEDP's Economic Growth Strategy report and in the development and implementation of VEDP's Strategic Plan, Marketing Plan and Operational Plan. It is expected that these initiatives will become operational in FY 2018.

Economic Competitiveness

In the VEDP reorganization in the summer of 2016, VEDP established the Competitive Initiatives division, focused on three major components: Strategic Ventures, Sustained Growth, and Community Engagement. Prior to this, no team with a distinct focus on economic competitiveness or strategy development had existed within VEDP.

From the summer 2016 reorganization through the rest of FY 2017, the Division housed the administration of the Sustained Growth initiative, launched as a result of the Virginia Sustained Growth Study mandated by Senate Joint Resolution 242 passed during the 2015 General Assembly Regular Session. The sustained growth initiative, funded by a distinct allocation of funds from the General Assembly, was conceived to provide consulting services to small and medium-sized enterprises poised for growth. Early in FY 2018, this initiative was transferred to the new Business Retention and Expansion (BRE) team in the Business Investment Division.

In the summer 2016 reorganization, staff were transferred to the Division to support the Strategic Ventures and Community Engagement functions. Initially, the Strategic Ventures team was envisioned as an internal “think tank” for VEDP, focusing on internal organizational issues, including the development of an improved approach to talent management, as well as the development of a target industry economic growth strategy. VEDP’s Community Engagement Coordinator focused on facilitating familiarization tours in each region of Virginia for VEDP staff and served as one of the central points of contact for economic development partners. This community engagement function has now, in FY 2018, become part of the external affairs initiative under the new Vice President of External Affairs.

Beginning in the first quarter of FY 2018, the Division was restructured as the Economic Competitiveness Division. The Economic Competitiveness Division is now focused on strategic and operational planning, tracking and improving Virginia’s standing in national business climate rankings, and developing key policy and programmatic initiatives aimed at strengthening Virginia’s economic competitiveness. In focusing on improving the Commonwealth’s economic competitiveness, the Division now has six core distinct areas of focus:

- **Operational and strategic planning:** The Division leads VEDP’s targeted, strategy-based planning efforts, coordinating updates to VEDP’s Operational Plan annually and VEDP’s strategic plan biennially. In addition, the Division fulfills core reporting and communications functions, disseminating to the Board, VEDP staff, and external stakeholders progress updates on items relevant to these planning efforts.
- **Economic sectors:** The Division focuses public policy and programmatic initiatives to understand and exploit regional employment and output concentrations by industry, function, and occupation.
- **Human capital:** The Division focuses on talent production, attraction, and retention, and in methodologies for improving the labor market’s effectiveness by matching this talent to job openings and opportunities.
- **Innovation and entrepreneurship:** Through policy and programmatic initiatives, the Division will work to strengthen Virginia’s performance across each of the components of the innovation and entrepreneurship pipeline, including idea generation and research and

Economic Competitiveness

development, commercialization, start-up and early company generation and support, and identification and support of growth companies.

- **Business climate:** The Division will envision opportunities from improving the general business environment in the Commonwealth, including the cost of doing business and tax competitiveness.
- **Physical and virtual infrastructure:** The Division will offer insights into improving the Commonwealth's site and building inventory, as well as linkages in the movement of goods, people, and information.

FY 2017 Accomplishments

In its first year, the Economic Competitiveness Division was responsible for executing major planning efforts, in addition to managing several key initiatives and programs, as outlined below.

- **Operational Plan:** The division managed the writing and editing of the FY 2018 Operational Plan, laying out in detail VEDP's major initiatives, the ongoing activities and tactics for each team, and the agency's overall performance goals for the year. The Division is responsible for the ongoing monitoring of progress against each activity outlined in the plan and for reporting on this progress to executive leadership and the Board of Directors.
- **Strategic Plan:** The Division managed the development of VEDP's first comprehensive five-year strategic plan (to be completed by December 1), including the development of targeted, actionable strategies and initiatives and agency performance metrics. In keeping with the recommendations of Joint Legislative Audit and Review Commission (JLARC), the Division ensured that the plan was developed with ample stakeholder feedback, facilitating all outreach and input-gathering efforts.
- **Economic Growth Strategy:** To inform the Strategic Plan, the Division managed VEDP's contract with the consulting firms that developed the target industry strategy and its accompanying initiatives.
- **National Rankings Initiative:** In close collaboration with the Virginia Chamber of Commerce and the Virginia Tech Pamplin College of Business, VEDP analyzed the reasons behind Virginia's decline in major national business rankings and identified a set of initiatives that would improve Virginia's performance.
- **Responding to JLARC Recommendations:** The Division provided extensive support to VEDP's attempt to thoroughly respond to JLARC's November 2016 performance audit, outlining VEDP's efforts to reform its operations in keeping with a substantial majority of the recommendations.
- **Sustained Growth:** As a result of the Sustained Growth Study, VEDP launched an Economic Gardening program in partnership with the Edward Lowe Foundation. Approximately a dozen high-growth companies have been selected and are participating in the program.

ECONOMIC COMPETITIVENESS

HIGHLIGHTS

- ◆ Development of FY18 operational plan and new strategic plan, pursuant to new statutory requirements
- ◆ Full launch of the first phase of the Economic Gardening Program, the product of the Virginia Sustained Growth Initiative
- ◆ Launch of a comprehensive economic growth strategy for the Commonwealth and its regions
- ◆ Launch of a long-term national rankings program

Economic Competitiveness

- **Community Engagement:** Prior to the move in FY 2018 of VEDP's community outreach efforts under the wing of the new Vice President of External Affairs, the Economic Competitiveness Division managed all outreach efforts with VEDP's economic development partners, including the scheduling of familiarization tours to improve VEDP staff's understanding of the assets and economic driver companies and industries in each region.

Communications & Promotions

VEDP plans, executes and manages various marketing outreach initiatives. In FY 2017, the Communications and Promotions Division of VEDP (C&P) continued its work on a researched-based branding study, the results of which will be rolled out in FY 2018. C&P 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. Through C&P staff, VEDP maintained an electronic marketing presence at YesVirginia.org and ExportVirginia.org and through the YesVA mobile application. In addition, C&P utilized social media to target individuals seeking information specifically related to economic development topics, thereby increasing dialogue with prospects and delivering value-driven communications. C&P staff produces requisite marketing brochures and collateral materials, develops and executes strategic marketing campaigns that support VEDP's strategic marketing initiatives, as well as manages special marketing events and industry trade show participation.

In the FY 2017 restructurings of VEDP, the call center function and the implementation of the Governor's marketing and trade missions were moved from the C&P Division to the Business Investment Division. Internal restructurings in the C&P Division continue, to maximize the resources available to this important function.

FY 2017 Accomplishments

Brand Study: VEDP continued work on a research-based branding study to create a new VEDP brand identity, new strategies and tactics, consistent messaging and better ways to communicate with Virginia businesses, prospects, allies, leaders, and citizens. The research phase was conducted in FY 2016 and FY 2017, 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. Strategies for implementing the new brand were developed in FY 2017. It is expected that the new brand will launch in FY 2018.

Event and Tradeshow Collaboration: VEDP continues to collaborate with its state, regional and local economic development partners at events and target industry tradeshows. The CoreNet Global Summit & Reception, Retail Industry Leaders Association conference, the Industrial Asset Management Council (IAMC) events, the Craft Brewers Conference and the SelectUSA Investment Summit are examples of events and tradeshows at which C&P managed VEDP's presence, in coordination with VEDP's partners. Further, C&P managed and coordinated VEDP's presence at various hospitality events in key geographic markets, where a combined economic development effort was on display helping to tell the Virginia story to corporate decision makers.

Social Media Highlights: C&P continued an aggressive social media marketing strategy, using this medium to dialogue with economic development partners and business prospects. VEDP has continued to increase audience engagement across all platforms, including Facebook, LinkedIn and Twitter. The YesVA mobile application, which is managed by C&P, continues to be a successful means of communicating with our partners, site location consultants and corporate decision makers.

Communications & Promotions

Public Relations and Communications: In FY 2017, C&P drafted and executed Governor's press releases and VEDP press releases for announcements related to VEDP and its projects; coordinated and advanced numerous Governor and/or Secretary of Commerce and Trade announcements, ground-breakings or grand opening events; and drafted articles for publication in leading economic development and trade magazines.

In addition, VEDP published and sent out editions of the YesVirginia Insider newsletter and the Commerce Quarterly, to interested stakeholders.

Website Management: Throughout FY 2017 and into FY 2018, work has continued on a new design for yesvirginia.org, which is VEDP's main marketing website. Combining increased content, a new design and the new VEDP branding, the revised website will go live in FY 2018. Further, throughout FY 2017 and into FY 2018, work has continued on enhancing the website used to track economic development incentives offered by VEDP and other state entities. This revised design will enhance transparency for incentives management. As with the main marketing website, the revised incentives website will go live in FY 2018.

Participation in Ongoing Special Initiatives

Together with other Divisions of VEDP, C&P has been actively engaged in VEDP's Economic Growth Strategy report and in the development and implementation of VEDP's Strategic Plan, Marketing Plan and Operational Plan. It is expected that these initiatives will become operational in FY 2018.

Workforce Development

As part of the VEDP reorganization in early FY 2017, VEDP established the new Workforce Development Division. Key among initial goals were to more effectively represent Virginia's workforce development capabilities to existing and new businesses to support economic development projects; and to better represent the needs of business to workforce system partners. These efforts help to enable the right talent pipeline for Virginia businesses. The division also markets and administers the Virginia Jobs Investment Program (VJIP). The VJIP incentive provides a cash grant to employers to offset recruitment and training costs associated with economic development projects. Workforce Business Managers are deployed regionally, aligning with the workforce, higher education, and economic development partners serving each regional economy.

FY 2017 Accomplishments

Business Managers interact directly with Virginia companies, serving as a key resource for clients. In FY 2017, working collaboratively with local partners, and VEDP colleagues, Business Managers led 50 new projects resulting in over 6,000 new jobs and \$390 million in new capital investment. Business Managers participated in numerous other client projects as well. In total, in FY 2017, the Division worked on 450 active, potential, or now completed projects. The VJIP program provided grant funding in excess of \$6.5MM, to support new job creation or the retraining of over 8,400 Virginians. VJIP-served companies were in a range of industry sectors in 77 localities across the Commonwealth. Approximately 54% of businesses that received VJIP support were small businesses. Workforce Business Managers gave more than 180 presentations to businesses, workforce partners, and stakeholders to market Workforce resources and VJIP.

A number of staffing changes occurred as part of the creation of the new Division to strengthen and enhance capabilities and capacity, including:

- Establishing a Vice President for the Workforce Division
- Establishing a new leadership position, Assistant Vice President, which provided a promotional growth and development opportunity, and was filled from within the team
- Successful recruitment to fill a newly established position, Workforce Business Analyst, to enhance workforce analytics and marketing capability
- Successful recruitment of a new Business Manager to serve Southwest Virginia
- Successfully integrating two other VEDP-internal transfers to fill key positions

Participation in Ongoing Initiatives

During the year, Workforce Division leadership was more fully integrated into VEDP operational activities including PRACC and other integrated project review meetings and activities. The Workforce Development Division has been actively engaged in VEDP's Economic Growth Strategy and in the development of VEDP's Strategic and Operational Plans. Through these activities the team has done much work assessing and outlining potential solutions to continue to enhance Virginia's competitiveness.

Division of Incentives

VEDP began to formalize the administration and management of economic development incentives with dedicated staffing early in FY 2017. The Division of Incentives formally came into being with the reorganization legislation in the Spring of 2017. Early in FY 2018, the full staffing of the Division, with four employees, was put into place.

The Division has as its purpose the effective and efficient administration and management of economic development incentives managed by VEDP. With the reorganization legislation, the Division will also coordinate economic development incentives administered by other state agencies and localities, if those incentives are being used in conjunction with VEDP-administered incentives.

In FY 2018, the Division will begin to oversee the Project Review and Credit Committee (PRACC), which was originally put into place in the middle of FY 2016. The Division will work closely with the Vice President of External Affairs and the Business Investment Division to seek the approval of the Major Employment and Investment Project Approval Commission, when appropriate, on incentive packages needing the Commission's approval, and to seek input on issues impacting economic development in the Commonwealth.

Incentive Philosophy

The Division of Incentives continues to consider these factors, among others, when determining whether to recommend discretionary incentives:

- alignment with strategic sectors and state/local strategies
- potential community impact
- maximization of community wealth
- diversification of the job base and the tax base
- solving a competitive need
- establishing a competitive advantage
- leveraging other state resources
- advancement of the quality of life

Project Review and Credit Committee (PRACC)

When a complete application package is received for an economic development incentive, research is undertaken on the company by the Division of Incentives, including a financial analysis, and a risk assessment. The due diligence required for the risk assessment is completed prior to an incentive offer being made to the project company. The Division of Incentives will work with the Research Division to calculate a return on investment of the project, and the Business Manager will prepare a project summary for review by PRACC.

The purpose of PRACC is to formalize the review process as a part of VEDP's due diligence. The PRACC members discuss and make determinations as to whether (1) the project is a good use of the grant funds, (2) the amount of the grant to be awarded is appropriate, (3) the length of the

Division of Incentives

performance period is based on company/locality projections and is appropriate, (4) whether milestones are to be reached for the scheduled payments, and (5) other pertinent aspects of the project. PRACC members review the elements of the project, consider strategic, competitive, and financial implications to the locality and the company, and evaluate the risk assessment and ROI analysis. In their review, the members consider the value of the project to the Commonwealth, the locality and region, and to the prospective grantee. If the project presents moderate or high risk to the Commonwealth, PRACC will typically structure the incentive package so that incentives are paid only after certain performance milestones have been achieved, which milestones are likely to lead to an expected revenue stream for the Commonwealth.

All projects receiving the following discretionary incentives from VEDP are reviewed by PRACC, regardless of size, name recognition, or locality:

- ✓ Commonwealth's Opportunity Fund (COF)
- ✓ Virginia Investment Partnership Grant
- ✓ Virginia Economic Development Incentive Grant
- ✓ Major Eligible Employer Grant
- ✓ Custom Performance Grants

The 10 voting members of PRACC include:

- President and CEO
- Executive Vice President
- General Counsel
- Vice Presidents of the Divisions of Business Investment, Research, and Incentives
- Assistant Vice Presidents of Business Investment and Incentives
- Senior Economist
- Executive Director of the Virginia Small Business Financing Authority

Monitoring and Verification of Performance

The Division of Incentives actively follows-up with grantee companies, typically on an annual basis, to determine each company's level of achievement of its performance metrics. The performance metrics often include a certain level of capital investment and the creation and maintenance of a certain number of new jobs at a certain wage rate.

The Division continues the VEDP practice of verifying capital investment with the local taxing authorities. A provision in the reorganization legislation may make it easier for VEDP to verify the capital investment with the local taxing authorities. Further, the Division continues the VEDP practice of verifying new jobs with the Virginia Employment Commission.

Division Priorities

Starting in FY 2017, and continuing into FY 2018, the Division of Incentives will focus on:

Division of Incentives

- the optimization of the efficiency and effectiveness of incentives administration, throughout the lifecycle of incentive awards;
- strengthening or developing new guidelines, policies and procedures to meet the needs of the incentive programs, in light of recommendations from JLARC and mandates from the General Assembly;
- developing consistent policy options for a variety of incentive-related topics, including for requested extensions of performance dates for incented projects;
- working with the Vice President of External Affairs, as needed, to coordinate legislative changes to the incentive programs, to improve efficiency and performance tracking; and
- enhancing incentive administration, so that Virginia will be ranked among the top 5 – 10 most transparent states for incentive monitoring and reporting, with the Division of Incentives recognized as one of the top performers in the United States.

APPENDIX 1:

High Unemployment Areas Report and Strategy

Appendix 1

PLAN FOR MARKETING HIGH-UNEMPLOYMENT AREAS OF VIRGINIA

As part of its annual report, VEDP is charged with presenting a plan for marketing high-unemployment areas of Virginia in the coming year and reporting on efforts conducted the previous year to market these high-unemployment areas of Virginia. This section, Appendix 1, will address this charge and additional concepts for marketing Virginia's high-unemployment and/or most economically challenged regions.

The first step in this process is to define "high-unemployment" and "areas." To provide a consistent definition of "high-unemployment," VEDP used the same criteria as is required by Section 58.1-439 of the Code of Virginia for the Major Business Facility Job Tax Credit. As outlined in the referenced code section, localities are considered "economically distressed" if their unemployment rate is at least 0.5 percent higher than the statewide average. Therefore, since the 2016 average unemployment rate for Virginia was 4.0 percent, VEDP will consider any area with 4.5 percent or higher unemployment a "high-unemployment" area.

For purposes of VEDP's initiatives, and subsequently this report, VEDP identifies "areas" in the context of Economic Development Organization (EDO) regions. Identifying high-unemployment areas at the EDO regional level aligns with VEDP's strategic partnership model.

There are five EDO regions that meet the criteria as outlined above: Virginia's e-Region, encompassing Lee, Scott, Wise, Dickenson, Buchanan, Russell and Tazewell Counties and the City of Norton; Virginia's Industrial Advancement Alliance, including Smyth, Bland, Grayson, Wythe and Carroll Counties and the City of Galax; Southern Virginia Regional Alliance including Halifax, Patrick and Pittsylvania Counties and the City of Danville; Virginia's Growth Alliance which includes the Counties of Buckingham, Cumberland, Charlotte, Amelia, Prince Edward, Nottoway, Lunenburg, Mecklenburg, Brunswick, Greensville and the City of Emporia; and Lynchburg Regional Business Alliance which includes the Counties of Bedford, Campbell, Amherst and Appomattox, as well as the City of Lynchburg.

Specific lead generation plans for each high unemployment area:

VEDP has developed a specific focus on high-unemployment areas, not at the exclusion of any other region, but in an effort to address some of the unique challenges these communities face. Through partnerships with these regions, VEDP is identifying unique individual marketing opportunities for each region, including tailored lead generation activities, familiarization tours, marketing, etc.. New for FY 2018, VEDP is piloting a regional co-marketing partnership initiative. VEDP worked with Virginia's regional economic development organizations to pre-determine a select number of lead generation activities that support both VEDP and regional marketing priorities. The co-marketing events include industry shows, in-market call trips, targeted product marketing blitzes, and a "mini consultant familiarization tour" concept.

In Virginia's e-Region, the co-partnership has resulted in the development of several initiatives including a shell buildings marketing blitz, a mini familiarization tour and the AUVSI

XPONENTIAL 2018 trade show and call trip. In Virginia's Industrial Advancement Alliance, the partnership participation in the Natural Products Expo and Call Trip and a mini familiarization tour are in the process of planning and development. VEDP's co-marketing partnership with the Southern Virginia Regional Alliance has led to the planning and development of an Ikea supply chain marketing blitz and a mini familiarization tour. In Virginia's Growth Alliance, the region has participated in the Association of Woodworking and Furnishings Suppliers Fair 2017 and call trip, and will participate in a mini familiarization tour and an Ikea supply chain marketing blitz. The Lynchburg Regional Alliance co-marketing partnership with VEDP has resulted in the planning and development of participation in the Global Business Shared Services Conference and call trip, a mini familiarization tour and TEVA marketing blitz.

Economic growth strategy and regional stakeholder participation:

Over the last year, VEDP has been working with the identified regional EDO groups, in addition to others, to develop an economic growth strategy for the Commonwealth and a new strategic plan. EDO representatives have participated in various focus groups, served on several steering committees and have engaged with VEDP at many levels to help shape the future direction and identify top target sectors for each region. Should VEDP have the opportunity through the creation of a marketing program, part of that program will focus on target industry marketing on a regional level.

Specific rural initiatives including rural think tank group and rural technology center:

While high-unemployment areas can be both rural and urban, in 2016 the high-unemployment areas were predominantly in rural regions of the Commonwealth. These are regions with unique challenges that require creative solutions. VEDP has been working over the last year on several initiatives aimed at increasing economic growth in all regions of the Commonwealth, including rural regions that have continued to experience economic decline in recent years. These initiatives include assembling a rural think tank group consisting of rural practitioners and policy makers from across the Commonwealth to identify significant opportunities for rural economic growth. The group has met several times over the past year and has created a list of rural growth initiatives to pursue and support to better position rural Virginia for positive growth (participant list).

The rural growth initiatives identified by the think tank group are listed here in order of priority as selected by the group (the first two are tied for first): 1) marketing program focused on branding rural Virginia as the most attractive and competitive location in the U. S. for manufacturing and other sectors including data centers, distribution, etc.; 1) ubiquitous broadband coverage for all Virginians; 3) dramatically expand site inventory, ranging from mega sites to business parks depending on the regional strategy and target sectors; 4) create a world-class, turnkey, customized workforce development incentive for competitive expansion or attraction projects; 5) partner with other rural funding sources to target and attract high-impact projects through capital investment partnership opportunities; 6) explore tax/incentive changes to address Virginia's highly uncompetitive state/local tax environment for new, capital-intensive manufacturing projects; 7) create a community competitiveness/readiness index for communities; 8) rebuild civic leadership with the next generation in rural Virginia; and 9) address top transportation infrastructure deficiencies in rural Virginia.

While some of these recommended initiatives are not within VEDP's core mission, they play a significant role in improving rural Virginia's economic competitiveness and VEDP looks forward to working with the appropriate agency and/or entity to address. Next steps for the think tank will be to identify the appropriate agency and/or entity to own each initiative as well as attach a cost estimate to each one.

Another opportunity VEDP is pursuing for growth in rural areas is a rural technology center initiative. VEDP has identified this specific project opportunity because it brings together technology companies with higher education institutions to create a hub for information technology and computer science business development. The first project of its kind in Virginia was recently approved through the Major Employment and Investment Project Approval Commission. VEDP will seek other opportunities to develop similar technology centers across rural regions of the Commonwealth.

Business Retention staff, the Virginia Jobs Investment Program staff and International Trade staff are focused on high-unemployment areas:

Through recent reorganizations, there are three divisions within VEDP that have designated staff living and working in the high-unemployment areas. These divisions include the Business Retention and Expansion team in the Business Investment Division, the Workforce Development Division, and the International Trade Division.

Marketing proposals for rural Virginia

Should VEDP have the opportunity to implement a statewide marketing program in the next year, one of the top priorities for that program will be to create a marketing initiative specific for rural Virginia. This would include branding rural Virginia as the most business friendly, asset rich and economically competitive location in the country for certain industry sectors.

REPORT ON LAST YEAR'S EFFORTS TO MARKET HIGH-UNEMPLOYMENT AREAS OF VIRGINIA

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

Board of Directors Rural Virginia Action Committee: During FY 2017, the VEDP Board of Directors created a new standing committee: the Rural Virginia Action Committee. By creating a standing committee, the Board signaled its intention to give rural and distressed areas of the Commonwealth greater support. The purposes of the Committee are to explore the challenges and opportunities of attracting jobs and capital investment to underserved and distressed communities in the Commonwealth, and to provide guidance to VEDP and other stakeholders on policies and practices to enhance economic development opportunities in underserved and distressed communities in the Commonwealth.

Embedded Staffing: VEDP continued to maintain full-time professional staff deployed throughout Virginia. These managers focused on business investment and expansion strategies, ally communication strategies, higher education partnership strategies, international trade opportunities, and Virginia Jobs Investment Program services. The Business Investment, Workforce Development, and International Trade Divisions had in-region staff across the Commonwealth in the communities listed in this Annual Report at the end of the Partnership Profile, many of which are high-unemployment communities.

Decisions for Virginia/High Unemployment or High Poverty Communities: VEDP continued to support regions with higher than average unemployment rates and higher than average poverty rates. Of the 144 VEDP-assisted projects in FY 2017, 67 chose a locality with higher than average unemployment or higher than average poverty. These projects are expected to create over 6,900 new jobs and provide over \$1 billion in new capital investment. Examples of expansion projects in high-unemployment areas include: Consolidated Glass and Mirror in Galax (30 new jobs, \$3.00 million investment); SteelFab, Inc. in Emporia (18 new jobs, \$2.14 million investment); and Microsoft Corp. in Mecklenburg County (44 new jobs, \$251 million investment). Examples of new business locations in high-unemployment areas in the Commonwealth in FY 2017 include: Standard Insurance Company in Campbell County (178 new jobs, \$1.71 million investment); Kyocera SGS Precision Tool in the City of Danville (35 jobs, \$9.50 million investment); and Convergys Corp. in the City of Lynchburg (600 new jobs, \$4.20 million investment). Overall, approximately 46% of VEDP-assisted projects, 53% percent of new capital investment, and 35% of new job creation are expected to occur 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 Region Revitalization Commission, the Virginia Community College System, the Virginia Department of Agriculture and Consumer Services, the Virginia Port Authority, the Virginia Small Business Financing Authority, the Virginia Department of Housing & Community Development, and the Virginia Tourism Corporation. These companies represent a broad variety of business sectors, and represent the opportunities presented by strong existing business retention and growth strategies. The common element in all these decisions for Virginia is prepared communities. These communities 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 2017, VEDP showed 104 projects to 70 localities, for a total of 222 distinct prospect visits. (See Appendix 2.) Sixty-five percent of the prospects were introduced to localities that have higher than average unemployment or higher than average poverty. Of the visits themselves, over 56% occurred in these communities.

Organizational Optimization: Through its reorganization in the summer of 2017, and the continuing tweaks to the organizational structure made throughout FY 2017 and into FY 2018, VEDP strives to focus available recruitment and outreach resources toward 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 localities. VEDP has four primary market-

facing Divisions: Business Investment, Workforce Development, International Trade and Economic Competitiveness.

Business Investment: The Business Investment Division implements its outreach strategies by geography, for international projects, and by sector, for domestic projects. The Division concentrates on selected markets and sectors against which Virginia has an advantageous business climate. Business Managers focus on marketing Virginia's value proposition to demonstrate the benefits of investing or expanding in Virginia. Additional information regarding the activities of the Business Investment Division is provided elsewhere in this Report. Members of the Business Investment Division participated in "familiarization tours," of Virginia's regions and localities to keep abreast of economic development opportunities around the Commonwealth.

Workforce Development: The Virginia Jobs Investment Program managers interacted directly with companies across the Commonwealth focusing on workforce development and training needs. The Workforce Development managers also work directly with the Business Investment Division to help tell the workforce story to companies who are considering a new or expanded facility in Virginia. For additional information regarding the activities of the Workforce Division, please refer to other portions of this Report.

International Trade: The International Trade Division, again in FY 2017, focused its efforts on assisting Virginia companies to increase their international sales through targeted and strategic programs, such as VALET, Going Global Defense Initiative, and Export Counseling. Further, the Division participates in the Go Global with Coal & Energy Technology Program, which in partnership with the Virginia Coalfield Economic Development Authority, provides assets and services for companies involved in the coal and energy sectors to expand their markets beyond those sectors. These programs are described in greater detail elsewhere in this Report

Economic Competitiveness: The Economic Competitiveness Division focused its attention in FY 2017 on the Economic Growth Strategy, which will inform planning efforts in years to come on the strengths and opportunities in Virginia's regions, including its emerging communities. Further, through the Economic Gardening initiative, which came out of the Sustained Growth Study and is being coordinated with the Edward Lowe Foundation, VEDP is assisting twelve growing companies by delivering customized information to address strategic growth issues. Of these twelve companies, two are located in high-unemployment areas. Please see other relevant sections of this Report for additional information regarding the Economic Competitiveness Division.

In addition to the activities of these four Divisions, other VEDP staff are serving Virginia's localities on a daily basis by, among other things, providing technical assistance for sites and buildings, developing and updating community profiles for VEDP's websites, app and social media outlets, attending and speaking at local and statewide business events, offering information regarding the services offered by VEDP and other state entities, discussing the financing options for local infrastructure and business development, weighing in on the impact of local issues, and

keeping abreast of legislative activities that may impact the economic development environment for Virginia's communities.

Technical Support for High-Unemployment Areas: VEDP supported several rural activities in FY 2017. Through the Economic Growth Strategy initiative, significant time was spent in FY 2017 and will be spent in FY 2018 working with communities and regions to understand their strengths, weaknesses, opportunities, and threats. The information gathered during this initiative has been used and will be used in developing growth strategies for each region and in providing inputs for the GO Virginia strategies prepared for each region.

Through the Virginia Brownfields Restoration and Economic Redevelopment Assistance Fund (VBAF), which is administered jointly by VEDP, the Virginia Department of Environmental Quality and the Virginia Resources Authority, grants are provided to localities and other political subdivisions to assist with the costs associated addressing the environmental condition of properties that could be made available for economic development. In FY 2017, 18 grants were approved, totaling approximately \$1.4 million. Of those 18 grants, 16 were made to communities in which the unemployment rate for calendar year 2016 was higher than the statewide average unemployment rate and totaled approximately \$1.3 million or 93% of all VBAF grants awarded.

The successful Virginia Business Ready Sites Program (VBRSP) got its start in FY 2017, with the goal of developing a pool of sites and buildings well prepared and positioned for selection by economic development prospects. Grants are available to assist with the costs of identifying and assessing a potential site to quantify its existing level of development and implementing the additional development required to bring such site to a level for successful marketing. In FY 2017, 35 grants were approved, totaling approximately \$1.27 million. Of those 35 grants, 18 were made to communities in which the unemployment rate for calendar year 2016 was higher than the statewide average unemployment rate and totaled approximately \$1 million or 79% of all VBRSP grants awarded.

PLAN FOR HIGH-UNEMPLOYMENT MARKETING SHOULD VEDP RECEIVE BUDGET SUPPORT TO EXPAND ITS MARKETING PROGRAM

VEDP has worked with local and regional economic developers across Virginia over the last year on the economic growth strategy and strategic plan. Repeatedly, economic developers state that they find Virginia is not well known to business leaders outside of the Commonwealth. Through work with these and other stakeholders, VEDP has developed a plan to market Virginia to business executives and site consultants across the country and the globe. A significant part of this strategy would be to brand and market rural Virginia as a top destination for certain target industries because of their business climate, assets and workforce potential.

Overall the marketing program would focus on making Virginia and its rural regions top of mind for our target audience, placing a national spotlight on rural Virginia as a highly attractive location for business investment. The initiative would raise awareness and perceptions of rural Virginia's advantages as a premier destination for business investment and would ensure that decision makers

and their consultants for each of our target industries are aware of Virginia's compelling advantages.

APPENDIX 2:

Prospect Visit Data for FY 2017

	Prospect visits FY 2017		
PDC #	Planning District Commission	Visits	Projects
1	Lenowisco	4	3
2	Cumberland Plateau	1	1
3	Mount Rogers	19	13
4	New River Valley	6	5
5	Roanoke Valley-Alleghany Regional Commission	5	2
6	Central Shenandoah	2	2
7	Northern Shenandoah Valley Regional Commission	4	4
8	Northern Virginia Regional Commission	30	24
9	Rappahannock-Rapidan Regional Commission	4	3
10	Thomas Jefferson	2	2
11	Region 2000 Regional Commission	1	1
12	West Piedmont	9	5
13	Southside	3	3
14	Commonwealth Regional Council	3	2
15	Richmond Regional	47	25
16	George Washington Regional Commission	10	6
17	Northern Neck	1	1
18	Middle Peninsula	2	2
19	Crater	25	17
22	Accomack-Norhampton	2	2
23	Hampton Roads	42	16
	Total	222	139*
	# of Localities Visited	70	

**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.*

In FY 2017, 222 visits were made to show 104 distinct projects to 70 Virginia localities. Some projects visited more than one locality.

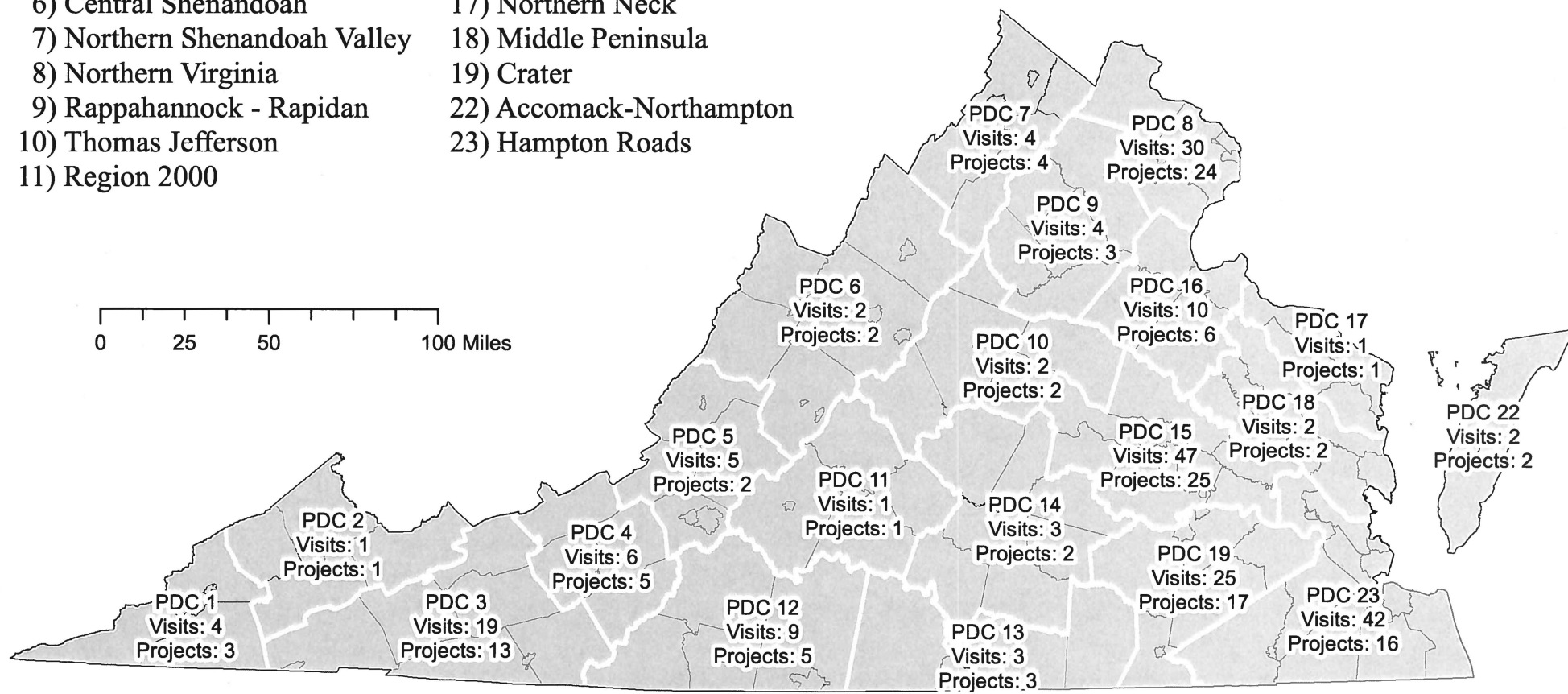
Of the 70 total localities shown projects, 48 (68.57%) are considered distressed localities. Of the 222 visits, 125 (56.31%) were in distressed communities. Of the 104 individual projects, 68 (65%) were shown to distressed communities.

For the purposes of this report, distressed communities are those that experience a higher than average unemployment rate and/or higher than average poverty rate.

Prospect Visits by Planning District Fiscal Year 2017

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 | |



APPENDIX 3:

Site and Building Data for FY 2017

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

Planning District	Location	Sites	Buildings	Sites & Buildings	Companies
1- Lenowisco	Lee Co.	0	5	5	5
	1 Norton	0	0	0	0
	1 Scott Co.	0	1	1	1
	1 Wise Co.	0	0	0	0
	PDC 1 Total	0	6	6	6
2 -Cumberland Plateau	Buchanan Co.	0	0	0	0
	2 Dickenson Co.	0	0	0	0
	2 Russell Co.	0	25	25	21
	2 Tazewell Co.	0	0	0	0
	PDC 2 Total	0	25	25	21
3-Mount Rogers	Bland Co.	0	0	0	0
	3 Bristol	0	18	18	15
	3 Carroll Co.	8	0	8	8
	3 Galax	0	1	1	1
	3 Grayson Co.	1	0	1	1
	3 Smyth Co.	5	15	20	15
	3 Washington Co.	10	6	16	14
	3 Wythe Co.	14	3	17	16
	PDC 3 Total	38	43	81	70
4 - New River Valley	Floyd Co.	0	2	2	1
	4 Giles Co.	1	1	2	2
	4 Montgomery Co.	4	7	11	10
	4 Pulaski Co.	17	9	26	22
	4 Radford	1	6	7	7
	PDC 4 Total	23	25	48	42
5 -Roanoke Valley-Alleghany	Alleghany Co.	0	1	1	1
	5 Botetourt Co.	6	22	28	24
	5 Covington	0	1	1	1
	5 Craig Co.	0	0	0	0
	5 Franklin Co.	4	4	8	7
	5 Roanoke Co.	12	9	21	12
	5 Roanoke	4	22	26	19
	5 Salem	1	6	7	6
	PDC 5 Total	27	65	92	70
6 - Central Shenandoah	Augusta Co.	5	8	13	9
	6 Bath Co.	0	0	0	0
	6 Buena Vista	0	2	2	2
	6 Harrisonburg	0	1	1	1
	6 Highland Co.	0	0	0	0

6 Lexington	0	0	0	0
6 Rockbridge Co.	0	3	3	3
6 Rockingham Co.	2	2	4	4
6 Staunton	2	4	6	6
6 Waynesboro	0	5	5	4
PDC 6 Total	9	25	34	29
7 - Northern Shenandoah Valley Clarke Co.	0	8	8	6
7 Frederick Co.	7	8	15	10
7 Page Co.	0	3	3	3
7 Shenandoah Co.	2	13	15	12
7 Warren Co.	8	3	11	11
7 Winchester	0	3	3	3
PDC 7 Total	17	38	55	45
8 - Northern Virginia Alexandria	0	8	8	3
8 Arlington Co.	0	11	11	4
8 Fairfax Co.	1	13	14	6
8 Fairfax	0	0	0	0
8 Falls Church	0	0	0	0
8 Loudoun Co.	0	9	9	4
8 Manassas	0	5	5	2
8 Manassas Park	0	0	0	0
8 Prince William Co.	10	10	20	15
PDC 8 Total	11	56	67	34
9 - Rappahannock-Rapidan Culpeper Co.	0	1	1	1
9 Fauquier Co.	3	1	4	4
9 Madison Co.	0	0	0	0
9 Orange Co.	0	2	2	2
9 Rappahannock Co.	0	0	0	0
PDC 9 Total	3	4	7	7
10 - Thomas Jefferson Albemarle Co.	2	7	9	6
10 Fluvanna Co.	0	3	3	2
10 Greene Co.	0	3	3	2
10 Louisa Co.	0	2	2	2
10 Nelson Co.	0	0	0	0
10 Charlottesville	0	0	0	0
PDC 10 Total	2	15	17	12
11 - Region 2000 Amherst Co.	0	3	3	3
11 Appomattox Co.	1	5	6	5
11 Bedford Co.	2	2	4	4
11 Campbell Co.	1	0	1	1
11 Lynchburg	0	3	3	2
PDC 11 Total	4	13	17	15

12 - West Piedmont	Danville	3	5	8	7
	12 Franklin Co.	4	4	8	7
	12 Henry Co.	14	18	32	28
	12 Martinsville	0	2	2	2
	12 Patrick Co.	1	1	2	2
	12 Pittsylvania Co.	21	8	29	20
	PDC 12 Total	43	38	81	66
13 - Southside	Brunswick Co.	2	0	2	2
	13 Halifax Co.	2	8	10	6
	13 Mecklenburg Co.	12	11	23	18
	PDC 13 Total	16	19	35	26
14 - Commonwealth Regional	Amelia Co.	0	7	7	6
	14 Buckingham Co.	0	0	0	0
	14 Charlotte Co.	1	0	1	1
	14 Cumberland Co.	0	1	1	1
	14 Lunenburg Co.	0	1	1	1
	14 Nottoway Co.	0	0	0	0
	14 Prince Edward Co.	0	4	4	2
	PDC 14 Total	1	13	14	11
15 - Richmond Regional	Charles City Co.	0	4	4	1
	15 Chesterfield Co.	30	33	63	38
	15 Goochland Co.	6	4	10	9
	15 Hanover Co.	16	28	44	30
	15 Henrico Co.	19	64	83	44
	15 New Kent Co.	10	0	10	8
	15 Powhatan Co.	0	0	0	0
	15 Richmond	4	30	34	20
	PDC 15 Total	85	163	248	150
16 - George Washington	Caroline Co.	9	1	10	10
	16 Fredericksburg	3	0	3	3
	16 King George Co.	1	2	3	3
	16 Spotsylvania Co.	3	14	17	9
	16 Stafford Co.	3	3	6	3
	PDC 16 Total	19	20	39	28
17 - Northern Neck	Lancaster Co.	0	0	0	0
	17 Northumberland Co.	0	0	0	0
	17 Richmond Co.	1	2	0	2
	17 Westmoreland Co.	0	1	0	1
	PDC 17 Total	1	3	0	3
18 - Middle Peninsula	Essex Co.	0	0	0	0
	18 Gloucester Co.	0	0	0	0
	18 King and Queen Co.	0	0	0	0

18 King William Co.	1	0	1	1
18 Mathews Co.	0	0	0	0
18 Middlesex Co.	0	0	0	0
PDC 18 Total	1	0	1	1
19 - Crater Charles City Co.	0	4	4	1
19 Chesterfield Co.	30	33	63	38
19 Colonial Heights	0	0	0	0
19 Dinwiddie Co.	9	7	16	15
19 Emporia	0	6	6	3
19 Greensville Co.	7	13	20	15
19 Hopewell	0	1	1	1
19 Petersburg	1	12	13	12
19 Prince George Co.	11	49	60	40
19 Surry Co.	0	0	0	0
19 Sussex Co.	7	1	8	8
PDC 19 Total	65	126	191	133
22 - Accomack-Northampton Accomack Co.	0	0	0	0
22 Northampton Co.	1	0	1	1
PDC 22 Total	1	0	1	1
23 - Hampton Roads Chesapeake	2	14	16	7
23 Franklin	4	12	16	14
18 Gloucester Co.	0	0	0	0
23 Hampton	2	7	9	6
23 Isle of Wight Co.	9	1	10	10
23 James City Co.	9	7	16	15
23 Newport News	2	15	17	14
23 Norfolk	0	30	30	16
23 Poquoson	0	0	0	0
23 Portsmouth	1	18	19	18
23 Southampton	8	3	11	10
23 Suffolk	32	20	52	28
19 Surry Co.	0	0	0	0
23 Virginia Beach	8	25	33	21
23 Williamsburg	0	0	0	0
23 York Co.	6	12	18	16
PDC 23 Total	83	164	247	175
State Total¹	415	814	1229	138

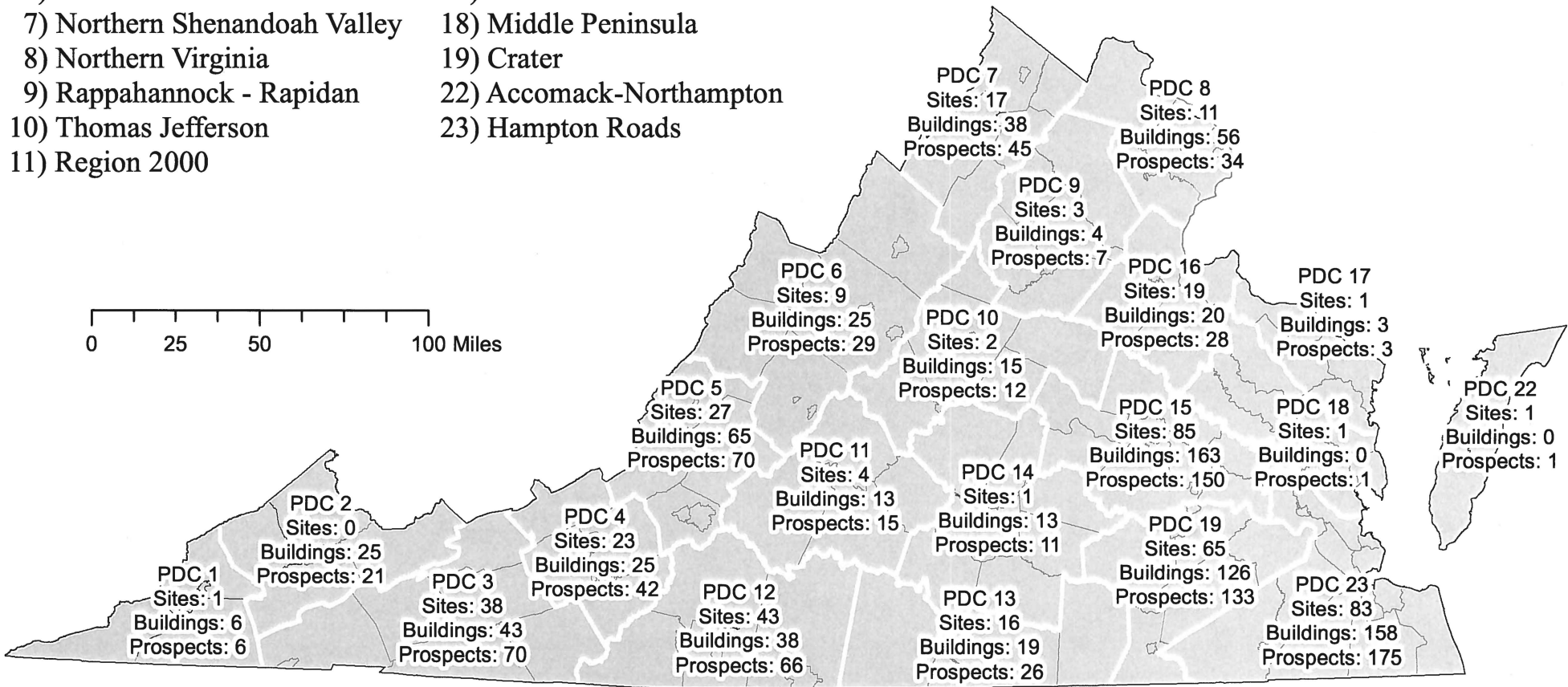
¹ State totals do not include duplicate entries for Charles City, Chesterfield, Franklin, Gloucester, and Surry Counties, each located in two PDCs.

Chesterfield Co - Richmond Regional & Crater
Charles City-Richmond Regional & Crater
Surry - Crater & Hampton Roads
Gloucester-Middle Peninsula & Hampton Roads

Community Location Studies, Sites and Buildings Meeting Prospect Requirements by Planning District 2017

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 | |



* Location Studies data do not include multiple proposals or RFIs for the same project and properties; existing industry proposals; or other project-related assistance not including site or building recommendations.
** PDC 8 totals do not reflect additional recommendations of office/flex space not included in VEDP's sites & buildings database.

APPENDIX 4:
Announcement Data for FY 2017

**Virginia Statewide
VEDP-Assisted Announcements**

Company Name	PDC	Location	MFG	Type	Business	New Jobs	Investment
NorrisBuilt Fabrication, LLC	1	Norton	M	E	Expansion of structural metal fabricator	14	\$0.25
	<i>Expansion Total</i>				<i>1 announcement</i>	<i>14</i>	<i>\$0.25</i>
	PDC 1 Total				1 announcement	14	\$0.25
Sykes	2	Buchanan Co.	N	E	Call center	100	\$0.00
AT&T Wireless	2	Russell Co.	N	E	Customer service center	90	\$0.00
NPB Digital Bank	2	Russell Co.	N	E	Digital customer service operations	35	\$2.00
	<i>Expansion Total</i>				<i>3 announcements</i>	<i>225</i>	<i>\$2.00</i>
	PDC 2 Total				3 announcements	225	\$2.00
River Ridge Land and Cattle Company, LLC	3	Grayson Co.	M	E	Beef and pork processing facility	11	\$2.10
Consolidated Glass & Mirror	3	Galax	M	E	Glass manufacturing facility	30	\$3.00
Innovative Millwork	3	Smyth Co.	M	E	Millworking for the housing industry	20	\$1.00
Universal Companies	3	Washington Co.	N	E	Supplier of spa products	30	\$1.50
	<i>Expansion Total</i>				<i>4 announcements</i>	<i>91</i>	<i>\$7.60</i>
	PDC 3 Total				4 announcements	91	\$7.60
Phoenix Packaging Operations, LLC*	4	Pulaski Co.	M	E	North America HQ; Manufacturer of rigid plastic containers for the global food and beverage industry	145	\$48.71
Modea	4	Montgomery Co.	N	E	Provider of web, application development and marketing analytics solutions	55	\$0.10
Hollingsworth & Vose Company	4	Floyd Co.	M	E	Non-woven media manufacturer	13	\$9.10
Qualtrax, Inc.	4	Montgomery Co.	N	E	Creator of compliance software	35	\$2.00
Spectrum Brands	4	Montgomery Co.	M	E	Pet, Home & Garden division of consumer products manufacturer	0	\$7.28
Aeroprobe	4	Montgomery Co.	M	E	Producer of air data measurement tools	10	\$0.30
	<i>Expansion Total</i>				<i>6 announcements</i>	<i>258</i>	<i>\$67.49</i>
	PDC 4 Total				6 announcements	258	\$67.49
Canatal Steel USA*	5	Botetourt Co.	M	E	Steel structure fabrication	38	\$1.50
Steel Dynamics Roanoke Bar Division	5	Roanoke City	M	E	Steel production and metal recycling	0	\$28.00
Lake Region Medical	5	Salem	M	E	Medical device manufacturing	136	\$7.00
Wholesome Harvest*	5	Roanoke City	M	E	Manufacturer of frozen and par-baked products, adding a new artisan bread line	0	\$22.10
Parkway Brewing Company	5	Salem	M	E	Craft brewery	6	\$0.75
	<i>Expansion Total</i>				<i>5 announcements</i>	<i>180</i>	<i>\$59.35</i>
	PDC 5 Total				5 announcements	180	\$59.35
Hershey Chocolate of Virginia, Inc.	6	Augusta Co.	M	E	New production line for confectionery manufacturer	0	\$16.90
Hershey Chocolate of Virginia, Inc.	6	Augusta Co.	M	E	Manufacturer of chocolate and confectionary products	69	\$26.80
Shamrock Farms	6	Augusta Co.	M	E	Expansion of dairy manufacturing facility	78	\$43.90
Munters Corporation*	6	Buena Vista	M	E	Manufacturer of energy recovery systems	100	\$2.50
MillerCoors LLC	6	Rockingham Co.	M	E	Brewery expansion	27	\$60.00
Wal-Mart Stores, Inc.	6	Rockingham Co.	N	E	Distribution center	123	\$6.00
	<i>Expansion Total</i>				<i>6 announcements</i>	<i>397</i>	<i>\$156.10</i>

Speyside Bourbon Cooperage, Inc.*	6	Bath Co.	M	N	Stave mill for craft beverage industry	30	\$5.00
	New Total				1 announcement	30	\$5.00
	PDC 6 Total				7 announcements	427	\$161.10
American Woodmark Corp.	7	Frederick Co.	N	E	Headquarters consolidation for bath and kitchen cabinetry manufacturer	55	\$30.00
Corrugated Container Corporation	7	Frederick Co.	M	E	Manufacturing corrugated and solid fiber boxes	15	\$5.19
Blue Ridge Industries, Inc.	7	Frederick Co.	M	E	Plastics manufacturing	0	\$2.00
Navy Federal Credit Union	7	Frederick Co.	N	E	Services and support facility for world's largest credit union	1,400	\$100.00
Winchester Metals Inc.	7	Frederick Co.	M	E	Steel distribution, processing, and fabrication	0	\$0.14
84 Lumber	7	Frederick Co.	M	E	Truss manufacturing operation	100	\$3.90
Winchester Metals, Inc.	7	Frederick Co.	M	E	Steel distribution, processing, and fabrication	17	\$0.87
Thermo Fisher Scientific	7	Frederick Co.	M	E	Lab and other scientific instrument manufacturing	57	\$9.50
Toray Plastics America, Inc.*	7	Warren Co.	M	E	Manufacturer of plastic films and foams for the packaging and automotive industries	30	\$45.00
TAG Lumber Services	7	Winchester	M	E	Drying and processing domestic and imported lumber	27	\$5.00
	Expansion Total				10 announcements	1,701	\$201.60
Amazon.com, Inc.	7	Frederick Co.	N	N	Ecommerce warehouse and distribution center	1,100	\$105.00
	New Total				1 announcement	1,100	\$105.00
	PDC 7 Total				11 announcements	2,801	\$306.60
The Motley Fool	8	Alexandria	N	E	HQ; Multimedia financial services company	60	\$5.00
Bloomberg BNA	8	Arlington Co.	N	E	Subsidiary HQ; Provider of legal and tax information for compliance professionals	125	\$5.50
ValidaTek	8	Arlington Co.	N	E	Provides IT software design, development, security systems, and data center management for Federal agencies.	258	\$0.45
Notarize, Inc.	8	Arlington Co.	N	E	Online notarization company	454	\$0.50
Applied Predictive Technologies	8	Arlington Co.	N	E	Business data analytics	368	\$6.80
Excella Consulting	8	Arlington Co.	N	E	IT consulting services	538	\$0.20
Infolock Technologies	8	Arlington Co.	N	E	Information security consulting firm	14	\$0.20
Sinclair Broadcast Group Inc.	8	Arlington Co.	N	E	Telecommunications and television broadcasting company	60	\$28.67
VideoBlocks	8	Arlington Co.	N	E	Provider of affordable, high quality stock media	64	\$3.86
Vorsight	8	Arlington Co.	N	E	Data analytics and lead generation	112	\$0.11
Intercede*	8	Fairfax Co.	N	E	Cybersecurity	25	\$0.30
Iomaxis	8	Fairfax Co.	N	E	Cybersecurity company	555	\$2.48
Global Guardian	8	Fairfax Co.	N	E	Security and technology	22	\$0.38
Coalfire	8	Fairfax Co.	N	E	Cybersecurity services	23	\$0.25
Whereoware	8	Fairfax Co.	N	E	Digital marketing and web development agency	144	\$0.23
Favor TechConsulting, LLC	8	Fairfax Co.	N	E	HQ: IT services provider for public and private sector clients	1,275	\$1.65
Granules Pharmaceuticals Inc.*	8	Fairfax Co.	M	E	R&D and pharmaceutical manufacturing operation	102	\$35.00
Numbers Place, Inc.	8	Fairfax Co.	N	E	IT services provider	44	\$0.10
Windward Consulting	8	Fairfax Co.	N	E	Information technology consultancy helping large organizations manage their data centers and networks	97	\$0.83
Concept Plus, LLC	8	Fairfax Co.	N	E	IT service provider specializing in end-to-end design, development, and operational support of database, middleware, and business applications	31	\$0.14
JK Moving & Storage	8	Loudoun Co.	N	E	HQ; Moving, storage, and relocation company	751	\$19.00

FCi Federal	8	Loudoun Co.	N	E	Federal contractor supporting U.S. Citizenship and Immigration Services	100	\$1.00
Unanet	8	Loudoun Co.	N	E	Provider of cloud and on-premise resource planning	60	\$1.68
Dulles Glass and Mirror, Inc.	8	Prince William Co.	M	E	Custom glass fabrication and distribution	40	\$7.50
<i>Expansion Total</i>					<i>24 announcements</i>	<i>5,322</i>	<i>\$121.80</i>
MGM Technology Partners*	8	Arlington Co.	N	N	Developer of supply chain management software	45	\$0.00
Phone2Action	8	Arlington Co.	N	N	Develops fundraising and engagement tools for non-profit organizations	142	\$0.15
Command Strategies	8	Arlington Co.	N	N	Business development services and government relations consulting	25	\$0.25
Aptima	8	Arlington Co.	N	N	Software design firm	20	\$0.10
Lyft	8	Arlington Co.	N	N	Mid-Atlantic regional headquarters for ride-sharing service	32	\$0.35
National Association of Corporate Directors (NACD)	8	Arlington Co.	N	N	Headquarters for national professional organization	110	\$3.00
Boeing Defense Space & Security	8	Arlington Co.	N	N	Headquarters for Boeing Defense Space & Security	50	\$0.50
Chemonics	8	Arlington Co.	N	N	International development consulting	100	\$1.00
Nestlé USA, Inc.*	8	Arlington Co.	N	N	Headquarters for Nestle USA	748	\$39.80
Saife	8	Arlington Co.	N	N	Cybersecurity services provider	15	\$0.10
Cybersponse	8	Arlington Co.	N	N	HQ; Cybersecurity solutions provider	7	\$1.00
A-Tek, Inc.	8	Fairfax Co.	N	N	IT and management consulting company	10	\$0.20
All Traffic Solutions (ATS)	8	Fairfax Co.	N	N	HQ; Provider of cloud-based traffic management solutions	86	\$0.10
Amazon Web Services, Inc.	8	Fairfax Co.	N	N	East Coast corporate campus for cloud computing services provider	1,500	\$84.60
Chaney Enterprises	8	Prince William Co.	M	N	Concrete manufacturing plant	10	\$1.00
<i>New Total</i>					<i>15 announcements</i>	<i>2,900</i>	<i>\$132.15</i>
PDC 8 Total					39 announcements	8,222	\$253.95
OVH*	9	Fauquier Co.	N	N	North American HQ and data center	54	\$47.53
Kno Corrosion LLC	9	Orange Co.	M	N	Powder metallurgy part manufacturing	28	\$2.20
<i>New Total</i>					<i>2 announcements</i>	<i>82</i>	<i>\$49.73</i>
PDC 9 Total					2 announcements	82	\$49.73
Mikro Systems, Inc.	10	Albemarle Co.	M	E	Hand and edge tool manufacturing	38	\$1.55
Three Notch'd Brewing	10	Charlottesville	M	E	Craft brewery expansion	8	\$2.80
Tri-Dim Filter Corp.	10	Louisa Co.	M	E	Manufacturer of filters for commercial air handling units	0	\$0.70
<i>Expansion Total</i>					<i>3 announcements</i>	<i>46</i>	<i>\$5.05</i>
PDC 10 Total					3 announcements	46	\$5.05
Glad Manufacturing Company	11	Amherst Co.	M	E	Plastic bag manufacturing	83	\$20.60
Jemison Metals	11	Amherst Co.	M	E	Manufacturer of carbon flat-rolled metals	5	\$1.75
Griffin Pipe Company	11	Lynchburg	M	E	Ductile iron pipe manufacturer	0	\$2.80
<i>Expansion Total</i>					<i>3 announcements</i>	<i>88</i>	<i>\$25.15</i>
Standard Insurance Company*	11	Campbell Co.	N	N	Inbound call center for insurance company	178	\$1.71
Convergys Corp	11	Lynchburg	N	N	Inbound customer support services	600	\$4.20
<i>New Total</i>					<i>2 announcements</i>	<i>778</i>	<i>\$5.91</i>
PDC 11 Total					5 announcements	866	\$31.06
Blue Ridge Fiberboard	12	Danville	M	E	Fiberboard manufacturing	26	\$2.15
JTI Leaf Services, LLC*	12	Danville	N	E	Tobacco leaf warehouse	0	\$8.57

Solid Stone Fabrics	12	Henry Co.	M	E	Manufacturer and distributor of stretch fabrics	22	\$1.50
Eastman Chemical Company	12	Henry Co.	M	E	Expansion of performance films manufacturing	15	\$11.70
Bassett Furniture Industries, Inc.	12	Henry Co.	M	E	Furniture manufacturer expansion	22	\$1.50
Intertape Polymer Group*	12	Pittsylvania Co.	M	E	Manufacturer of paper and film based pressure sensitive and water activated tapes, polyethylene and specialized polyolefin films, woven coated fabrics and complementary packaging systems for industrial and retail use.	0	\$22.01
<i>Expansion Total</i>					<i>6 announcements</i>	<i>85</i>	<i>\$47.43</i>
Overfinch*	12	Danville	M	N	Land Rover upfitting and customization	41	\$1.95
Kyocera SGS Precision Tool*	12	Danville	M	N	High performance end mill, drill, stainless steel medical tool, and coating manufacturer	35	\$9.50
Novatech*	12	Henry Co.	M	N	Window and door manufacturing	50	\$3.00
<i>New Total</i>					<i>3 announcements</i>	<i>126</i>	<i>\$14.45</i>
PDC 12 Total					9 announcements	211	\$61.87
TMI Autotech Inc.	13	Halifax Co.	M	E	Manufacturer of Ariel Atom supercar and carbon-fiber composite autoparts	20	\$0.53
Microsoft Corp.	13	Mecklenburg Co.	N	E	Data center	44	\$251.59
<i>Expansion Total</i>					<i>2 announcements</i>	<i>64</i>	<i>\$252.12</i>
PDC 13 Total					2 announcements	64	\$252.12
Rock Wood Products of Dillwyn, Inc.	14	Buckingham Co.	M	E	Sawmill for wood pallet manufacturing	12	\$8.75
<i>Expansion Total</i>					<i>1 announcement</i>	<i>12</i>	<i>\$8.75</i>
PDC 14 Total					1 announcement	12	\$8.75
BGB Technology Inc.*	15	Chesterfield County	M	E	Manufacturer of fiber optic rotary joints	12	\$0.80
Lickinghole Creek Craft Brewery	15	Goochland Co.	M	E	Craft brewery expansion	36	\$12.00
IR Engraving	15	Henrico Co.	M	E	Apply textures to surfaces for use in automotive, plastics, textiles, and other products	22	\$0.85
Dominion Packaging	15	Henrico Co.	M	E	Provider of packaging solutions for food, tobacco, and beverage companies	60	\$25.10
Confluence Coffee	15	Richmond City	M	E	Specialty blend coffee roasters	33	\$0.10
TemperPack	15	Richmond City	M	E	Manufacturer of sustainable packaging technology	23	\$2.00
2nd Life Inc.	15	Richmond City	N	E	Electronics refurbishing and recycling	66	\$0.98
Karn Custom Woodwork	15	Richmond City	M	E	Architectural millwork manufacturing and installation	30	\$2.55
<i>Expansion Total</i>					<i>8 announcements</i>	<i>282</i>	<i>\$44.38</i>
Niagara Bottling LLC	15	Chesterfield Co.	M	N	Water bottling and plastic bottle manufacturing	76	\$95.44
Lidl Dienstleistung GmbH*	15	Chesterfield Co.	N	N	Warehouse for grocery retailer	15	\$1.00
Pryor Marking Ltd.*	15	Hanover Co.	M	N	Manufacturer of marking machinery for the aerospace, pharmaceutical, and nuclear energy industries.	10	\$0.00
Csi Packaging*	15	Henrico Co.	M	N	Manufacturer of product handling equipment	20	\$0.32
Dealwithit*	15	Henrico Co.	N	N	Educational consulting	2	\$0.00
ICMA-RC	15	Richmond City	N	N	Manages and administers retirement plans for public sector employers and employees	200	\$10.00
CoStar Group	15	Richmond City	N	N	Research and software development center for real estate information and analytics firm	732	\$8.17
Owens & Minor	15	Richmond City	N	N	Customer engagement and back office operations center	300	\$15.00
<i>New Total</i>					<i>8 announcements</i>	<i>1,355</i>	<i>\$129.93</i>
PDC 15 Total					16 announcements	1,637	\$174.31

Tech Wizards	16	King George Co.	N	E	Modeling and simulation for system and software engineering for DoD clients	32	\$0.10
	<i>Expansion Total</i>				<i>1 announcement</i>	32	\$0.10
Cochrane USA*	16	Spotsylvania Co.	M	N	Manufactures fences and security barriers	36	\$2.10
idX Corporation	16	Spotsylvania Co.	M	N	Manufacturer of consumer environments	150	\$7.20
	<i>New Total</i>				<i>2 announcements</i>	186	\$9.30
	<i>PDC 16 Total</i>				<i>3 announcements</i>	218	\$9.40
BGB Technology Inc.*	19	Chesterfield Co.	M	E	Manufacturer of fiber optic rotary joints	12	\$0.80
Wal-Mart Stores, Inc.	19	Dinwiddie Co.	N	E	Distribution facility for retailer	75	\$4.00
SteelFab, Inc.	19	Emporia	M	E	Structural steel fabrication	18	\$2.14
Service Center Metals	19	Prince George Co.	M	E	Manufacturer of aluminum extrusions	35	\$25.00
	<i>Expansion Total</i>				<i>4 announcements</i>	140	\$31.94
Niagara Bottling LLC	19	Chesterfield Co.	M	N	Water bottling and plastic bottle manufacturing	76	\$95.44
Lidl Dienstleistung GmbH*	19	Chesterfield Co.	N	N	Warehouse for grocery retailer	15	\$1.00
ALDI US*	19	Dinwiddie Co.	N	N	Division headquarters and distribution center	145	\$57.00
AMPAC Fine Chemicals, LLC	19	Petersburg	M	N	Manufactures active pharmaceutical ingredients	0	\$25.00
	<i>New Total</i>				<i>4 announcements</i>	236	\$178.44
	<i>PDC 19 Total</i>				<i>8 announcements</i>	376	\$210.38
Luminary Air Group	22	Accomack Co.	M	N	Manufactures acoustic and thermal insulation systems for aircraft	15	\$1.20
	<i>New Total</i>				<i>1 announcement</i>	15	\$1.20
	<i>PDC 22 Total</i>				<i>1 announcement</i>	15	\$1.20
Dollar Tree, Inc.	23	Chesapeake	N	E	Headquarters for Fortune 200 discount retail company	600	\$110.00
ST Tissue, LLC	23	Isle of Wight Co.	M	E	Manufacturer of tissue, towel, and napkin products from recycled materials	50	\$35.00
Anheuser-Busch InBev*	23	James City Co.	M	E	Brewery adding new production equipment	41	\$17.00
Ferguson Enterprises*	23	Newport News	N	E	Largest U.S. plumbing wholesaler	434	\$82.80
ADP	23	Norfolk	N	E	Back office operations	400	\$0.00
CIRS Inc.	23	Norfolk	M	E	Headquarters, production, fabrication, and distribution center for biomedical manufacturer	15	\$5.30
Allfirst LLC	23	Suffolk	M	E	HQ; Industrial contractor and metal fabricator	27	\$0.13
Atlantic Bay Mortgage Group, LLC	23	Virginia Beach	N	E	Hq; Mortgage lender	120	\$1.00
Global Technical Systems	23	Virginia Beach	M	E	HQ; Manufacturer of electro-mechanical batteries	21	\$4.10
	<i>Expansion Total</i>				<i>9 announcements</i>	1,708	\$255.33
Atlantic Core Building Products	23	Chesapeake	M	N	Manufacturer of steel commercial construction materials	50	\$3.00
Maximus, Inc.	23	Hampton	N	N	Customer support center	189	\$1.88
Newport News Industrial Corp. (NNI)	23	Newport News	M	N	Steel fabrication for nuclear power plants	125	\$20.00
Peet's Coffee & Tea, Inc.*	23	Suffolk	M	N	Food and beverage industry manufacturer	135	\$58.80
Atarfil SL*	23	Suffolk	M	N	Manufacturer of thermoplastic geomembranes	15	\$5.14
Microsoft Corporation	23	Virginia Beach	N	N	Subsea fiber optic cable and data center	9	\$10.00
SANJO Corte Fino*	23	Virginia Beach	M	N	Produces components with fineblanking and heat treatment processes, and performs final machining.	85	\$17.50
	<i>New Total</i>				<i>7 announcements</i>	608	\$116.31
	<i>PDC 23 Total</i>				<i>16 announcements</i>	2,316	\$371.64
	<i>Confidential</i>				<i>5 announcements</i>	1,394	\$110.77

Grand Total

144 Announcements

19,352

\$2047.39

2017 announcements are preliminary

All announcements are subject to revision

State totals do not include duplicate entries for Chesterfield County which is included in PDC 15 and PDC 19.

APPENDIX 5:
Employment Creation and Capital Investment by
PDC for FY 2017

	Announcements	Employment	Investment (millions)
New Total	0	0	\$0.00
Expansion Total	1	14	\$0.25
PDC 1 Total	1	14	\$0.25
New Total	0	0	\$0.00
Expansion Total	3	225	\$2.00
PDC 2 Total	3	225	\$2.00
New Total	0	0	\$0.00
Expansion Total	4	91	\$7.60
PDC 3 Total	4	91	\$7.60
New Total	0	0	\$0.00
Expansion Total	6	258	\$67.49
PDC 4 Total	6	258	\$67.49
New Total	0	0	\$0.00
Expansion Total	5	180	\$59.35
PDC 5 Total	5	180	\$59.35
New Total	1	30	\$5.00
Expansion Total	6	397	\$156.10
PDC 6 Total	7	427	\$161.10
New Total	1	1,100	\$105.00
Expansion Total	10	1,701	\$201.60
PDC 7 Total	11	2,801	\$306.60
New Total	15	2,900	\$132.15
Expansion Total	24	5,322	\$121.80
PDC 8 Total	39	8,222	\$253.95
New Total	2	82	\$49.73
Expansion Total	0	0	\$0.00
PDC 9 Total	2	82	\$49.73
New Total	0	0	\$0.00
Expansion Total	3	46	\$5.05
PDC 10 Total	3	46	\$5.05
New Total	2	778	\$5.91
Expansion Total	3	88	\$25.15
PDC 11 Total	5	866	\$31.06
New Total	3	126	\$14.45
Expansion Total	6	85	\$47.43

PDC 12 Total	9	211	\$61.87
New Total	0	0	\$0.00
Expansion Total	2	64	\$252.12
PDC 13 Total	2	64	\$252.12
New Total	0	0	\$0.00
Expansion Total	1	12	\$8.75
PDC 14 Total	1	12	\$8.75
New Total	8	1,355	\$129.93
Expansion Total	8	282	\$44.38
PDC 15 Total	16	1,637	\$174.31
New Total	2	186	\$9.30
Expansion Total	1	32	\$0.10
PDC 16 Total	3	218	\$9.40
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	4	236	\$178.44
Expansion Total	4	140	\$31.94
PDC 19 Total	8	376	\$210.38
New Total	0	0	\$0.00
Expansion Total	1	15	\$1.20
PDC 22 Total	1	15	\$1.20
New Total	7	608	\$116.31
Expansion Total	9	1,708	\$255.33
PDC 23 Total	16	2,316	\$371.64
Confidential Total	5	1,394	\$110.77
Grand Total	144	19,352	\$2,047.39

2017 announcements are preliminary

All announcements are subject to revision

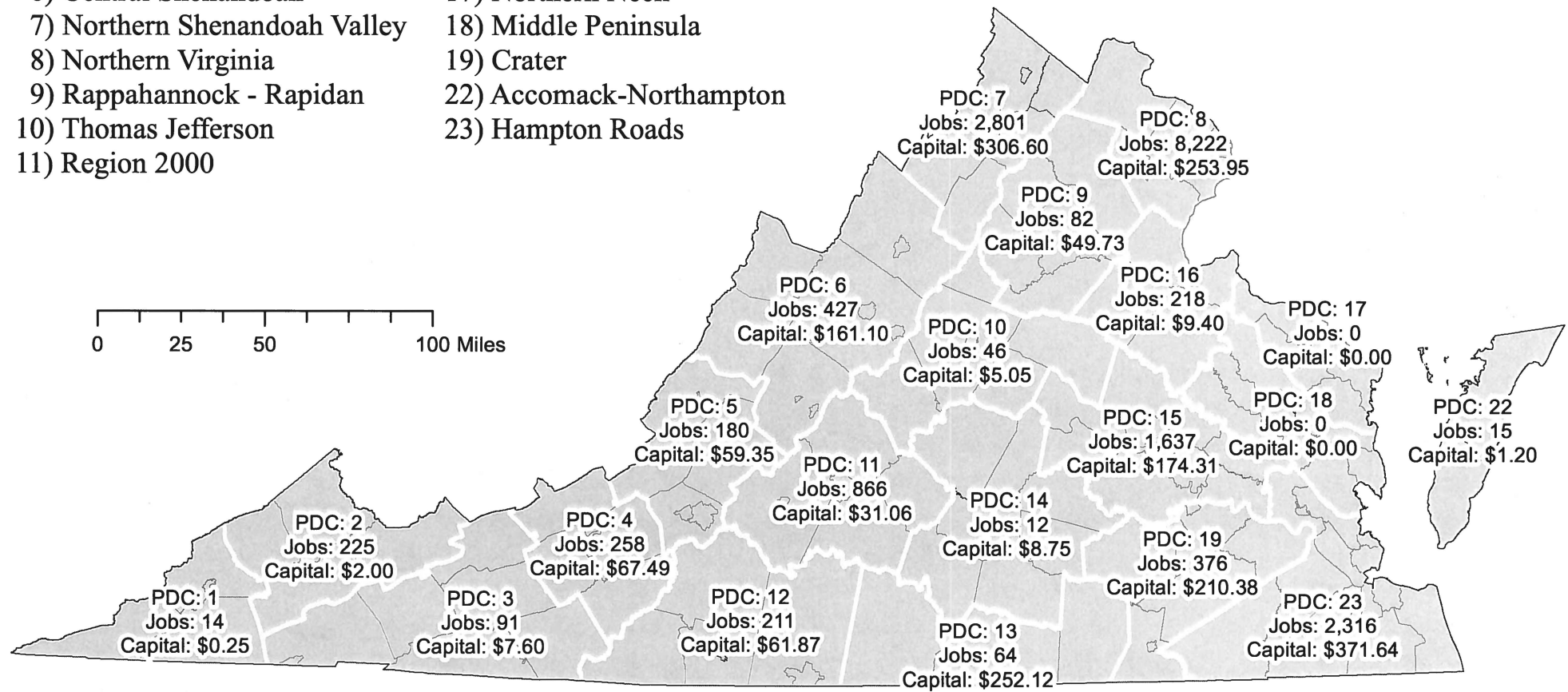
State totals do not include duplicate entries for Chesterfield County which is included in PDC 15 and PDC 19.

Employment Creation and Capital Investment by Planning District

Fiscal Year 2017

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 FY2017. All announcements are subject to revision.

APPENDIX 6:

Audited Financial Report



Martha S. Mavredcs, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 31, 2017

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 governmental activities and each major fund of the Virginia Economic Development Partnership as of and for the year ended June 30, 2017, 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, 2017, 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.

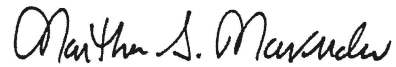
Other Matters

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 31, 2017, 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

MSM/clj

Virginia Economic Development Partnership
Audited Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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INTRODUCTORY SECTION

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
Richmond, Virginia

APPOINTED OFFICIALS
As of June 30, 2017

Board of Directors

Vincent J. Mastracco, Chair
The Honorable Todd P. Haymore, Ex-Officio, Vice Chair

Carrie Hileman Chenery	Chris A. Lumsden
C. Daniel Clemente	Ned W. Massee
Heather Engel	Dan M. Pleasant
Greg B. Fairchild	Xavier R. Richardson
William "Bill" Hayter	Carlos Tapias

The Honorable Richard D. Brown, Ex-Officio
Betsey Daley, Ex-Officio
John F. Reinhart, Ex-Officio
Robert P. Vaughn, Ex-Officio
John O. "Dubby" Wynne, Ex-Officio

President and Chief Executive Officer

Stephen M. Moret

FINANCIAL SECTION

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF JUNE 30, 2017

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, 2017. 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, 2017, the Partnership had a net position of (\$6,600,085) compared to a net position of (\$9,775,298) as of June 30, 2016. Following is an analysis of the changes in the net position of the Partnership.

	<u>Net Position</u>		
	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Current and other assets	\$ 7,444,118	\$ 3,944,464	\$ 3,499,654
Capital assets, net of depreciation	<u>1,351,312</u>	<u>1,763,616</u>	<u>(412,304)</u>
Total assets	8,795,430	5,708,080	3,087,350
Deferred outflows of resources	<u>2,242,793</u>	<u>1,632,588</u>	<u>610,205</u>
Total assets and deferred outflows	<u>11,038,223</u>	<u>7,340,668</u>	<u>3,697,555</u>
Non-current liabilities	16,172,742	15,379,453	793,289
Other liabilities	<u>634,566</u>	<u>513,513</u>	<u>121,053</u>
Total liabilities	16,807,308	15,892,966	914,342
Deferred inflows of resources	<u>831,000</u>	<u>1,223,000</u>	<u>(392,000)</u>
Total liabilities and deferred inflows	<u>17,638,308</u>	<u>17,115,966</u>	<u>522,342</u>
Net position:			
Net investment in capital assets	1,351,312	1,763,616	(412,304)
Unrestricted	<u>(7,951,397)</u>	<u>(11,538,914)</u>	<u>3,587,517</u>
Total net position	<u>\$(6,600,085)</u>	<u>\$(9,775,298)</u>	<u>\$ 3,175,213</u>

Total assets increased this fiscal year by \$3,087,350 when compared to last year. The principal causes of this increase were an increase of \$4,165,998 in the Current asset, cash due to a delay in implementing the Partnership's marketing and branding programs, savings from staff vacancies and pass-through payments to the Virginia Brownfields Restoration and Economic Redevelopment Assistance Fund and the Virginia Business Ready Sites Program included in the FY2017 budget that will be paid in FY2018. This increase was offset by a decrease of \$855,244 in the Current asset, operating grants receivable due to reductions in two International Trade federal grant programs in FY2017, as well as an increase in other current assets of \$188,900. Capital assets, net of depreciation decreased \$412,304 due primarily to the sale and transfer

of a portion of the leasehold improvements, furniture and equipment at the Partnership's James Center main office location to the Virginia Tourism Authority.

Deferred outflows of resources increased by \$610,205. This increase includes \$816,000 related to the net difference between projected and actual earnings on pension plan investments, offset by a decrease of \$205,795 for changes in proportion and differences between employer contributions and proportionate share of contributions, differences between expected and actual experience, and a slight reduction in FY2017 employer pension contributions over the prior year. These amounts have been recorded in compliance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

Total liabilities increased by \$914,342 due to an increase in the Non-current liabilities of the Partnership's net pension liability of \$492,000, as well as an increase in net other post-employment obligation of \$282,126 and an increase in compensated absences liability of \$19,163. Other liabilities increased by \$121,053 due to an increase in unearned revenue of \$23,185 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 \$97,868 due to the timing of accounts payable transactions.

Deferred inflows of resources decreased by \$392,000. This decrease includes \$886,000 related to the net difference between projected and actual earnings on pension plan investments, offset by an increase of \$348,000 for differences between expected and actual experience, and an increase of \$146,000 related to changes in proportion and differences between employer contributions and proportionate share of 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 (\$7,951,397) is classified as *unrestricted*. The Partnership has recorded \$15,260,655 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 \$6,803,161.

	<u>Changes in Net Position</u>		
	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Revenues:			
Program revenues:			
Charges for services	\$ 505,234	\$ 491,135	\$ 14,099
Operating grants	1,207,205	2,102,384	(895,179)
General revenues:			
General Fund appropriations	26,096,170	20,764,353	5,331,817
Other	509,130	351,679	157,451
Total revenues	<u>28,317,739</u>	<u>23,709,551</u>	<u>4,608,188</u>
Expenses:			
Workforce Development	1,057,726	2,637,233	(1,579,507)
Business Investment	4,534,424	2,933,486	1,600,938
International Trade	7,277,765	5,819,915	1,457,850
Research	2,121,754	2,296,599	(174,845)
Communications and Promotions	1,849,818	1,941,756	(91,938)
Economic Competitiveness	927,751	-	927,751
Information Technology	1,657,676	1,603,280	54,396
Administration	3,458,213	4,090,758	(632,545)
Pass-Through Payments	2,257,399	1,100,000	1,157,399
Total expenses	<u>25,142,526</u>	<u>22,423,027</u>	<u>2,719,499</u>
Increase (Decrease) in net position	3,175,213	1,286,524	1,888,689
Beginning net position	<u>(9,775,298)</u>	<u>(11,061,822)</u>	<u>1,286,524</u>
Ending net position	<u>\$ (6,600,085)</u>	<u>\$ (9,775,298)</u>	<u>\$ 3,175,213</u>

Net position for the Partnership increased by \$3,175,213 during the current fiscal year. The total revenues increase of \$4,608,188 is due primarily to an increase in general fund appropriations provided by the COV related to International Trade programs, trade missions, business attraction efforts, and Pass-Through Payments, offset by the Governor's 5% budget reductions. Operating grants revenue decrease is due to reductions in two International Trade federal grant programs in FY2017.

Total expenses for the Partnership increased by \$2,719,499. This increase was primarily in International Trade and Pass-Through Payments. The Partnership completed a reorganization in FY2017 that realigned the existing staff into eight divisions compared to seven in FY2016. This movement of staff is the primary cause of the increases and decreases in the Workforce Development, Business Investment and Economic Competitiveness divisions.

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 \$25.5 million. This amount was adjusted by a \$.5 million increase related to marketing and trade missions. Operating grants revenues exceeded 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 \$5.6 million for the fiscal year. This underspending was primarily in the Communications and Promotions division related to marketing and branding programs, the International Trade VITAL and VALET programs, and Pass-Through Payments included in the FY2017 budget that will be paid in FY2018.

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 President and Chief Executive Officer, Virginia Economic Development Partnership, P.O. Box 798, Richmond, Virginia, 23218-0798.

BASIC FINANCIAL STATEMENTS

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
STATEMENT OF NET POSITION
As of June 30, 2017

	Governmental Activities
Assets	
Cash and cash equivalents (Note 2)	\$ 6,461,469
Travel advances	8,817
Operating grants receivable	233,147
Prepaid expenses	719,798
Lease deposits (Note 5)	20,887
Capital assets, net of accumulated depreciation (Note 6)	
Leasehold improvements, furniture, and equipment	1,351,312
Total assets	8,795,430
Deferred outflows of resources (Note 9)	2,242,793
Total assets and deferred outflows of resources	11,038,223
Liabilities	
Accounts payable	305,173
Accrued payroll	230,808
Unearned revenue	98,585
Long-term liabilities due within one year	
Compensated absences (Note 8)	636,406
Long-term liabilities due in more than one year	
Compensated absences (Note 8)	275,681
Net pension liability (Note 9)	12,805,000
Net other post-employment obligation (Note 10)	2,455,655
Total liabilities	16,807,308
Deferred inflows of resources (Note 9)	831,000
Total liabilities and deferred inflows of resources	17,638,308
Net position	
Net investment in capital assets	1,351,312
Unrestricted	(7,951,397)
Total net position	\$ (6,600,085)

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

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Position
Governmental Activities				
Workforce Development	\$ 1,057,726	\$ -	\$ -	\$ (1,057,726)
Business Investment	4,534,424	54,428		(4,479,996)
International Trade	7,277,765	281,235	1,207,205	(5,789,325)
Research	2,121,754			(2,121,754)
Communications and Promotions	1,849,818	135,821		(1,713,997)
Economic Competitiveness	927,751			(927,751)
Information Technology	1,657,676			(1,657,676)
Administration	3,458,213	33,750		(3,424,463)
Pass-through Payments	2,257,399			(2,257,399)
Total governmental activities	25,142,526	505,234	1,207,205	(23,430,087)
General Revenues				
Revenue provided by the General Fund of the Commonwealth (Note 4)				26,096,170
Interest revenue				53,618
Gain on sale of capital assets				8,221
Other revenue				447,291
Total general revenues				26,605,300
Increase in net position				3,175,213
Net position, July 1, 2016				(9,775,298)
Net position, June 30, 2017				\$ (6,600,085)

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

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 2)	\$ 6,461,469	\$	\$ 6,461,469
Travel advances	8,817		8,817
Due from the special revenue funds	233,147		
Operating grants receivable		233,147	233,147
Prepaid expenses	719,798		719,798
Lease deposits (Note 5)	20,887		20,887
Total assets	<u>\$ 7,444,118</u>	<u>\$ 233,147</u>	<u>\$ 7,444,118</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 305,173		\$ 305,173
Accrued payroll	230,808		230,808
Compensated absences	6,391		6,391
Due to the general fund		233,147	
Unearned revenue	98,585		98,585
Total liabilities	<u>640,957</u>	<u>233,147</u>	<u>640,957</u>
Fund Balances:			
Nonspendable	740,685	-	740,685
Committed	-	-	-
Unassigned fund balance	6,062,476	0	6,062,476
Total fund balances	<u>6,803,161</u>	<u>0</u>	<u>6,803,161</u>
Total liabilities and fund balances	<u>\$ 7,444,118</u>	<u>\$ 233,147</u>	<u>\$ 7,444,118</u>

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

Fund balances, Governmental Funds	\$ 6,803,161
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,351,312
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.	(14,754,558)
Total net position of governmental activities	<u>\$ (6,600,085)</u>

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

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Revenue provided by the General Fund of the Commonwealth (Note 4)	\$ 26,096,170	\$	\$ 26,096,170
Participation fees	318,071		318,071
Sponsorship fees	45,910		45,910
Operating grants	-	1,207,205	1,207,205
Interest revenue	53,618		53,618
Other revenue	272,544		272,544
Total revenues	26,786,313	1,207,205	27,993,518
Expenditures			
Workforce Development	1,007,047		1,007,047
Business Investment	4,617,672		4,617,672
International Trade	6,069,511	1,207,205	7,276,716
Research	2,093,927		2,093,927
Communications and Promotions	1,833,208		1,833,208
Economic Competitiveness	926,002		926,002
Information Technology	1,606,749		1,606,749
Administration	3,332,588		3,332,588
Pass-through Payments	2,257,399		2,257,399
Total expenditures	23,744,103	1,207,205	24,951,308
Revenues over expenditures	3,042,210	-	3,042,210
Other Financing Sources			
Proceeds from sale of capital assets	330,000		330,000
Total other financing sources	330,000	-	330,000
Total Increase in Fund Balance	3,372,210	-	3,372,210
Fund balance, July 1, 2016	3,430,951	-	3,430,951
Fund balance, June 30, 2017	\$ 6,803,161	\$ -	\$ 6,803,161

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

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, 2017

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

Net increase (decrease) in fund balance of the governmental funds	\$	3,372,210
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 depreciation expense and proceeds from sale of capital assets exceeded capital outlays in the current period.		(412,304)
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>215,307</u>
Increase in net position of governmental activities	\$	<u><u>3,175,213</u></u>

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

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, 2017

	Budgeted Amounts		General	Special	Variances with
	Original	Final	Fund	Revenue	Final Budget-
			Actual	Fund	Positive
				Actual	(Negative)
Revenues					
Revenue provided by the General Fund of the Commonwealth (Note 4)	\$ 25,508,967	\$ 26,096,170	\$ 26,096,170	\$ -	\$ -
Participation fees	290,000	290,000	318,071		28,071
Sponsorship fees	45,350	45,350	45,910		560
Operating grants	1,109,461	1,109,461		2,062,449	952,988
Interest revenue	8,000	8,000	53,618		45,618
Other revenue	292,750	292,750	382,558		89,808
Total revenues	27,254,528	27,841,731	26,896,327	2,062,449	1,117,045
Expenditures					
Workforce Development	1,422,632	1,429,791	1,025,621		404,170
Business Investment	4,458,978	4,537,857	4,473,820		64,037
International Trade	8,005,325	8,012,250	6,400,282	1,207,206	404,762
Research	2,416,871	2,427,439	2,098,648		328,791
Communications and Promotions	3,751,555	4,256,721	1,830,381		2,426,340
Economic Competitiveness	1,344,912	1,352,431	908,779		443,652
Information Technology	1,497,405	1,635,672	1,570,903		64,769
Administration	3,597,908	3,310,628	3,334,362		(23,734)
Pass-through Payments	3,766,884	3,766,884	2,257,399		1,509,485
Total expenditures	30,262,470	30,729,673	23,900,195	1,207,206	5,622,272
Revenues over (under) expenditures	(3,007,942)	(2,887,942)	2,996,132	855,243	6,739,317
Other Financing Sources					
Proceeds from sale of fixed assets			330,000		330,000
Total other financing sources			330,000		330,000
Total Increase in Fund Balance			3,326,132	855,243	4,181,375
Fund balance, July 1, 2016	3,007,942	2,887,942	2,613,501	(371,041)	(645,482)
Fund balance, June 30, 2017 (Note 3)	\$ -	\$ -	\$ 5,939,633	\$ 484,202	\$ 6,423,835

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, 2017

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, 2017.

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, 2017, 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, 2017. 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, 2017, which is the first year of the biennium ended June 30, 2018. 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, 2017, the Partnership's holding in this currency was valued at \$4,712. 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. The Partnership 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, 2017	\$ 6,423,835
Add: Prepaid expenses and other accrued Receivables	952,945
Deduct: Accrued expenses and unearned Revenues	<u>(573,619)</u>
Fund balance, GAAP basis, June 30, 2017	<u>\$ 6,803,161</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 780	\$ 26,851,544
Add: Marketing and Trade Mission Funding	500,000
Central Appropriations Adjustments	69,135
FY2017 Other Budget Increases	24,023
Deduct: Governor's 5% Budget Reductions	(1,342,577)
FY2017 Other Budget Reductions	<u>(5,955)</u>
Revenue provided by the General Fund of the Commonwealth	<u>\$ 26,096,170</u>

5. LEASE DEPOSITS

The Partnership maintains offices in Tokyo, Japan, Shanghai, China and Seoul, South Korea. 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 1,084,600 Japanese Yen and was valued at \$10,288 at June 30, 2017. The Shanghai lease deposit is held in a non-interest bearing account in the amount of 59,176 Chinese RMB and was valued at \$9,498 at June 30, 2017. The Seoul lease deposit is held in a non-interest bearing account in the amount of 1,235,600 South Korean Won and was valued at \$1,101 at June 30, 2017.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

<u>Capital Assets Being Depreciated</u>	<u>Balance June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
Leasehold improvements, furniture and equipment	\$ 2,621,539	\$ 174,774	\$ (626,670)	\$ 2,169,643
Less: accumulated depreciation	<u>857,923</u>	<u>265,299</u>	<u>(304,891)</u>	<u>818,331</u>
Leasehold improvements, furniture and equipment, net of accumulated depreciation	<u>\$ 1,763,616</u>	<u>\$ (90,525)</u>	<u>\$ (321,779)</u>	<u>\$ 1,351,312</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, 2017, amounted to \$524,584. A summary of minimum future obligations under these agreements as of June 30, 2017, follows:

<u>Year Ending June 30</u>	<u>Obligations</u>
2018	\$ 1,349,045
2019	1,272,072
2020	1,362,595
2021	1,405,333
2022	1,504,954
2023-2027	<u>7,996,733</u>
Total future minimum rental payments	<u>\$ 14,890,732</u>

8. COMPENSATED ABSENCES

Compensated absences activity for the fiscal year ended June 30, 2017, was as follows:

<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
\$ 892,924	\$ 635,349	\$ 616,186	\$ 912,087
	Due Within One Year		(636,406)
	Due in More Than One Year		\$ 275,681

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>
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<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>
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<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></p> <p>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>
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<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>

		<u>Defined Contribution Component:</u> Not applicable.
Normal Retirement Age VRS: Age 65.	Normal Retirement Age VRS: Normal Social Security retirement age.	Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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.	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.	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. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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.	Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of creditable service.	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><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>

VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	period before becoming eligible for non-work-related disability benefits.
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.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions: <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. Defined Contribution Component: Not applicable.

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 Partnership. 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, 2017 was 13.49% of covered employee compensation for employees in the VRS State Employee Retirement Plan.

This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The contribution rate for the VRS State Employee Retirement Plan also reflects the transfer in June 2016 of \$162,406,273 as an accelerated payback of the deferred contribution in the 2010-12 biennium. 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. Contributions from the Partnership to the VRS State Employee Retirement Plan were \$1,070,793 and \$1,073,588 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the Partnership reported a liability of \$12,805,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016 the Partnership's proportion of the VRS State Employee Retirement Plan was 0.19429% as compared to 0.20111% at June 30, 2015.

For the year ended June 30, 2017, the Partnership recognized pension expense of \$891,000 for the VRS State Employee Retirement Plan. Since there was a change in proportionate share between June 30, 2015 and June 30, 2016, 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, 2017 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	\$ 55,000	\$ 348,000
Net difference between projected and actual earnings on pension plan investments	816,000	-
Change in assumptions	-	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	301,000	483,000
Employer contributions subsequent to the measurement date	<u>1,070,793</u>	<u>-</u>
Total	<u>\$ 2,242,793</u>	<u>\$ 831,000</u>

\$1,070,793 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, 2018. 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

2018	\$ (208,000)
2019	\$ (94,000)
2020	\$ 308,000
2021	\$ 335,000

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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, 2015 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, 2016, NPL for the VRS State Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>State Employee Retirement Plan</u>
Total Pension Liability	\$ 22,958,593
Plan Fiduciary Net Position	<u>16,367,842</u>
Employers' Net Pension Liability (Asset)	<u>\$ 6,590,751</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.29%

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 (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Partnership's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$ 18,021,000	\$ 12,805,000	\$ 8,426,000

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 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at: <http://www.varetire.org/Pdf/Publications/2016-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, 2017, the Partnership's combined net other post-employment benefit obligation for these plans was \$2,455,655.

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 1.31% of creditable compensation of \$7,948,514 resulting in a contribution of \$104,126. This contribution covers premiums for active employees and actual death claims for retirees. As of June 30, 2017, 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 1.18% of creditable compensation of \$7,937,681 resulting in a contribution of \$93,665. As of June 30, 2017, the Partnership's net post-employment benefit obligation for this plan was \$264,492.

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 \$7,561,543 resulting in a contribution of \$49,907. As of June 30, 2017, the Partnership's net post-employment benefit obligation for this plan was \$438,816.

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, 2017, the Partnership's net post-employment benefit obligation for this plan was \$1,752,347.

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 \$31,180 for the fiscal year 2017.

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.

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, 2017, 2016 and 2015***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.19429%	0.20111%	0.19015%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$12,805,000	\$12,313,000	\$10,646,000
Employer's Covered Payroll	\$7,675,614	\$7,745,983	\$7,349,371
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	166.83%	158.96%	144.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.29%	72.81%	74.28%

Schedule is intended to show information for 10 years. Since 2017 is the third year for this presentation, only two additional years 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, 2008 through 2017**

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2017	\$1,070,793	\$1,070,793	\$ -	\$7,937,681	13.49%
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%

Notes to Required Supplemental Information for the Year Ended June 30, 2017

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, 2016 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