

A Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016



Terence R. McAuliffe
Governor

Richard D. Brown
Secretary of Finance

David A. Von Moll
Comptroller

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INTRODUCTORY SECTION

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



COMMONWEALTH of VIRGINIA

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December 15, 2016

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

Dear Governor McAuliffe:

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016, in accordance with Section 2.2-813 of the *Code of Virginia*. This report consists of management's representations concerning the Commonwealth of Virginia's finances. Management assumes full responsibility for the completeness and reliability of all information presented. This report reflects my commitment to you, to the citizens of the Commonwealth, and to the financial community to maintain our financial statements in conformance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). Data presented in this report is believed to be accurate in all material respects, and all disclosures that are necessary to enable the reader to obtain a thorough understanding of the Commonwealth's financial activities have been included.

The 2016 CAFR is presented in three sections. The Introductory Section includes this transmittal letter and organization charts for state government. The Financial Section includes the State Auditor's Report, management's discussion and analysis (MD&A), audited government-wide and fund financial statements and notes thereto, required supplementary information other than MD&A, and the underlying combining and individual fund financial statements and supporting schedules. The Statistical Section sets forth selected unaudited economic, financial trend, and demographic information for the Commonwealth on a multi-year basis.

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

In accordance with Section 30-133 of the *Code of Virginia*, the Auditor of Public Accounts has audited the Commonwealth's financial statements for the year ended June 30, 2016. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. The auditor's opinion is included in the Financial Section of this report. Audit testing for compliance with the U. S. Office of Management and Budget Compliance Supplement and the related Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, is performed at the statewide level. The Commonwealth's Single Audit Report will be issued at a later date. I would like to acknowledge the Auditor of Public Accounts' staff for their many contributions to the preparation of this report.

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

PROFILE OF THE GOVERNMENT

Reporting Entity

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

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

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

Budgetary Control

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

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

ECONOMIC REVIEW

Local Economy

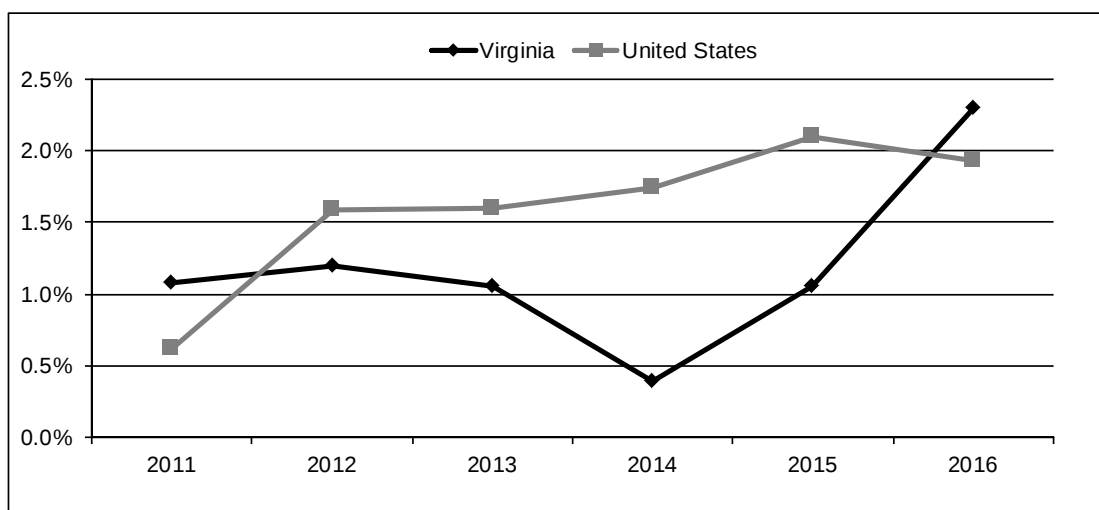
Introduction

This overview of the economy of the Commonwealth of Virginia was prepared by the Weldon Cooper Center for Public Service at the University of Virginia. In fiscal year 2016, Virginia's economy continued to rebound from earlier lackluster growth and outpaced the nation. Employment expanded at the fastest rate in over 10 years, and the jobless rate reached levels last seen before the recession. Personal income and taxable sales exhibited a healthy pace of growth, while housing market indicators such as home sales, housing prices, and building permits issued improved across the board. As the nation enters the eighth year of economic expansion and labor markets continue to tighten, job growth is expected to gradually slow. Robust consumer spending, a gradually improving housing market, and higher federal government outlays are expected to support moderate national and state economic growth into the coming fiscal year.

Employment

Virginia experienced its sixth consecutive year of employment growth in fiscal year 2016 (**Figure 1**). The fiscal year 2016 growth rate of 2.3 percent was a significant improvement over 1.1 percent the fiscal year before and outpaced the national growth rate of 1.9 percent. The easing of federal spending restrictions as the result of the Bipartisan Budget Act of 2013 and other more recent federal spending legislation helped propel the Virginia economy forward despite a slight slowing in the national economy.

Figure 1
Annual Percentage Change in Nonfarm Payroll Employment
Fiscal Years 2011 – 2016



Source: U. S. Bureau of Labor Statistics

Virginia attained a new jobs milestone in fiscal year 2016 with nonfarm payroll employment reaching 3,895,900. The state realized 87,600 more jobs during the fiscal year, a number that compares quite favorably with the net 93,700 jobs created over the entire fiscal year 2012-2015 period. **Figure 2** shows changes in Virginia's nonfarm employment by industry for fiscal years 2011 through 2016 along with the employment change between fiscal years 2015 and 2016 for Virginia and the U.S. Federal Government employment grew by 2,500 jobs in fiscal year 2016, the largest increment in the last five years. Professional and Business Services, another sector sensitive to federal government spending, expanded by 24,200 jobs in fiscal year 2016, also the best performance in the last five years. The Education and Health Services sector continued to provide a significant boost to the state economy as it has throughout the economic recovery, resulting in 17,000 additional jobs. Resilient consumer spending also helped power the largest annual post-recessionary increases in employment for the leisure and hospitality (15,200 jobs) and retail trade (9,800 jobs) industries.

Several sectors experienced small job losses, including mining and logging (700 jobs) which reflects the mounting challenges faced by Virginia's mining sector as a result of low energy prices, competition from gas and alternative energy, and more stringent clear air regulations. The Virginia information sector lost 1,200 jobs. This sector has seen slower growth nationwide in recent years because of telecommunications productivity improvements and shifts in media consumption habits. Manufacturing (200 jobs) and state and local government (1,400 jobs) also experienced small decreases in employment.

Figure 2
Nonfarm Payroll Employment
Fiscal Years 2011 – 2016

Industry*	Virginia Employment (000)						Change, FY 2015 to FY 2016		
	2011	2012	2013	2014	2015	2016	Virginia (000)	Percent	U.S., Percent
Mining and logging	10.7	11.1	10.4	9.8	9.3	8.6	-0.7	-7.5%	-14.4%
Construction	181.5	177.3	176.8	177.1	180.7	185.4	4.7	2.6%	4.1%
Manufacturing	230.0	231.5	231.2	231.2	232.2	232.0	-0.2	-0.1%	0.3%
Wholesale trade	111.2	111.2	111.4	110.6	110.3	111.8	1.5	1.4%	1.0%
Retail trade	400.1	404.6	406.6	412.5	414.2	424.0	9.8	2.4%	2.0%
Transportation and utilities	114.1	115.5	116.2	118.0	122.9	130.3	7.4	6.0%	2.2%
Information	75.0	72.5	71.4	71.6	70.3	69.1	-1.2	-1.7%	1.0%
Financial activities	180.6	185.3	190.9	193.2	195.7	199.7	4.0	2.0%	1.9%
Professional and business services	660.0	673.3	681.9	676.8	686.3	710.5	24.2	3.5%	3.1%
Education and health services	467.7	473.6	487.3	494.3	502.8	519.8	17.0	3.4%	3.1%
Leisure and hospitality	345.5	354.1	362.8	368.8	376.0	391.2	15.2	4.0%	2.9%
Other services	185.7	190.0	193.4	194.7	196.3	201.1	4.8	2.4%	1.1%
Federal government	177.3	177.2	179.0	175.2	175.3	177.8	2.5	1.4%	0.8%
State government	154.8	157.9	159.4	159.8	161.3	161.2	-0.1	-0.1%	0.5%
Local government	376.3	379.5	375.1	375.1	374.7	373.4	-1.3	-0.3%	0.4%
Total	3,670.5	3,714.6	3,753.8	3,768.7	3,808.3	3,895.9	87.6	2.3%	1.9%

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

* North American Industry Classification System

Figure 3 shows the annual percentage change in nonfarm employment for 10 of the 11 Metropolitan Statistical Areas (MSAs) in Virginia. The Kingsport-Bristol MSA is not included in this table because most of it is located in Tennessee and data for this indicator are not reported separately for the Virginia portion of the MSA. Each of the MSAs added jobs in fiscal year 2016. Growth rates met or exceeded the statewide average in the Central/Piedmont region metropolitan areas of Richmond and Charlottesville as well as the upper Shenandoah Valley (Winchester) and Northern Virginia. Employment growth rates for the Hampton Roads region, West Central region (Blacksburg-Christiansburg-Radford, Lynchburg, and Roanoke) and lower Shenandoah Valley (Harrisonburg and Staunton-Waynesboro) lagged behind the state average growth rate. The two metropolitan areas most significantly affected by federal budget sequestration easing (Northern Virginia and Hampton Roads) each continued to improve in fiscal year 2016 and saw growth rates significantly higher than previous five-year averages.

Figure 3
Annual Percent Change in Nonfarm Payroll Employment in Virginia's MSAs
 Fiscal Years 2011 – 2016

Area	2011	2012	2013	2014	2015	2016
Virginia	1.1%	1.2%	1.1%	0.4%	1.1%	2.3%
Metropolitan areas (a)						
Blacksburg-Christiansburg-Radford	0.9%	2.5%	1.7%	0.9%	0.9%	1.6%
Charlottesville	0.7%	1.0%	1.0%	1.2%	3.6%	3.4%
Harrisonburg	1.9%	0.8%	0.9%	0.4%	0.8%	0.6%
Lynchburg	-0.6%	-0.8%	0.4%	0.4%	0.5%	1.0%
Northern Virginia	1.9%	1.9%	1.5%	-0.1%	0.8%	2.3%
Richmond	0.8%	2.0%	1.9%	1.6%	1.9%	3.9%
Roanoke	0.3%	1.0%	1.0%	0.9%	0.4%	1.2%
Staunton-Waynesboro	0.1%	0.5%	0.0%	1.1%	1.3%	0.3%
Virginia Beach-Norfolk-New port News (b)	0.1%	0.7%	1.2%	0.7%	0.4%	1.0%
Winchester (c)	3.1%	2.7%	1.9%	2.2%	1.3%	3.9%

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

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

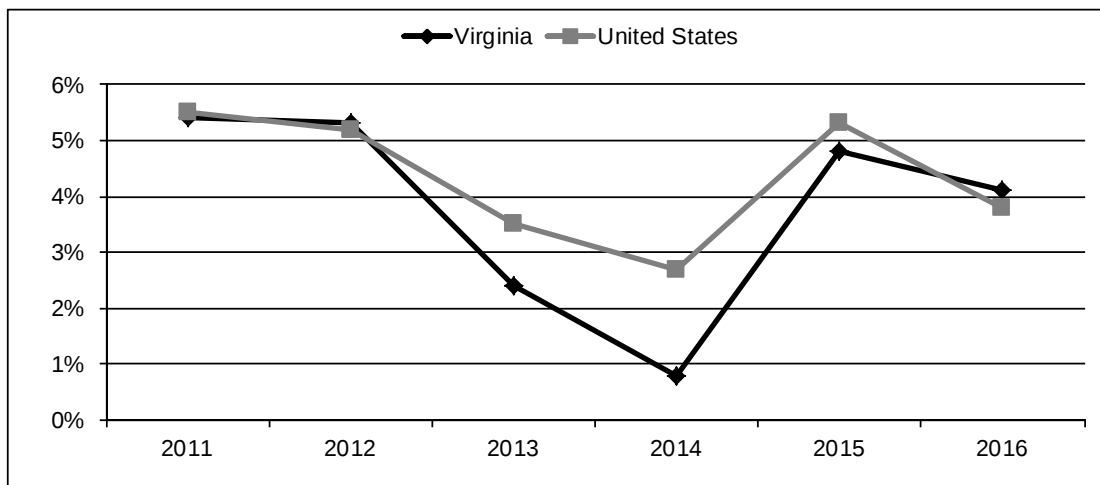
(b) Includes portion in North Carolina

(c) Includes portion in West Virginia

Personal Income

Personal income provides the best currently available gauge of the overall health of Virginia's economy. Changes in personal income are also strongly correlated with state government revenues such as income tax and retail sales tax collections. As shown in **Figure 4**, state personal income growth in fiscal year 2016 (4.1 percent) outpaced the nation (3.8 percent) for the first time since fiscal year 2012. This rate represented a slight slowdown from the year before (4.8 percent). Wages and salaries, which make up over half of Virginia total personal income, grew at a rate of 4.3 percent in fiscal year 2016. The next largest component is dividends, interest and rent, which expanded 2.0 percent. Among other components, transfer receipts grew 5.2 percent, supplements to wages and salaries (which includes employer contributions to employee pensions, health insurance, social security/Medicare and other benefits) expanded 4.6 percent, and proprietors' income advanced 5.7 percent.-

Figure 4
Percentage Change in Personal Income
 Fiscal Years 2011 – 2016

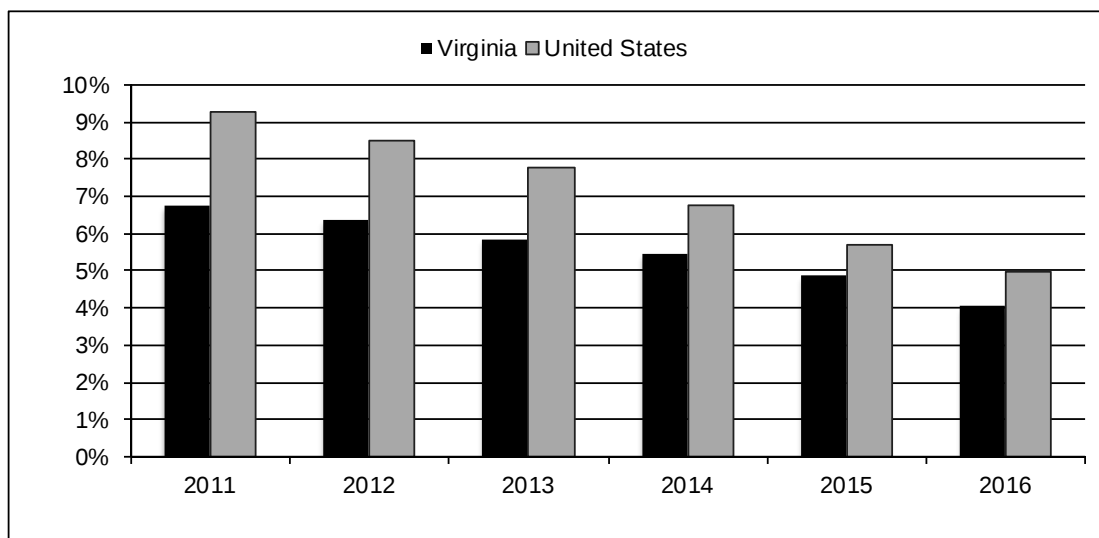


Source: U.S. Bureau of Economic Analysis

Unemployment

Unemployment rates at both the state and national levels continued to improve in fiscal year 2016. **Figure 5** shows that the unemployment rate in Virginia declined from 4.9 percent in fiscal year 2015 to 4.1 percent in fiscal year 2016, while the national rate decreased from 5.7 percent to 5.0 percent. These rates are slowly converging on pre-recessionary unemployment rates of 3.1 percent and 4.5 percent, respectively. Virginia has almost achieved the goal of full-employment by one conventional measure--an unemployment rate at or below 4.0 percent. The rate has been slower to come down during the economic recovery because of the severity of the 2007-2009 recession and backlog of discouraged workers, relatively slow economic growth during the expansion, and the difficulty of employers in finding workers with suitable job skills to fill existing openings (the so-called "jobs-skills" mismatch) due to rapid changes in technology and increased educational/experience job requirements.

Figure 5
Civilian Unemployment Rate
Fiscal Years 2011 – 2016



Source: U.S. Bureau of Labor Statistics

Figure 6 shows unemployment rates for Virginia's metropolitan and non-metropolitan regions. Unemployment rates for each of the 11 metropolitan areas decreased in fiscal year 2016. These decreases continue a pattern of gradual improvement in each metropolitan area over the fiscal year 2011 to fiscal year 2016 period. Below statewide average unemployment rates were observed in Northern Virginia (3.3 percent), the Charlottesville MSA (3.5 percent), the Winchester MSA (3.6 percent), and the Staunton-Waynesboro MSA (3.9 percent). The non-metropolitan area unemployment rate continues to lag behind the metropolitan area unemployment rate. But, it also saw significant improvement during the year, moving from 6.4 percent in fiscal year 2015 down to 5.5 percent in fiscal year 2016.

Figure 6
Civilian Unemployment Rate for Virginia's MSAs
 Fiscal Years 2011 – 2016

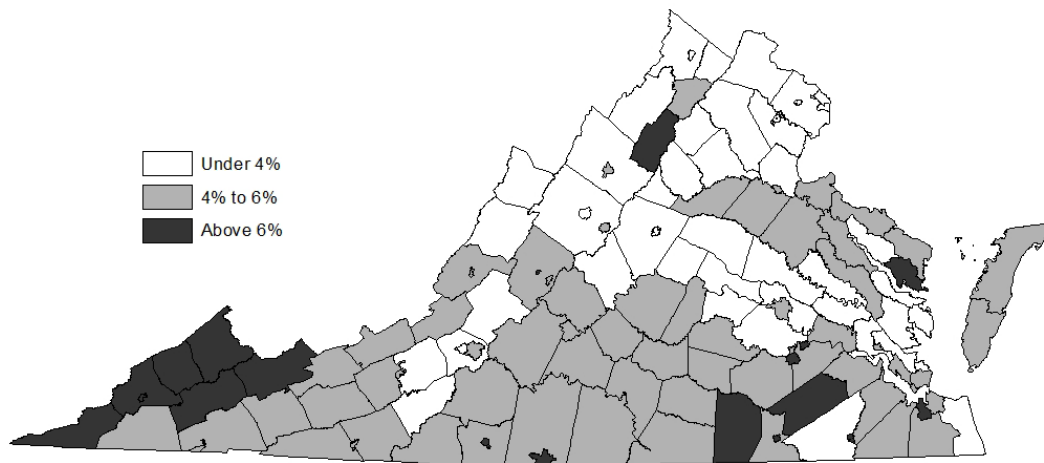
Area	2011	2012	2013	2014	2015	2016
Virginia	6.8%	6.4%	5.8%	5.5%	4.9%	4.1%
Metropolitan Areas	6.4%	6.1%	5.6%	5.2%	4.7%	3.9%
Blacksburg-Christiansburg-Radford	7.5%	6.8%	6.5%	5.7%	5.1%	4.4%
Charlottesville	6.1%	5.8%	5.2%	4.8%	4.3%	3.5%
Harrisonburg	6.8%	6.6%	6.0%	5.4%	5.0%	4.1%
Kingsport-Bristol*	7.7%	7.2%	6.8%	6.2%	5.4%	4.6%
Lynchburg	7.4%	7.0%	6.4%	5.9%	5.3%	4.5%
Northern Virginia*	5.1%	4.9%	4.6%	4.5%	4.1%	3.3%
Richmond	7.6%	7.0%	6.3%	5.8%	5.1%	4.2%
Roanoke	7.1%	6.6%	6.0%	5.5%	4.9%	4.0%
Staunton-Waynesboro	7.0%	6.5%	5.8%	5.2%	4.6%	3.9%
Virginia Beach-Norfolk-New port New s*	7.3%	7.1%	6.4%	5.9%	5.3%	4.6%
Winchester	7.0%	6.4%	5.7%	5.1%	4.5%	3.6%
Non-metropolitan Areas	9.4%	8.6%	8.1%	7.4%	6.4%	5.5%

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

* Includes only the portion of the MSA located in Virginia

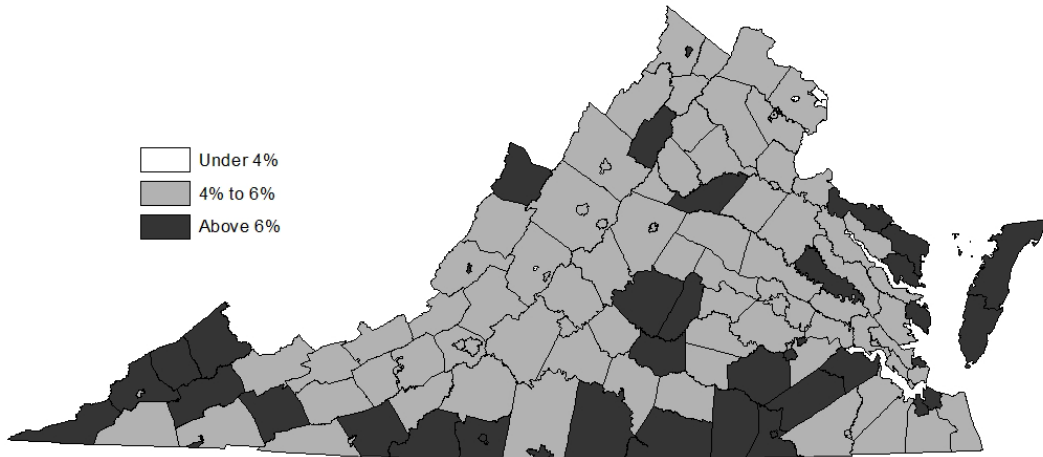
Figures 7a and 7b show changes in the spatial pattern of unemployment in Virginia during the last two fiscal years using locality-level data. For fiscal year 2016, the highest unemployment rates (above 6.0 percent) were found in the Southwestern region and isolated pockets (mainly independent cities) elsewhere. In comparison to the year before (shown in **Figure 7b**) when only Alexandria City, Arlington County, and Fairfax City had unemployment rates below 4.0 percent, many localities in Northern Virginia as well as Central Virginia, the Shenandoah Valley, the Roanoke Valley saw unemployment rates dip below 4.0 percent in fiscal year 2016. Despite these marked improvements, 23 localities actually saw their unemployment rates increase between the last two fiscal years. The largest geographical cluster of unemployment increase occurred in eight Southwest region localities (Bland, Buchanan, Dickenson, Russell, Tazewell, Wise, Wythe Counties and Norton City), many of which have been affected by mining industry layoffs.

Figure 7a
Unemployment Rate by Locality
 Fiscal Year 2016



Source: Virginia Employment Commission

Figure 7b
Unemployment Rate by Locality
 Fiscal Year 2015

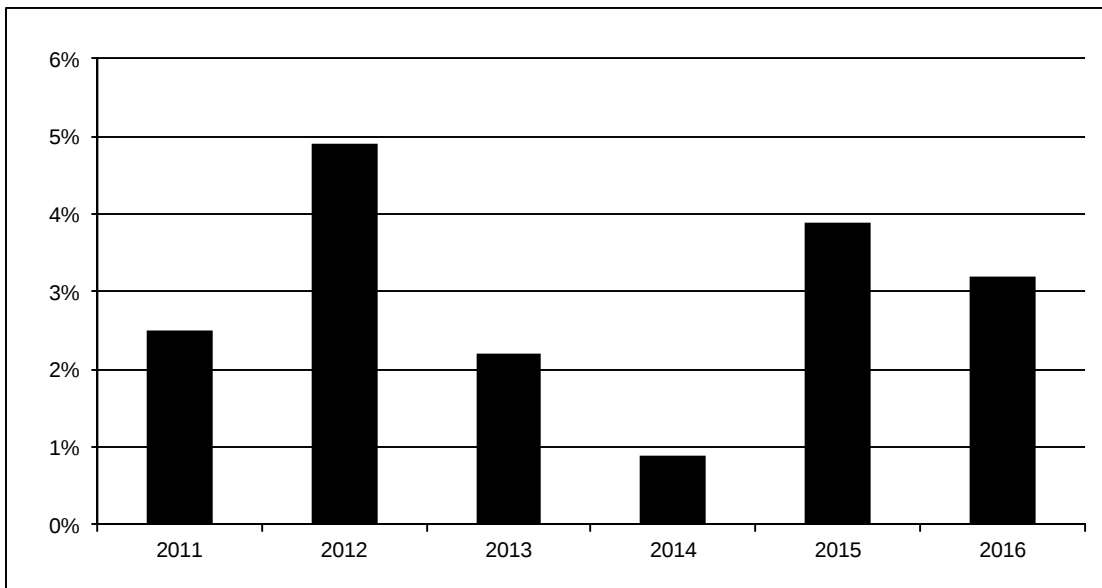


Source: Virginia Employment Commission

Taxable Sales

Changes in state retail sales are represented here using information on taxable sales. This measure is a useful proxy for retail sales, but omits some goods (e.g., motor vehicles, motor fuel sales) that appear in the comparable national measure and includes some services (e.g., restaurant sales, lodging sales) not included in that measure. **Figure 8** shows that taxable sales decreased slightly from a 3.9 percent increase in fiscal year 2015 to a 3.2 percent increase in fiscal year 2016, a still healthy rate of growth. This growth dip mirrors the slight drop in personal income growth reported earlier.

Figure 8
Annual Percentage Change in Taxable Sales in Virginia
 Fiscal Years 2011 – 2016

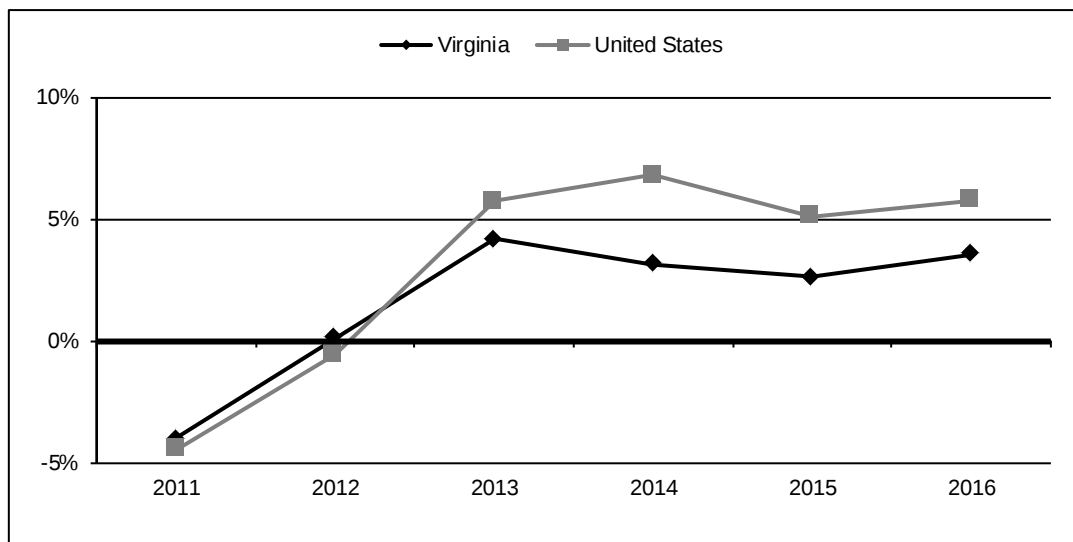


Source: Virginia Department of Taxation.

Housing Market

Housing market indicators show that the Virginia market continues to gradually recover. According to Virginia Association of Realtor reports, sales of single-family homes, townhomes, and condos increased from 104,091 units in fiscal year 2015 to 112,019 units in fiscal year 2016. This represents a 7.6 percent rate of increase, which compares to a 5.5 percent rate in fiscal year 2015 and 3.0 percent rate in fiscal year 2014. Housing prices published by the Federal Housing Finance Agency provide further support of improving conditions in the Virginia housing market. **Figure 9** shows the percentage change in housing prices for Virginia and the nation. Virginia housing prices appreciated 3.6 percent in fiscal year 2016. This rate is an increase from 2.6 percent in fiscal year 2015, but was still lower than the national rate. At the national level, housing prices grew 5.8 percent in fiscal year 2016, and led Virginia for the fourth straight year.

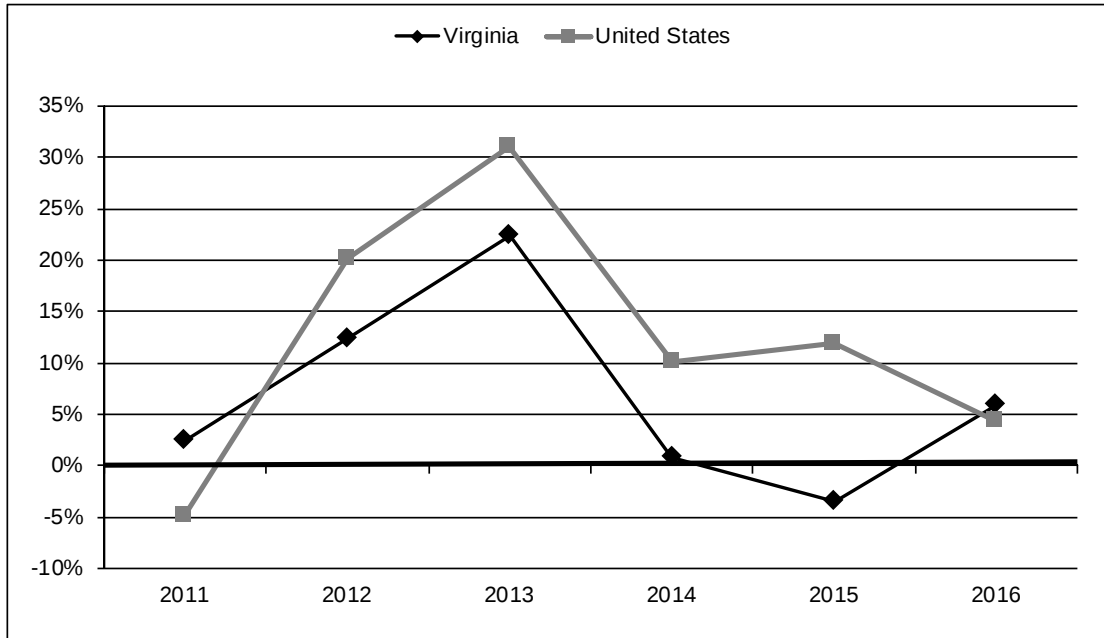
Figure 9
Percentage Change in Housing Prices
Fiscal Years 2011 – 2016



Source: Federal Housing Finance Agency

Current building permit data indicate that Virginia experienced an increase in new privately owned housing units authorized for construction in fiscal year 2016 of 6.0 percent (**Figure 10**). This is a marked improvement over the 3.4 percent decline realized in fiscal year 2015 and 0.9 percent increase in fiscal year 2014. As in previous years, this rate is likely to be revised upwards slightly as rural jurisdictions that report building permits on an annual rather than monthly basis submit their data at the end of calendar year 2016. Nationally, building permits increased at a 4.4 percent rate in fiscal year 2016, which represents a slowdown from double-digit growth in fiscal years 2015 (11.9 percent) and 2014 (10.2 percent).

Figure 10
New Privately Owned Housing Units Authorized
Annual Percentage Change
 Fiscal Years 2011 – 2016



Source: U.S. Census Bureau

Conclusion

Fiscal year 2016 saw significant improvement in Virginia's economy. This improvement paralleled higher federal spending growth than previous fiscal years. The employment growth rate increased and exceeded the national growth rate. The unemployment rate eased and approached what is ordinarily considered full-employment. Personal income and taxable sales growth rates slowed slightly but were still relatively brisk. The Virginia housing market also continued to recover with home sales accelerating, price appreciation picking up, and building permit issuance growing. On many major economic indicators (employment growth, unemployment rate, personal income growth, and building permit growth), the state performed better than the nation as a whole.

As the nation enters the eighth year of what has been a relatively slow-growth recovery and labor markets continue to tighten, the pace of employment increase is likely to slow. In addition, the Federal Reserve is expected to resume lifting interest rates. Further clouding the picture is an expected continued global economic slowdown attributable to weak growth in developed nations, an impending UK Brexit, slackening growth in China, and recession in some natural resource-dependent developing nations. On the other hand, consumer spending is likely to continue to be buoyed by employment growth, rising wages, and stronger household balance sheets. Investment spending may be strengthened by a slowly improving housing market and reduced drag from business fixed investment that has adjusted to energy price and exchange rate shifts. This combination of factors is likely to support near-term moderate national and state economic growth.

MAJOR INITIATIVES

The CAFR has received unmodified audit opinions from fiscal year 1986 through fiscal year 2015. During this period, the Commonwealth has also received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. While we are very proud of these unmodified audit opinions and awards, we must be mindful of the fact that they are not automatic. The successes of the State Comptroller's office are directly attributable not only to the professionalism, experience and integrity of the State Comptroller's technical and accounting personnel, but also to the professionalism, experience and integrity of the financial and accounting personnel throughout the Commonwealth. These major initiatives will support efforts to continue our legacy of quality financial management.

Long-term Financial Planning

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

Enterprise Application Project

The Cardinal Project represents a shared vision between the offices of the Secretary of Transportation, Secretary of Finance and the Virginia Information Technologies Agency to replace the Commonwealth's financial system (CARS) and the Virginia Department of Transportation's (VDOT) financial system with a modern, enterprise-wide financial system (base financial system). The base financial system provides a solid foundation for the Commonwealth to expand system functionality and facilitates better integration of key administrative systems across the state. This foundation enables the Commonwealth to re-engineer activities to include taking advantage of shared services, increasing functionality for better fiscal management, and reducing redundant agency financial systems and related cost. The Cardinal Project implemented the base financial system in three phases. The first phase implemented VDOT's planned functionality on December 5, 2011, and the second phase implemented the Commonwealth's base financial system at the Department of Accounts (DOA) on October 1, 2012. The third phase of the project included rolling Cardinal out to all other state agencies. The remaining agencies were divided into two waves, and the first wave was successfully implemented on October 1, 2014. The second wave was successfully implemented on February 1, 2016. Effective July 1, 2016 (fiscal year 2017), Cardinal became the official general ledger accounting system for the Commonwealth and CARS was retired.

The Commonwealth has embarked on a project to replace the existing statewide Payroll system, CIPPS, and integrate the statewide payroll system into Cardinal. I, as State Comptroller, chair the Cardinal Steering Committee, and DOA has assigned full-time resources to this project.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth for its CAFR for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and all applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. The Commonwealth has received a Certificate of Achievement for the last 30 consecutive years (fiscal years 1986-2015). I believe that this year's report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

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

Respectfully submitted,

David A. Von Moll
Comptroller of the Commonwealth of Virginia



Government Finance Officers Association

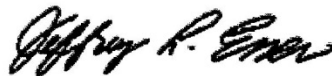
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Commonwealth of Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015



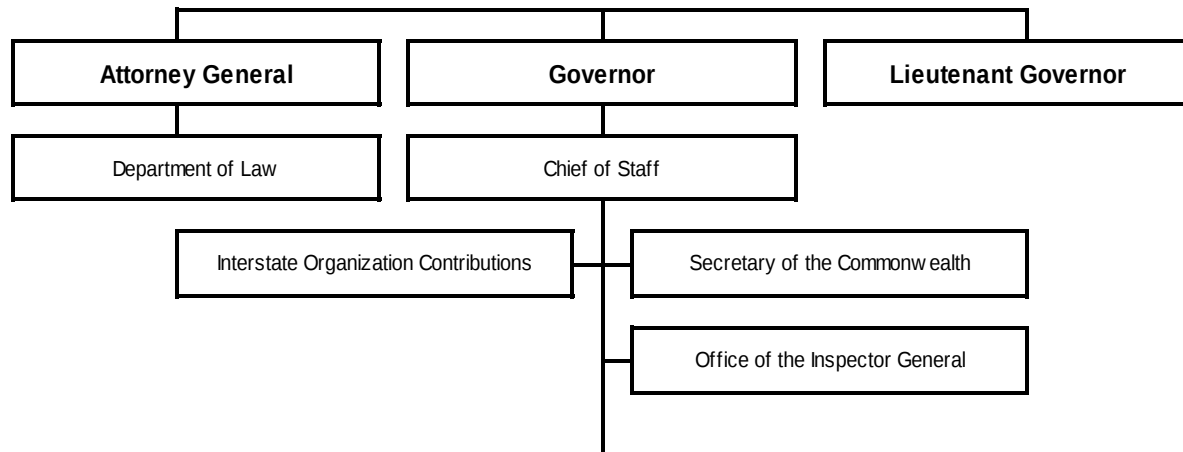
Executive Director/CEO



Organization Charts

Organization of Executive Branch of Government

As of June 30, 2016



Secretary of Administration

Compensation Board
Department of General Services
Department of Human Resource Management
Department of Elections

Secretary of Agriculture and Forestry

Virginia Agricultural Council
Department of Agriculture and Consumer Services
Department of Forestry
Virginia Racing Commission

Secretary of Commerce and Trade

Board of Accountancy
Department of Housing and Community Development
Department of Labor and Industry
Department of Mines, Minerals and Energy
Department of Professional and Occupational Regulation
Department of Small Business and Supplier Diversity
Tobacco Region Revitalization Commission
Virginia Economic Development Partnership
Virginia Employment Commission
Virginia Tourism Authority

Secretary of Health and Human Resources

Office of Children's Services
Department for Aging and Rehabilitative Services
Department for the Blind and Vision Impaired
Department for the Deaf and Hard-of-Hearing
Department of Behavioral Health and Developmental Services
Department of Health
Department of Health Professions
Department of Medical Assistance Services
Department of Social Services
Virginia Board for People with Disabilities
Virginia Foundation for Healthy Youth
Virginia Rehabilitation Center for the Blind and Vision Impaired
Wilson Workforce and Rehabilitation Center

Secretary of Education

Christopher Newport University
Department of Education
Frontier Culture Museum of Virginia
George Mason University
Gunston Hall
Institute for Advanced Learning and Research
James Madison University
Jamestown-Yorktown Foundation
Longwood University
New College Institute
Norfolk State University
Old Dominion University
Radford University
Richard Bland College
Roanoke Higher Education Authority
Southern Virginia Higher Education Center
Southwest Virginia Higher Education Center
State Council of Higher Education for Virginia
The College of William and Mary
The Library of Virginia
The Science Museum of Virginia
University of Mary Washington
University of Virginia
Virginia College Building Authority
Virginia Commission for the Arts
Virginia Commonwealth University
Virginia Community College System
Virginia Institute of Marine Science
Virginia Military Institute
Virginia Museum of Fine Arts
Virginia Polytechnic Institute and State University
Virginia School for the Deaf and Blind
Virginia State University

Secretary of Finance

Department of Accounts
Department of Planning and Budget
Department of Taxation
Department of the Treasury
Treasury Board

Secretary of Natural Resources

Department of Conservation and Recreation
Department of Environmental Quality
Department of Game and Inland Fisheries
Department of Historic Resources
Marine Resources Commission
Virginia Museum of Natural History

Secretary of Public Safety and Homeland Security

Commonwealth Attorneys' Services Council
Department of Alcoholic Beverage Control
Department of Corrections
Department of Criminal Justice Services
Department of Emergency Management
Department of Fire Programs
Department of Forensic Science
Department of Juvenile Justice
Department of Military Affairs
Department of State Police
Virginia Correctional Enterprises
Virginia Parole Board

Secretary of Technology

Innovation and Entrepreneurship Investment Authority
Virginia Information Technologies Agency

Secretary of Transportation

Department of Aviation
Department of Motor Vehicles
Department of Rail and Public Transportation
Department of Transportation
Motor Vehicle Dealer Board
Virginia Port Authority

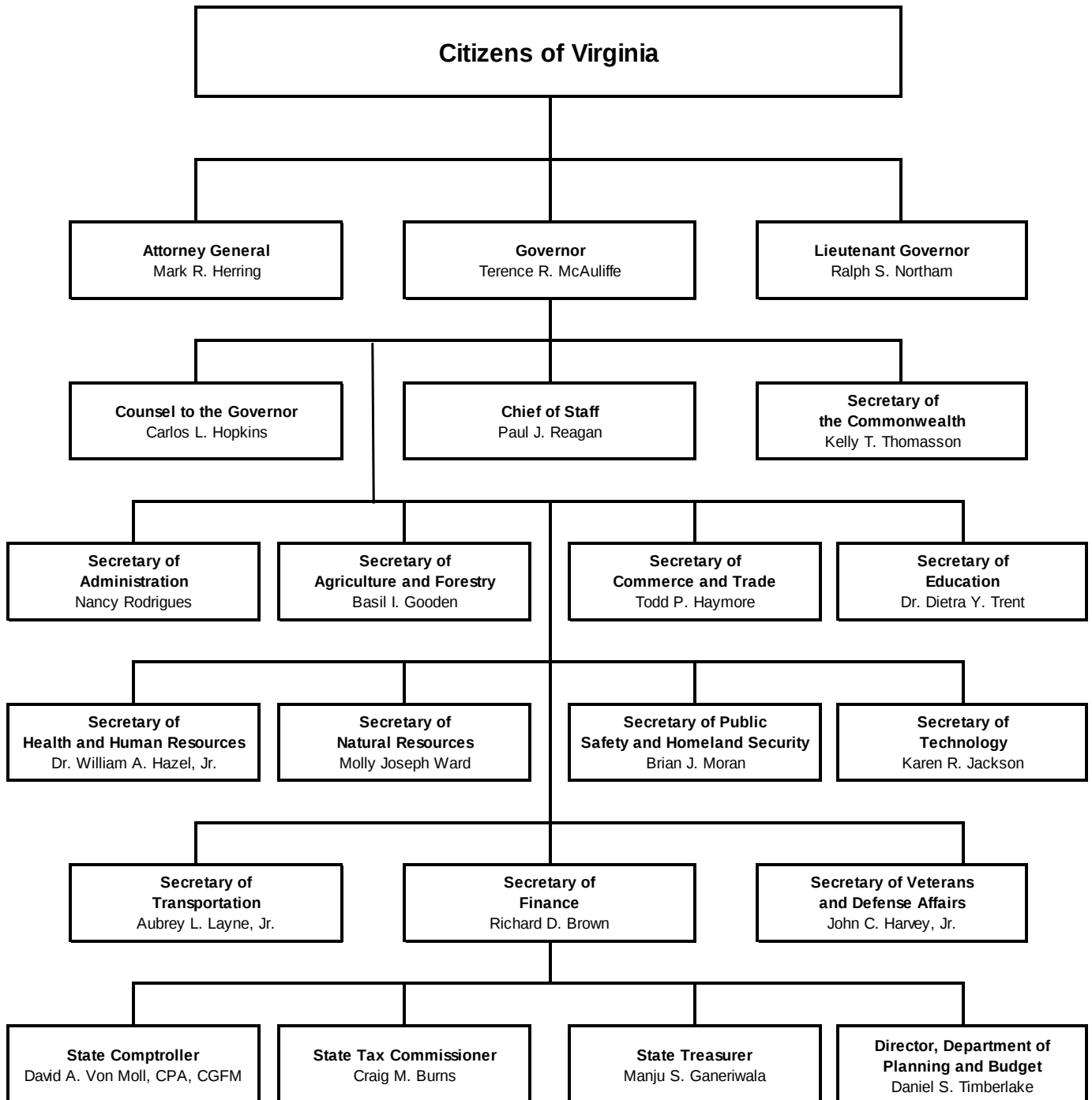
Secretary of Veterans and Defense Affairs

Department of Veterans Services

Organization of Government

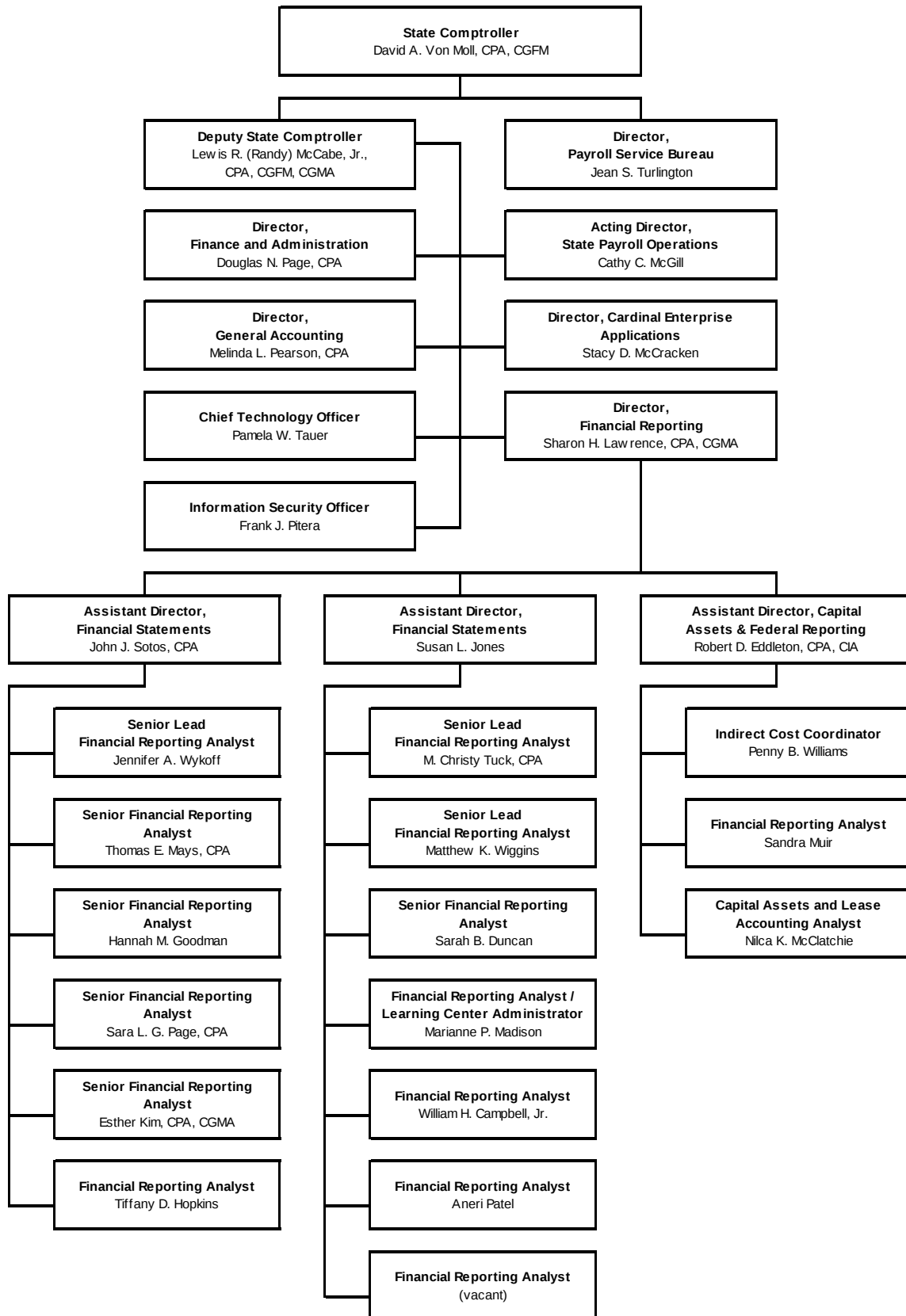
Selected Government Officials - Executive Branch

As of December 15, 2016



Organization of the Department of Accounts

As of December 15, 2016



FINANCIAL SECTION

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



Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 15, 2016

The Honorable Terence R. McAuliffe
Governor of Virginia

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

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain discretely presented components units of the Commonwealth, which are discussed in Note 1.B. These component units collectively represent 29.15 percent of total assets and deferred outflows, 25.06 percent of net position, and 10.09 percent of revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain component units discussed in Note 1.B. is based on the reports of the other auditors.

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

The Commonwealth of Virginia's basic financial statements for the year ended June 30, 2016, reflect the provisions of the Governmental Accounting Standards Board's (GASB) Statement No. 72, *Fair Value Measurement and Application*. The Commonwealth of Virginia implemented the requirements of GASB Statement No. 72 in accordance with their required effective date. See Note 6 in the accompanying financial statements for the impact of the standard's implementation. Our opinion is not modified with respect to this matter.

Correction of 2015 Financial Statements

As discussed in Note 2 of the accompanying financial statements, the fiscal year 2015 governmental activities, Commonwealth Transportation major special revenue fund, the Federal Trust major special revenue fund, the Literary Fund major special revenue fund, the Other non-major special revenue fund, the Unclaimed Property private purpose trust fund, and the component unit financial statements have been restated to correct misstatements. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, the schedule of changes in employer's net pension liability, schedule of employer contributions for pension plans, schedule of funding progress for other post-employment benefit plans, schedule of employer contributions for other post-employment benefit plans, and claims development information on pages 27 through 37 and 179 through 200, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, our report dated December 15, 2016, on our consideration of the Commonwealth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters is issued in the Commonwealth of Virginia Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commonwealth's internal control over financial reporting and compliance.

MARTHA S. MAVREDES
AUDITOR OF PUBLIC ACCOUNTS

Management's Discussion and Analysis

(Unaudited)

The following is a discussion and analysis of the Commonwealth of Virginia's (the Commonwealth) financial performance, including an overview and analysis of the financial activities of the Commonwealth for the fiscal year ended June 30, 2016. Readers should consider this information in conjunction with the transmittal letter, which is located in the Introductory Section of this report, and the Commonwealth's financial statements, including the notes to the financial statements, which are located after this analysis.

Financial Highlights

Government-wide Highlights

The primary government's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2016, by \$21.7 billion. Net position of governmental activities increased by \$569.0 million and net position of business-type activities increased by \$206.8 million. Component units reported an increase in net position of \$283.5 million from June 30, 2015.

Fund Highlights

At the end of the fiscal year, the Commonwealth's governmental funds reported a combined ending fund balance of \$3.7 billion, a decrease of \$744.1 million in comparison with the prior year. Of this total fund balance, \$307.1 million represents nonspendable fund balance, \$1.6 billion represents restricted fund balance, \$2.5 billion represents committed fund balance, and \$29.3 million represents assigned fund balance. These amounts are offset by a negative \$709.3 million unassigned fund balance. The Enterprise Funds reported net position at June 30, 2016, of \$1.6 billion, an increase of \$214.3 million during the year which is primarily attributable to the Unemployment Compensation Fund and the Virginia College Savings Plan. See page 33 for additional information.

The General Fund recognized higher fund revenues and expenditures, as well as lower assets and deferred outflows of resources and liabilities and deferred inflows of resources when compared to fiscal year 2015. See page 34 for additional information.

Long-term Debt

The Commonwealth's total debt rose during the fiscal year to \$42.8 billion, an increase of \$873.0 million, or 2.1 percent. During the fiscal year, the Commonwealth issued new debt in the amount of \$409.0 million for the primary government and \$3.8 billion for the component units. These debt issuances, coupled with debt retirements, decreased the debt balances to \$14.5 billion for the primary government and increased the debt balances to \$28.3 billion for component units.

Overview of the Financial Statements

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

Government-wide Statements

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

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

The Statement of Activities (pages 42 through 44) presents information showing how the Commonwealth's net position changed during fiscal year 2016. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

Discretely Presented Component Units – account for functions of legally separate entities for which the Commonwealth is financially accountable. The Commonwealth has 26 non-higher education component units and 22 higher education institutions that are reported as discretely presented component units. Information regarding the individual financial statements of the component units is presented in the notes to the financial statements.

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

The Commonwealth's fiduciary funds are the:

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Information

The combining statements referred to earlier in connection with nonmajor funds and component units can be found beginning on page 201 of this report. The individual fund information is aggregated into a single total on the combining financial statements, which carries forward to the fund financial statements.

Government-wide Financial Analysis

The primary government's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$21.7 billion during the fiscal year. The net position of the governmental activities increased \$569.0 million, or 2.9 percent, primarily due to increases in capital assets and deferred outflows of resources offset by increases in total liabilities and deferred inflows of resources. Capital assets are discussed further on page 35, the long-term liabilities are discussed further on page 36, and deferred inflows and outflows of resources are discussed in Note 13, "Deferred Outflows and Deferred Inflows of Resources." Business-type activities had an increase of \$206.8 million, or 15.0 percent, primarily due to an increase for the Unemployment Compensation Fund and Virginia College Savings Plan as discussed on page 33. As discussed in Note 2, the government-wide beginning balance was restated predominantly for a change in investment liquidation management strategy for the Literary Fund and the correction of prior year errors to arrive at a restated beginning balance of \$20.9 billion.

Figure 11
Net Position as of June 30, 2016 and 2015
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015 as restated	2016	2015	2016	2015 as restated
Current and other assets	\$ 8,760,492	\$ 9,394,081	\$ 4,220,594	\$ 4,425,736	\$ 12,981,086	\$ 13,819,817
Capital assets	30,415,387	29,357,553	38,319	40,227	30,453,706	29,397,780
Deferred outflow s of resources	731,279	507,048	17,903	13,438	749,182	520,486
Total assets and deferred outflow s of resources	39,907,158	39,258,682	4,276,816	4,479,401	44,183,974	43,738,083
Long-term liabilities outstanding	12,157,996	11,953,821	2,346,500	2,736,277	14,504,496	14,690,098
Other liabilities	5,059,991	4,841,326	334,095	342,291	5,394,086	5,183,617
Deferred inflow s of resources	2,574,935	2,918,314	9,967	21,371	2,584,902	2,939,685
Total liabilities and deferred inflow s of resources	19,792,922	19,713,461	2,690,562	3,099,939	22,483,484	22,813,400
Net position:						
Net investment in capital						
assets	24,308,954	23,416,290	32,960	34,519	24,341,914	23,450,809
Restricted	1,365,260	1,585,961	1,044,558	845,213	2,409,818	2,431,174
Unrestricted	(5,559,978)	(5,457,030)	508,736	499,730	(5,051,242)	(4,957,300)
Total net position	\$ 20,114,236	\$ 19,545,221	\$ 1,586,254	\$ 1,379,462	\$ 21,700,490	\$ 20,924,683

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

An additional portion of the primary government's net position represents restricted net position. These resources are subject to external restrictions or constitutional provisions specifying how they may be used. The remaining balance of negative \$5.1 billion is unrestricted net position (**Figure 11**).

Approximately 55.9 percent of the primary government's total revenue came from taxes. While the primary government's expenses cover many services, the largest expenses are for education and individual and family services. General revenues normally fund governmental activities. For fiscal year 2016, governmental expenses exceeded program and general revenues by \$218.4 million. Program revenues exceeded expenses from business-type activities by \$984.0 million. The following condensed financial information (**Figure 12**) was derived from the Government-wide Statement of Activities and provides detail regarding the change in net position (see page 42).

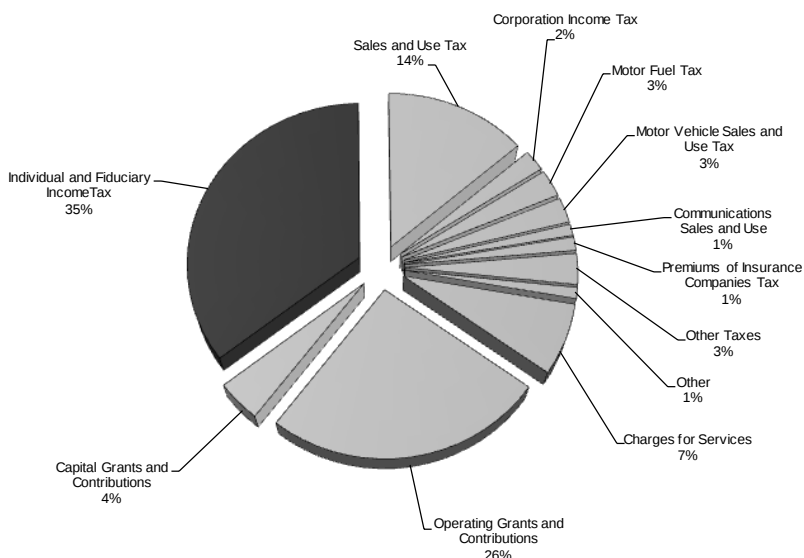
Figure 12
Changes in Net Position for the Fiscal Years Ended June 30, 2016 and 2015
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015 as restated	2016	2015	2016	2015 as restated
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,567,716	\$ 2,543,208	\$ 4,069,063	\$ 3,953,679	\$ 6,636,779	\$ 6,496,887
Operating Grants and Contributions	9,147,407	9,064,631	430	183	9,147,837	9,064,814
Capital Grants and Contributions	1,466,927	1,618,761	-	-	1,466,927	1,618,761
General Revenues:						
Taxes:						
Individual and Fiduciary Income	12,685,001	12,265,530	-	-	12,685,001	12,265,530
Sales and Use	4,993,762	4,829,677	-	-	4,993,762	4,829,677
Corporation Income	772,639	801,165	-	-	772,639	801,165
Motor Fuel	975,851	888,348	-	-	975,851	888,348
Motor Vehicle Sales and Use	909,617	846,197	-	-	909,617	846,197
Communications Sales and Use	405,576	416,051	-	-	405,576	416,051
Deeds, Contracts, Wills, and Suits	470,644	440,896	-	-	470,644	440,896
Premiums of Insurance Companies	485,018	453,376	-	-	485,018	453,376
Alcoholic Beverage Sales	147,813	139,832	-	-	147,813	139,832
Tobacco Products	176,401	178,954	-	-	176,401	178,954
Estate	175	92	-	-	175	92
Public Service Corporations	108,158	118,849	-	-	108,158	118,849
Beer and Beverage Excise	43,185	42,719	-	-	43,185	42,719
Wine and Spirits/ABC Liter	26,442	26,253	-	-	26,442	26,253
Bank Stock	17,796	19,030	-	-	17,796	19,030
Other Taxes	118,288	112,368	9,141	9,142	127,429	121,510
Unrestricted Grants and Contributions	48,031	48,613	-	-	48,031	48,613
Investment Earnings	63,397	15,970	900	1,603	64,297	17,573
Miscellaneous	281,562	205,625	175	243	281,737	205,868
Total Revenues	35,911,406	35,076,145	4,079,709	3,964,850	39,991,115	39,040,995
Expenses:						
General Government	3,229,507	3,267,158	-	-	3,229,507	3,267,158
Education	10,178,231	9,845,532	-	-	10,178,231	9,845,532
Transportation	4,528,605	4,369,089	-	-	4,528,605	4,369,089
Resources and Economic Development	1,007,607	970,545	-	-	1,007,607	970,545
Individual and Family Services	14,024,213	13,271,422	-	-	14,024,213	13,271,422
Administration of Justice	2,921,635	2,746,146	-	-	2,921,635	2,746,146
Interest and Charges on Long-term Debt	240,007	223,584	-	-	240,007	223,584
Virginia Lottery	-	-	1,415,154	1,299,753	1,415,154	1,299,753
Virginia College Savings Plan	-	-	103,307	155,331	103,307	155,331
Unemployment Compensation	-	-	390,441	431,437	390,441	431,437
Alcoholic Beverage Control	-	-	614,641	579,945	614,641	579,945
Risk Management	-	-	14,281	10,240	14,281	10,240
Local Choice Health Care	-	-	411,656	349,910	411,656	349,910
Route 460 Funding Corporation of Virginia	-	-	1,461	13,024	1,461	13,024
Virginia Industries for the Blind	-	-	41,860	42,722	41,860	42,722
Consolidated Laboratory	-	-	10,016	8,630	10,016	8,630
eVA Procurement System	-	-	22,573	22,563	22,573	22,563
Department of Environmental Quality Title V	-	-	11,135	10,444	11,135	10,444
Wireless E-911	-	-	41,851	36,804	41,851	36,804
Museum and Library Gift Shops	-	-	6,676	6,618	6,676	6,618
Behavioral Health Canteen and Work Activity	-	-	451	466	451	466
Total Expenses	36,129,805	34,693,476	3,085,503	2,967,887	39,215,308	37,661,363
Excess/(Deficiency) before transfers	(218,399)	382,669	994,206	996,963	775,807	1,379,632
Special Item	-	(134,561)	-	34,437	-	(100,124)
Transfers	787,414	728,371	(787,414)	(728,371)	-	-
Increase in net position	569,015	976,479	206,792	303,029	775,807	1,279,508
Net position, July 1, as restated	19,545,221	18,568,742	1,379,462	1,076,433	20,924,683	19,645,175
Net position, June 30	\$ 20,114,236	\$ 19,545,221	\$ 1,586,254	\$ 1,379,462	\$ 21,700,490	\$ 20,924,683

Governmental Activities Revenues

Figure 13 is a graphical representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by \$835.3 million, or 2.4 percent. The net increase is mainly attributable to increases in the General Fund, which are discussed on page 34.

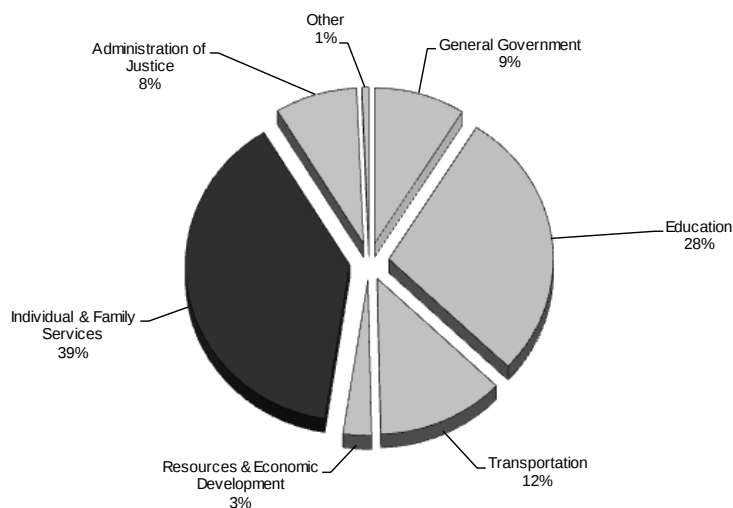
Figure 13
Revenues by Source – Governmental Activities
Fiscal Year 2016



Governmental Activities Expenses

Figure 14 is a graphical representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses increased by \$1.4 billion, or 4.1 percent. This change is primarily attributable to increases in all expense types with the exception of General Government. See pages 34 and 35 for additional information.

Figure 14
Expenses by Type – Governmental Activities
Fiscal Year 2016



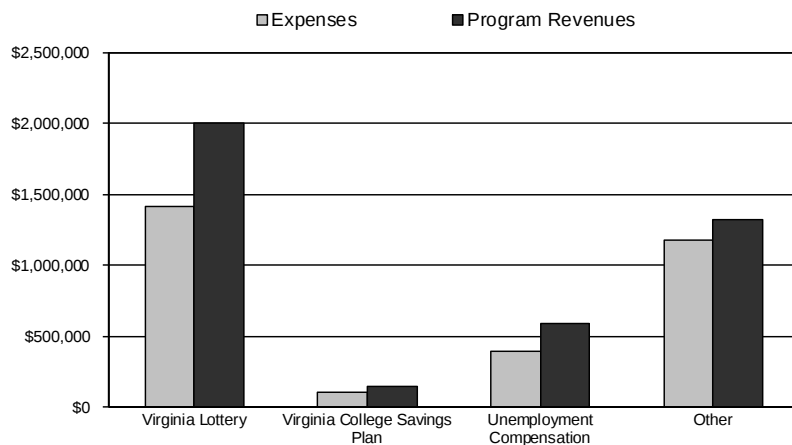
Net Position of Business-type Activities

Net position of business-type activities increased by \$206.8 million during the fiscal year. As shown in **Figure 15**, highlights of the changes in net position for the major enterprise funds were as follows:

- Lottery sales were \$2.0 billion, an increase of \$163.0 million over the prior year. Net income was \$593.6 million, an increase of \$48.1 million (8.8 percent) from fiscal year 2015. Sales of scratch games increased by \$82.1 million (8.1 percent) and online sales increased by \$80.9 million (9.8 percent). Additionally, there is an increase of \$114.7 million (8.8 percent) in total expenses, primarily attributable to the cost of prizes and claims.
- Virginia College Savings Plan's net position increased by \$43.0 million (7.9 percent) during the fiscal year. Although the investment income decreased from the prior year, total revenues still exceeded expenses incurred during fiscal year 2016.
- Unemployment Compensation Fund net position increased by \$199.3 million during fiscal year 2016, primarily as a result of a decrease in benefit claims. Operating expenses decreased by \$41.0 million. These factors combined give the Trust Fund the large increase.

Over the one year period from July 1, 2015, to June 30, 2016, the unemployment rate declined from 4.9 percent to 4.1 percent. Additionally, there were approximately 16,482 fewer initial unemployment claims filed than in the previous year. These declines were accompanied by a decrease in the average benefit duration from 16.0 weeks to 14.9 weeks in fiscal year 2016. There was an increase in the average weekly benefit amounts from approximately \$289.0 to \$298.1 in fiscal year 2016. These multiple influences led to a decrease in the total benefit payments of \$41.0 million over the prior year.

Figure 15
Business-type Activities
Program Revenues and Expenses
Fiscal Year 2016
(Dollars in Thousands)



Fund Statements Financial Analysis

As of the end of the fiscal year, the primary government's governmental funds reported combined ending fund balances of \$3.7 billion, including a negative unassigned fund balance of \$709.3 million indicating that restricted and committed amounts exceed the available modified accrual basis fund balance. The remainder of fund balance is nonspendable, restricted or committed to indicate that it is not available for new spending.

General Fund Highlights

At the end of the fiscal year, the General Fund reported a combined ending fund balance of \$710.3 million, a decrease of \$138.1 million in comparison with the prior year. Of this total fund balance, \$114.4 million represents nonspendable fund balance, \$908.2 million represents restricted fund balance, and \$397.0 million represents committed fund balance. These amounts are offset by a negative \$709.3 million unassigned fund balance.

Fiscal year 2016 General Fund revenues were 3.7 percent, or \$692.8 million, higher than fiscal year 2015 revenues. This revenue change results from increases of \$716.5 million primarily attributable to individual and fiduciary income taxes (\$362.0 million), sales and use taxes (\$122.5 million), other revenue primarily relating to expenditure recoveries from prior years (\$73.6 million), interest, dividends, and rents (\$45.3 million), premiums of insurance companies taxes (\$36.1 million), and deeds, contracts, wills and suits taxes (\$23.4 million), offset by decreases of \$23.7 million primarily attributable to communications sales tax (\$10.8 million), and public service corporations (\$4.9 million).

Fiscal year 2016 expenditures increased by 5.5 percent, or \$1.0 billion, when compared to fiscal year 2015. This was primarily attributable to increases in individual and family services, general government, education, and administration of justice expenditures of \$505.6 million, \$239.7 million, \$159.2 million, and \$114.5 million, respectively. Net other financing sources and uses decreased by \$9.3 million, which is primarily due to lower transfers in from nongeneral funds and lower proceeds from the sale of capital assets offset by a decrease in transfers out to nongeneral funds.

Budget Highlights

The General Fund began the year with an original revenue budget that was \$547.3 million, or 3.0 percent, higher than the final fiscal year 2015 revenue budget. Additionally, the final revenue budget was slightly higher (\$607.3 million or 3.2 percent) than the original budget. The change between the original and final budget was primarily attributable to increases in the final budget for individual and fiduciary income taxes of \$603.3 million, deeds, contracts, wills and suits of \$61.2 million and sales and use taxes of \$48.4 million. This was offset by decreases in the final budget for corporation income taxes of \$97.9 million and sales of property and commodities of \$31.5 million. Total actual General Fund revenues were lower than final budgeted revenues by \$251.1 million due to weaker actual than anticipated collections.

Total final budget expenditures were higher than original budget expenditures by \$612.2 million, or 3.1 percent. This increase was primarily attributable to budgeted expenditures for individual and family services of \$292.6 million, administration of justice of \$115.7 million, capital outlay of \$82.9 million, and education of \$72.2 million.

The Commonwealth spent less than planned so actual expenditures were \$341.9 million, or 1.7 percent, lower than final budget expenditures.

Budget Outlook

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

While some of the conditions left by the financial and economic downturn experienced between 2008 and 2010 are still visible in certain sectors, Virginia's economy saw significant improvement. Data regarding the primary economic indicators – jobs and new housing units saw improvement and the state performed better than the nation as a whole. The unemployment rate has continued to decrease from the previous fiscal year and has approached what is considered full-employment while housing indicators continue to improve with home sales accelerating, price appreciation picking up, and building permit issuance growing. During fiscal year 2016, the two General Fund revenue sources most closely tied to current economic activity – individual income taxes and retail sales taxes – experienced increases when compared to the 2015 collections by \$227.0 million (1.8 percent) and \$60.4 million (1.9 percent), respectively. The individual income tax collections and retail sales taxes were less than the estimated revenue by \$267.4 million (2.1 percent) and \$71.9 million (2.1 percent), respectively.

Although the fiscal year 2016 revenue collections exceeded fiscal year 2015, the fiscal year 2016 collections did not meet the estimate. Based on the most recent General Fund revenue estimate, the fiscal year 2017 revenue is projected to increase 1.7 percent over the fiscal year 2016 revenue collections. This planned increase is a result of continued growth in individual income taxes and retail sales taxes. The Governor will release his amendments to the 2017-2018 biennial budget on December 16, 2016.

Major Special Revenue Fund Highlights

The Commonwealth Transportation Fund ended the fiscal year with a fund balance of \$1.9 billion. Approximately \$3.5 billion is contractually committed for various highways, public transportation, and rail preservation projects (see Note 20). Additionally, revenues and expenditures increased \$111.3 million, or 2.1 percent, and \$463.4 million, or 8.5 percent, respectively. The revenue increase was primarily due to increases in tax collections of \$194.4 million, or 5.9 percent, offset by decreases in federal income of \$87.9 million, or 6.6 percent. Expenditures increased mainly for highway maintenance, acquisition, and construction.

The Federal Trust Fund balance increased by \$8.3 million, or 6.9 percent, primarily due to an increase in expenditure recoveries of \$72.3 million, or 93.7 percent, an increase in Federal Grants and Contracts revenue of approximately \$248.1 million, or 3.0 percent, and offset by a significant increase in expenditures of \$291.3 million. This change in the Federal Grants and Contracts revenue was mainly attributed to an increase in Medicaid funding (\$224.1 million), offset by decreases of American Recovery and Reinvestment Act revenue (\$1.7 million), unemployment insurance (\$7.9 million), food and home energy assistance programs (\$31.0 million), child and family assistance (\$20.2 million), and education grants (\$8.4 million). The remaining difference is distributed over many other federal programs. Net other financing sources and uses experienced a smaller decrease of \$3.0 million, or 12.9 percent, primarily attributable to higher transfers in from other funds.

The Literary Fund ending balance decreased by \$61.7 million, or 54.8 percent. As discussed in Note 2, the beginning balance was restated to reflect a change in investment liquidation management strategy that increased the amounts available to the fund. Additionally, expenditures exceeded net receipts by \$67.6 million. The loans of \$193.9 million owed to the Virginia Public School Authority (major component unit) increased by \$8.0 million or 4.3 percent.

Capital Asset and Long-term Debt

Capital Assets. The primary government's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$30.5 billion (net of accumulated depreciation totaling \$17.5 billion). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, construction-in-progress, and intangible assets including water rights, easements, and software. Infrastructure assets are items that are normally immovable such as roads, bridges, drainage systems, and other similar assets. As noted on page 30, increases in capital assets and deferred outflows of resources offset by increases in total liabilities and deferred inflows of resources resulted in an increase in net position of the governmental activities of \$569.0 million, or 2.9 percent. The increase in the primary government's net investment in capital assets was primarily attributable to increases in infrastructure of \$611.8 million and construction-in-progress of \$365.3 million. These changes are primarily attributable to transportation. The primary government reports equipment with a value of \$50,000 or greater and an expected useful life of two or more years. The primary government capitalizes all land, buildings, infrastructure, and intangible assets that have a cost or value greater than \$100,000 and an expected useful life of two or more years. Additional information on the primary government's capital assets can be found in Note 12, Capital Assets.

Figure 16
Capital Assets as of June 30, 2016
(Net of Depreciation)
(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total
Land	\$ 3,101,588	\$ 1,977	\$ 3,103,565
Buildings	2,552,870	17,032	2,569,902
Equipment	482,496	11,307	493,803
Water Rights/Easements	75,328	-	75,328
Infrastructure	19,591,501	-	19,591,501
Software	241,433	6,463	247,896
Construction-in-Progress	4,370,171	1,540	4,371,711
Total	<u>\$ 30,415,387</u>	<u>\$ 38,319</u>	<u>\$ 30,453,706</u>

Long-term Debt. The Commonwealth is prohibited from issuing general obligation bonds for operating purposes. At the end of the current fiscal year, the Commonwealth had total debt outstanding of \$42.8 billion, including total tax-supported debt of \$20.9 billion and total debt not supported by taxes of \$21.9 billion. Bonds backed by the full faith and credit of the government and tax-supported total \$1.5 billion. Debt is considered tax-supported if Commonwealth tax revenues are used or pledged for debt service payments. An additional \$907.2 million is considered moral obligation debt which is not tax-supported. The Commonwealth has no direct or indirect pledge of tax revenues to fund reserve deficiencies. However, in some cases, the Commonwealth has made a moral obligation pledge to consider funding deficiencies in debt service reserves that may occur. The remainder of the Commonwealth's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

During fiscal year 2016, the Commonwealth issued \$4.2 billion of new debt for various projects. Of this new debt, \$409.0 million was for the primary government and \$3.8 billion for the component units. Additional information on the Commonwealth's outstanding debt can be found in Note 26, "Long-Term Liabilities," as well as in the section entitled "Debt Schedules." The Commonwealth maintains a "triple A" bond rating for general obligation debt from the three rating agencies: Moody's Investors Service; Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc.; and Fitch, Inc.

State statutes limit the amount of general obligation debt the Commonwealth may issue for each specific type of debt. The 9(a) bonds, which may be issued to fund the defense of the Commonwealth; to meet casual deficits in revenue or in anticipation of the collection of revenues; or to redeem previous debt obligations, and are limited to 30.0 percent of 1.15 times the annual tax revenues for fiscal year 2016. The 9(b) bonds, which have been authorized by the citizens of Virginia through bond referenda to finance capital projects, are limited to 1.15 times the average of selected tax revenues for fiscal years 2014, 2015, and 2016. The 9(c) bonds, which have been issued to finance capital projects that will generate revenue upon their completion, are limited to 1.15 times the average of selected tax revenues for fiscal years 2014, 2015, and 2016. The current debt limitation for the Commonwealth is \$5.9 billion, \$18.3 billion, and \$17.9 billion, respectively, for the 9(a), 9(b), and 9(c) general obligation bond issues. These limits significantly exceed the Commonwealth's outstanding general obligation debt. Currently, there is no 9(a) debt outstanding.

Figure 17
Outstanding Debt as of June 30, 2016
General Obligation Bonds
(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
General obligation bonds				
9(b)	\$ 571,915	\$ -	\$ 571,915	\$ -
9(c)	29,717	-	29,717	877,118
Total	<u>\$ 601,632</u>	<u>\$ -</u>	<u>\$ 601,632</u>	<u>\$ 877,118</u>

Economic Factors and Review

During fiscal year 2016, the Commonwealth's economy continued to improve at a faster rate than at the national level. The Commonwealth experienced a higher job growth rate than at the national level (2.3 percent at the state level versus 1.9 percent nationally), closing the gap between the Commonwealth's job growth rate and that of the nation during the last fiscal year. Personal income growth reached 4.1 percent during fiscal year 2016, compared to 4.8 percent in fiscal year 2015. During the fiscal year, the Commonwealth outpaced the nation (3.8 percent) in personal income growth for the first time since 2012. Unemployment in the Commonwealth and at the national level continued to decline during the fiscal year, reaching 4.1 percent and 5.0 percent, respectively. Total taxable sales growth in the Commonwealth experienced a slight decline from 3.9 percent to 3.2 percent compared to fiscal year 2015. Economic indicators show that during fiscal year 2016, the housing market in the Commonwealth improved slightly to 7.6 percent compared to 5.5 percent in fiscal year 2015. Additionally, housing prices in the Commonwealth again showed a positive change for fiscal year 2016, with an increase of approximately 3.6 percent, compared to just over 5.8 percent at the national level. Many major economic indicators show that the Commonwealth outperformed the nation as a whole. Employment growth and higher salaries will continue to support consumer spending, which point toward continued moderate economic growth at both the state and national levels.

Requests for Information

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

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



Government-wide Financial Statements

Statement of Net Position

June 30, 2016

(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets and Deferred Outflows of Resources				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 2,994,867	\$ 1,332,604	\$ 4,327,471	\$ 2,349,757
Investments (Notes 1 and 6)	1,662,537	2,485,156	4,147,693	10,576,028
Receivables, Net (Notes 1 and 7)	3,265,849	437,717	3,703,566	15,670,066
Contributions Receivable, Net (Notes 1 and 8)	-	-	-	386,320
Internal Balances (Note 1)	116,250	(116,250)	-	-
Due from Primary Government (Note 9)	-	-	-	87,387
Due from Component Units (Note 9)	49,517	-	49,517	123,212
Due from External Parties (Fiduciary Funds) (Note 9)	14,056	-	14,056	-
Inventory (Note 1)	183,597	76,924	260,521	130,431
Prepaid Items (Note 1)	111,625	4,233	115,858	155,098
Other Assets (Notes 1 and 10)	4,835	210	5,045	103,316
Loans Receivable from Primary Government (Notes 1 and 9)	-	-	-	193,865
Loans Receivable from Component Units (Notes 1 and 9)	18,905	-	18,905	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	338,454	-	338,454	2,597,363
Restricted Investments (Notes 6 and 11)	-	-	-	5,277,186
Other Restricted Assets (Note 11)	-	-	-	270,474
Nondepreciable Capital Assets (Notes 1 and 12)	7,869,828	3,517	7,873,345	2,519,470
Depreciable Capital Assets, Net (Notes 1 and 12)	22,545,559	34,802	22,580,361	15,255,894
Total Assets	39,175,879	4,258,913	43,434,792	55,695,867
Deferred Outflows of Resources (Notes 1, 13, 14, and 15)	731,279	17,903	749,182	806,905
Total Assets and Deferred Outflow s of Resources	39,907,158	4,276,816	44,183,974	56,502,772
Liabilities and Deferred Inflows of Resources				
Accounts Payable (Notes 1 and 24)	986,034	87,028	1,073,062	1,181,815
Amounts Due to Other Governments	945,653	7,161	952,814	116,793
Due to Primary Government (Note 9)	-	-	-	49,517
Due to Component Units (Note 9)	87,387	-	87,387	123,212
Due to External Parties (Fiduciary Funds) (Note 9)	29,335	902	30,237	38,561
Unearned Revenue (Note 1)	289,783	5,454	295,237	367,367
Obligations Under Securities Lending Program (Notes 1 and 6)	30,374	36,308	66,682	3,864
Other Liabilities (Notes 1, 14, and 25)	1,538,892	124,866	1,663,758	1,597,690
Loans Payable to Primary Government (Notes 1 and 9)	-	-	-	18,905
Loans Payable to Component Units (Notes 1 and 9)	193,865	-	193,865	-
Claims Payable (Notes 1 and 23):				
Due Within One Year	198,369	46,558	244,927	90,466
Due in More Than One Year	760,299	25,818	786,117	41,161
Long-term Liabilities (Notes 1, 21, 22, and 26):				
Due Within One Year	603,913	270,143	874,056	1,834,751
Due in More Than One Year	11,554,083	2,076,357	13,630,440	26,472,284
Total Liabilities	17,217,987	2,680,595	19,898,582	31,936,386
Deferred Inflows of Resources (Notes 1, 13, 14, 15, and 36)	2,574,935	9,967	2,584,902	347,161
Total Liabilities and Deferred Inflow s of Resources	19,792,922	2,690,562	22,483,484	32,283,547

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

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net Investment in Capital Assets	24,308,954	32,960	24,341,914	10,776,947
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	3,364,043
Permanent Funds	34,055	-	34,055	-
Other	-	-	-	161,771
Expendable:				
Agriculture and Forestry	1,379	-	1,379	-
Bond Indenture	-	-	-	2,825,966
Capital Projects/Construction/Capital Acquisition	42	-	42	1,743,041
Contract and Debt Administration	4,448	-	4,448	-
Debt Service	21,752	-	21,752	67,816
Economic and Technological Development	13	-	13	-
Educational and Training Programs	8,633	-	8,633	-
Environmental Quality and Natural Resource Preservation	16,567	-	16,567	-
Gifts and Grants	147,063	-	147,063	139,393
Health and Public Safety	73,733	-	73,733	-
Higher Education	-	-	-	5,606,819
Literary Fund	73,267	-	73,267	-
Lottery Proceeds Fund	62,086	-	62,086	-
Permanent Funds	1,406	-	1,406	-
Revenue Stabilization Fund	841,057	-	841,057	-
Transportation Activities	73,022	-	73,022	-
Unemployment Compensation Trust Fund	-	1,044,558	1,044,558	-
Virginia Pooled Investment Program	-	-	-	7,749
Virginia Water Supply Assistance Grant Fund	5,060	-	5,060	-
Other	1,677	-	1,677	13,704
Unrestricted	(5,559,978)	508,736	(5,051,242)	(488,024)
Total Net Position	\$ 20,114,236	\$ 1,586,254	\$ 21,700,490	\$ 24,219,225

Statement of Activities

For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 3,229,507	\$ 306,100	\$ 161,711	\$ 8,943
Education	10,178,231	563,206	840,018	9,773
Transportation	4,528,605	675,270	59,968	1,436,884
Resources and Economic Development	1,007,607	374,492	153,461	10,770
Individual and Family Services	14,024,213	364,422	7,902,358	91
Administration of Justice	2,921,635	284,226	29,891	466
Interest and Charges on Long-term Debt	240,007	-	-	-
Total Governmental Activities	36,129,805	2,567,716	9,147,407	1,466,927
Business-type Activities				
Virginia Lottery	1,415,154	2,006,934	-	-
Virginia College Savings Plan	103,307	146,453	-	-
Unemployment Compensation	390,441	593,971	-	-
Alcoholic Beverage Control	614,641	771,521	430	-
Risk Management	14,281	8,736	-	-
Local Choice Health Care	411,656	392,784	-	-
Route 460 Funding Corporation of Virginia	1,461	-	-	-
Virginia Industries for the Blind	41,860	42,038	-	-
Consolidated Laboratory	10,016	9,484	-	-
eVA Procurement System	22,573	21,169	-	-
Department of Environmental Quality Title V	11,135	10,631	-	-
Wireless E-911	41,851	58,131	-	-
Museum and Library Gift Shops	6,676	6,774	-	-
Behavioral Health Canteen and Work Activity	451	437	-	-
Total Business-type Activities	3,085,503	4,069,063	430	-
Total Primary Government	\$ 39,215,308	\$ 6,636,779	\$ 9,147,837	\$ 1,466,927
Component Units				
Virginia Housing Development Authority	\$ 402,477	\$ 430,758	\$ 123,589	\$ -
Virginia Public School Authority	133,226	133,372	8,236	-
Virginia Resources Authority	154,788	148,047	-	50,857
Virginia College Building Authority	745,625	71,730	42,363	472
Nonmajor	14,484,951	9,956,107	2,012,681	682,829
Total Component Units	\$ 15,921,067	\$ 10,740,014	\$ 2,186,869	\$ 734,158

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,752,753)	\$ -	\$ (2,752,753)	\$ -
(8,765,234)	-	(8,765,234)	-
(2,356,483)	-	(2,356,483)	-
(468,884)	-	(468,884)	-
(5,757,342)	-	(5,757,342)	-
(2,607,052)	-	(2,607,052)	-
(240,007)	-	(240,007)	-
(22,947,755)	-	(22,947,755)	-
-	591,780	591,780	-
-	43,146	43,146	-
-	203,530	203,530	-
-	157,310	157,310	-
-	(5,545)	(5,545)	-
-	(18,872)	(18,872)	-
-	(1,461)	(1,461)	-
-	178	178	-
-	(532)	(532)	-
-	(1,404)	(1,404)	-
-	(504)	(504)	-
-	16,280	16,280	-
-	98	98	-
-	(14)	(14)	-
-	983,990	983,990	-
(22,947,755)	983,990	(21,963,765)	-
-	-	-	151,870
-	-	-	8,382
-	-	-	44,116
-	-	-	(631,060)
-	-	-	(1,833,334)
-	-	-	(2,260,026)

Continued on next page

Statement of Activities (Continued from previous page)

For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
General Revenues				
Taxes				
Individual and Fiduciary Income	12,685,001	-	12,685,001	-
Sales and Use	4,993,762	-	4,993,762	-
Corporation Income	772,639	-	772,639	-
Motor Fuel	975,851	-	975,851	-
Motor Vehicle Sales and Use	909,617	-	909,617	-
Communications Sales and Use	405,576	-	405,576	-
Deeds, Contracts, Wills, and Suits	470,644	-	470,644	-
Premiums of Insurance Companies	485,018	-	485,018	-
Alcoholic Beverage Sales	147,813	-	147,813	-
Tobacco Products	176,401	-	176,401	-
Estate	175	-	175	-
Public Service Corporations	108,158	-	108,158	-
Beer and Beverage Excise	43,185	-	43,185	-
Wine and Spirits/ABC Liter	26,442	-	26,442	-
Bank Stock	17,796	-	17,796	-
Other Taxes	118,288	9,141	127,429	-
Operating Appropriations from Primary Government	-	-	-	2,221,096
Unrestricted Grants and Contributions	48,031	-	48,031	91,256
Investment Earnings	63,397	900	64,297	(55,113)
Miscellaneous	281,562	175	281,737	111,452
Transfers	787,414	(787,414)	-	-
Contributions to Permanent and Term Endowments	-	-	-	174,813
Total General Revenues, Transfers, and Contributions	23,516,770	(777,198)	22,739,572	2,543,504
Change in Net Position	569,015	206,792	775,807	283,478
Net Position, July 1, as restated (Note 2)	19,545,221	1,379,462	20,924,683	23,935,747
Net Position, June 30	\$ 20,114,236	\$ 1,586,254	\$ 21,700,490	\$ 24,219,225

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

Governmental Funds

General Fund

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

Special Revenue Funds

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

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

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

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

Nonmajor Governmental Funds include those Special Revenue, Debt Service, Capital Projects, and Permanent Funds listed on page 203 in the Combining and Individual Fund Statements and Schedules section of this report.

Balance Sheet – Governmental Funds

June 30, 2016

(Dollars in Thousands)

	General	Special Revenue		
		Commonwealth Transportation	Federal Trust	Literary
Assets and Deferred Outflows of Resources				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 17,079	\$ 1,728,835	\$ 144,715	\$ 96,374
Investments (Notes 1 and 6)	1,589,202	-	18,719	-
Receivables, Net (Notes 1 and 7)	1,760,362	454,102	811,496	171,583
Due from Other Funds (Note 9)	77,181	-	2,762	-
Due from External Parties (Fiduciary Funds) (Note 9)	1	-	-	-
Interfund Receivable (Note 9)	-	-	-	-
Inventory (Note 1)	41,325	85,918	32,582	-
Prepaid Items (Note 1)	73,040	12,288	2,643	-
Other Assets (Notes 1 and 10)	809	415	1,867	-
Loans Receivable from Component Units (Notes 1 and 9)	-	-	-	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	-	265,472	-	-
Total Assets	3,558,999	2,547,030	1,014,784	267,957
Deferred Outflows of Resources (Notes 1 and 13)				
Total Assets and Deferred Outflow s of Resources	\$ 3,558,999	\$ 2,547,030	\$ 1,014,784	\$ 267,957
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Accounts Payable (Notes 1 and 24)	\$ 269,179	\$ 356,786	\$ 75,296	\$ 2
Amounts Due to Other Governments	464,889	54,117	277,359	-
Due to Other Funds (Note 9)	29,522	11,062	9,647	-
Due to Component Units (Note 9)	4,136	-	3,955	-
Due to External Parties (Fiduciary Funds) (Note 9)	18,559	5,020	2,627	-
Interfund Payable (Note 9)	-	-	23,135	-
Unearned Revenue (Note 1)	-	127,186	39,341	-
Obligations Under Securities Lending Program (Notes 1 and 6)	16,046	9,502	298	823
Other Liabilities (Notes 1 and 25)	1,077,264	5,683	368,555	-
Loans Payable to Component Units (Notes 1 and 9)	-	-	-	193,865
Long-term Liabilities Due Within One Year (Notes 1, 21, and 26)	1,297	238	116	-
Total Liabilities	1,880,892	569,594	800,329	194,690
Deferred Inflows of Resources (Notes 1 and 13)				
Total Liabilities and Deferred Inflow s of Resources	967,818	49,020	85,467	22,452
	2,848,710	618,614	885,796	217,142
Fund Balances (Note 3):				
Nonspendable	114,365	98,206	35,225	-
Restricted	908,203	331,096	93,763	50,815
Committed	397,011	1,498,607	-	-
Assigned	-	507	-	-
Unassigned	(709,290)	-	-	-
Total Fund Balances	710,289	1,928,416	128,988	50,815
Total Liabilities, Deferred Inflow s of Resources, and Fund Balances	\$ 3,558,999	\$ 2,547,030	\$ 1,014,784	\$ 267,957

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 637,774	\$ 2,624,777
54,616	1,662,537
58,629	3,256,172
6,822	86,765
168	169
157,909	157,909
5,045	164,870
20,272	108,243
1,714	4,805
18,905	18,905
-	265,472
961,854	8,350,624
-	-
\$ 961,854	\$ 8,350,624
\$ 57,069	\$ 758,332
2,720	799,085
5,050	55,281
39	8,130
2,738	28,944
-	23,135
6,984	173,511
1,743	28,412
4,905	1,456,407
-	193,865
207	1,858
81,455	3,526,960
26,971	1,151,728
108,426	4,678,688
59,316	307,112
169,725	1,553,602
595,632	2,491,250
28,755	29,262
-	(709,290)
853,428	3,671,936
\$ 961,854	\$ 8,350,624

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

June 30, 2016

(Dollars in Thousands)

Total fund balances - governmental funds (see Balance Sheet - Governmental Funds)	\$	3,671,936
When capital assets (land, buildings, equipment, construction-in-progress, intangible assets, and/or infrastructure) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the primary government as a whole.		
Nondepreciable Capital Assets		7,801,473
Depreciable Capital Assets		22,459,059
Deferred outflow s associated with pension related costs are long-term in nature and therefore not reported in the funds.		
		648,888
Deferred outflow s associated with loss on debt refundings are long-term in nature and therefore not reported in the funds.		
		75,896
Long-term liabilities applicable to the primary government's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.		
Pension Liability		(4,353,417)
OPEB Liability		(723,233)
Capital Leases		(27,768)
Installment Purchases		(78,125)
Compensated Absences		(310,611)
Uninsured Employer's Fund		(29,311)
Bonds		(6,428,430)
Notes		(114)
Accrued Interest Payable		(81,267)
Other Obligations		(63,059)
Pollution Remediation Liability		(11,308)
Internal service funds are used by the primary government to charge costs to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position.		
		(685,722)
Other long-term payables are not due and payable in the current period and, therefore, are not reported in the funds.		
		(333,264)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
		1,151,728
Deferred inflow s associated with Service Concession Arrangements are long-term in nature and therefore not reported in the funds.		
		(2,142,066)
Deferred inflow s associated with pension related costs are long-term in nature and therefore not reported in the funds.		
		(427,049)
Net position of governmental activities (see Government-wide Statement of Net Position)	\$	20,114,236

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



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

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	General	Special Revenue		
		Commonwealth Transportation	Federal Trust	Literary
Revenues				
Taxes	\$ 18,711,531	\$ 3,505,086	\$ -	\$ -
Rights and Privileges	84,736	567,331	-	564
Institutional Revenue	37,276	-	-	-
Interest, Dividends, Rents, and Other Investment Income	87,384	18,780	591	11,811
Federal Grants and Contracts	3,901	1,238,169	8,642,784	-
Other (Note 27)	554,450	204,554	185,838	158,830
Total Revenues	19,479,278	5,533,920	8,829,213	171,205
Expenditures				
Current:				
General Government	2,498,952	54,119	115,474	9
Education	8,095,809	1,045	1,013,019	238,805
Transportation	328	5,795,286	14,600	-
Resources and Economic Development	413,492	12,181	148,777	-
Individual and Family Services	6,271,670	-	7,452,074	-
Administration of Justice	2,681,754	9,771	42,247	-
Capital Outlay	29,085	29,631	14,464	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
Total Expenditures	19,991,090	5,902,033	8,800,655	238,814
Revenues Over (Under) Expenditures	(511,812)	(368,113)	28,558	(67,609)
Other Financing Sources (Uses)				
Transfers In (Note 31)	834,957	109,015	7,015	5,902
Transfers Out (Note 31)	(464,559)	(340,028)	(27,666)	-
Notes Issued	476	-	-	-
Insurance Recoveries	116	24	23	-
Capital Leases Issued	379	-	403	-
Bonds Issued	-	273,740	-	-
Premium on Debt Issuance	-	27,236	-	-
Refunding Bonds Issued	-	-	-	-
Sale of Capital Assets	2,376	6,741	-	-
Payment to Refunded Bond Escrow Agents	-	-	-	-
Total Other Financing Sources (Uses)	373,745	76,728	(20,225)	5,902
Net Change in Fund Balances	(138,067)	(291,385)	8,333	(61,707)
Fund Balance, July 1, as restated (Note 2)	848,356	2,219,801	120,655	112,522
Fund Balance, June 30	\$ 710,289	\$ 1,928,416	\$ 128,988	\$ 50,815

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 79,093	\$ 22,295,710
324,983	977,614
229,811	267,087
15,434	134,000
-	9,884,854
431,593	1,535,265
1,080,914	35,094,530
153,003	2,821,557
24,369	9,373,047
7,250	5,817,464
340,587	915,037
462,693	14,186,437
66,883	2,800,655
257,584	330,764
423,629	423,629
281,632	281,632
2,017,630	36,950,222
(936,716)	(1,855,692)
716,310	1,673,199
(51,520)	(883,773)
3,586	4,062
410	573
185	967
-	273,740
18,034	45,270
75,825	75,825
5,893	15,010
(93,315)	(93,315)
675,408	1,111,558
(261,308)	(744,134)
1,114,736	4,416,070
\$ 853,428	\$ 3,671,936

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

For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

Net Change in fund balances - total government funds (See Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds)	\$ (744,134)
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.	
Nondepreciable Capital Assets Constructed/Acquired	2,159,562
Nondepreciable Capital Assets Disposed	(75,452)
Depreciable Capital Assets Acquired	328,209
Depreciable Capital Assets Disposed	(288,799)
Depreciation Expense	(1,074,438)
Debt proceeds provide current financial resources to governmental funds by issuing debt, which increases long-term debt in the Statement of Net Position.	
Debt Issuance	(273,740)
Capital Lease Proceeds	(967)
Bond Premiums	(45,270)
Refunding Bonds Issued	(75,825)
Installment Purchase Proceeds	(4,062)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position.	
Debt Service Fund Repayment of Debt Principal	423,629
Payment to Refunded Bond Escrow Agent is an expenditure in the governmental funds, but the refunding reduces long-term debt in the Statement of Net Position.	
	93,315
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
	61,154
Increases/decreases of expenses reported in the Statement of Activities that do not require the use of, or provide, current financial resources and, therefore, are not reported in the governmental funds.	
Decrease in Pension Liability	136,588
Increase in OPEB Liability	(79,564)
Increase in Other Long-term Liabilities	(14,225)
Increase in Compensated Absences	(6,652)
Decrease in Interest Expense, Amortization of Long-term Debt premium and discounts, and Accrued Interest Liability	56,449
Decrease in Other Liabilities	71,006
Net Increase in Due to Component Units for Capital and Other Projects resulting from appropriation reductions or amounts due to Federal Governments for interest and rebate repayments, which are not reported as expenditures in the fund statements.	
	(11,333)
Net revenue (expenses) of certain activities of internal service funds is reported within governmental activities.	
	(216,130)
Deferred inflows and outflows associated with pension costs are not included in the funds.	
	120,808
Amortization of deferred inflows and outflows associated with Service Concession Arrangements are not included in the funds.	
	28,886
Change in net position of governmental activities (See Government-wide Statement of Activities)	\$ 569,015

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

Proprietary Funds

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

Major Enterprise Funds

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

The Virginia College Savings Plan administers the Virginia529 prePAID Program, which is a defined benefit program that offers contracts, for actuarially determined amounts, that provide for full future tuition and mandatory fee payments at Virginia's higher education institutions and differing payouts at private or out-of-state institutions. The fund accounts for the actuarially determined contributions and payments for approved expenses.

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

Nonmajor Enterprise Funds include those operations of state agencies which are listed on page 215 in the Combining and Individual Fund Statements and Schedules section of this report.

Internal Service Funds include those operations of state agencies which are listed on page 231 in the Combining and Individual Fund Statements and Schedules section of this report.

Statement of Fund Net Position – Proprietary Funds

June 30, 2016

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Assets and Deferred Outflows of Resources				
Current Assets:				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 111,186	\$ 77,210	\$ 978,866	\$ 165,342
Investments (Notes 1 and 6)	13,422	-	-	-
Receivables, Net (Notes 1 and 7)	63,070	62,944	108,078	51,620
Due from Other Funds (Note 9)	-	-	494	808
Due from External Parties (Fiduciary Funds) (Note 9)	-	-	-	-
Due from Component Units (Note 9)	-	-	-	-
Inventory (Note 1)	4,677	-	-	72,247
Prepaid Items (Note 1)	676	147	-	3,410
Other Assets (Notes 1 and 10)	1	-	-	209
Total Current Assets	193,032	140,301	1,087,438	293,636
Noncurrent Assets:				
Investments (Notes 1 and 6)	116,473	2,355,261	-	-
Receivables, Net (Notes 1 and 7)	-	152,005	-	-
Nondepreciable Capital Assets (Notes 1 and 12)	-	-	-	3,517
Depreciable Capital Assets, Net (Notes 1 and 12)	7,007	8,702	-	19,093
Total Noncurrent Assets	123,480	2,515,968	-	22,610
Total Assets	316,512	2,656,269	1,087,438	316,246
Deferred Outflows of Resources (Notes 1, 13, 14, and 15)				
Total Assets and Deferred Outflows of Resources	320,966	2,658,102	1,087,438	327,862
Liabilities and Deferred Inflows of Resources				
Current Liabilities:				
Accounts Payable (Notes 1 and 24)	17,410	817	104	68,697
Amounts Due to Other Governments	-	-	4,864	2,297
Due to Other Funds (Note 9)	53,922	67	2,833	25,020
Due to External Parties (Fiduciary Funds) (Note 9)	184	68	-	650
Interfund Payable (Note 9)	-	-	-	29,749
Unearned Revenue (Note 1)	2,711	-	-	2,743
Obligations Under Securities Lending Program (Notes 1 and 6)	35,359	19	-	930
Other Liabilities (Notes 1 and 25)	74,955	14,559	35,079	273
Claims Payable Due Within One Year (Notes 1 and 23)	-	-	-	46,558
Long-term Liabilities Due Within One Year (Notes 1, 21, and 26)	14,635	251,221	-	4,287
Total Current Liabilities	199,176	266,751	42,880	181,204
Noncurrent Liabilities:				
Interfund Payable (Note 9)	-	-	-	-
Claims Payable Due in More Than One Year (Notes 1 and 23)	-	-	-	25,818
Long-term Liabilities Due in More Than One Year (Notes 1, 21, and 26)	150,679	1,802,882	-	122,796
Total Noncurrent Liabilities	150,679	1,802,882	-	148,614
Total Liabilities	349,855	2,069,633	42,880	329,818
Deferred Inflows of Resources (Notes 1, 13, 14, and 15)				
Total Liabilities and Deferred Inflows of Resources	351,881	2,070,391	42,880	337,001
Net Position				
Net Investment in Capital Assets	7,007	3,343	-	22,610
Restricted for Unemployment Compensation	-	-	1,044,558	-
Unrestricted	(37,922)	584,368	-	(31,749)
Total Net Position (Deficit) (Note 4)	\$ (30,915)	\$ 587,711	\$ 1,044,558	\$ (9,139)

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

Net position of business-type activities

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

	Governmental Activities	
	Total	Internal Service Funds
	\$ 1,332,604	\$ 443,072
	13,422	-
	285,712	9,677
	1,302	50,970
	-	13,887
	-	18,715
	76,924	18,727
	4,233	3,382
	210	13,054
	1,714,407	571,484
	2,471,734	-
	152,005	-
	3,517	68,355
	34,802	86,500
	2,662,058	154,855
	4,376,465	726,339
	17,903	6,495
	4,394,368	732,834
	87,028	102,029
	7,161	981
	81,842	1,914
	902	391
	29,749	34,679
	5,454	116,272
	36,308	1,962
	124,866	433
	46,558	198,369
	270,143	8,850
	690,011	465,880
	-	70,346
	25,818	760,299
	2,076,357	122,172
	2,102,175	952,817
	2,792,186	1,418,697
	9,967	5,820
	2,802,153	1,424,517
	32,960	116,863
	1,044,558	-
	514,697	(808,546)
	\$ 1,592,215	\$ (691,683)

(5,961)

\$ 1,586,254

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

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Business-type Activities Enterprise Funds		
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation
Operating Revenues			
Charges for Sales and Services	\$ 2,006,898	\$ 145,855	\$ 575,259
Interest, Dividends, Rents, and Other Investment Income	-	592	18,253
Other (Note 27)	-	6	475
Total Operating Revenues	2,006,898	146,453	593,987
Operating Expenses			
Cost of Sales and Services	143,181	-	-
Prizes and Claims (Note 28)	1,202,455	-	390,441
Tuition Benefits Expense	-	81,957	-
Personal Services	29,563	10,752	-
Contractual Services	33,822	8,986	-
Supplies and Materials	481	34	-
Depreciation	2,929	535	-
Rent, Insurance, and Other Related Charges	1,839	194	-
Interest Expense	-	-	-
Non-recurring Cost Estimate Payments to Providers	-	-	-
Other (Note 29)	-	327	-
Total Operating Expenses	1,414,270	102,785	390,441
Operating Income	592,628	43,668	203,546
Nonoperating Revenues (Expenses)			
Interest, Dividends, Rents, and Other Investment Income	736	-	-
Other (Note 30)	251	(212)	(16)
Total Nonoperating Revenues (Expenses)	987	(212)	(16)
Income Before Transfers	593,615	43,456	203,530
Transfers In (Note 31)	-	-	-
Transfers Out (Note 31)	(594,085)	(415)	(4,185)
Change in Net Position	(470)	43,041	199,345
Total Net Position (Deficit), July 1	(30,445)	544,670	845,213
Total Net Position (Deficit), June 30 (Note 4)	\$ (30,915)	\$ 587,711	\$ 1,044,558

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

Change in Net Position of business-type activities

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

		Governmental Activities
Nonmajor	Total	Internal Service Funds
\$ 1,301,355	\$ 4,029,367	\$ 2,052,536
2	18,847	-
19,532	20,013	43
1,320,889	4,068,227	2,052,579
436,421	579,602	63,835
399,236	1,992,132	1,581,252
-	81,957	-
135,432	175,747	52,209
76,141	118,949	459,008
36,839	37,354	7,809
3,352	6,816	17,040
35,025	37,058	76,268
-	-	19
39,866	39,866	-
6,704	7,031	18,026
1,169,016	3,076,512	2,275,466
151,873	991,715	(222,887)
1,199	1,935	2,616
8,013	8,036	(1,327)
9,212	9,971	1,289
161,085	1,001,686	(221,598)
348	348	624
(189,077)	(787,762)	(2,636)
(27,644)	214,272	(223,610)
18,505	1,377,943	(468,073)
\$ (9,139)	\$ 1,592,215	\$ (691,683)

(7,480)
\$ 206,792

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Cash Flows from Operating Activities				
Receipts for Sales and Services	\$ 2,016,916	\$ 159,703	\$ 602,767	\$ 1,305,458
Receipts from Investments	-	-	18,401	-
Internal Activity-Receipts from Other Funds	-	5	7,104	9,448
Internal Activity-Payments to Other Funds	-	(336)	-	(2,980)
Payments to Suppliers for Goods and Services	(145,701)	(482)	-	(492,375)
Payments for Contractual Services	(24,127)	(9,001)	-	(74,789)
Payments for Prizes, Claims, and Loss Control (Note 34)	(1,209,781)	-	(407,866)	(385,364)
Payments for Tuition Benefits	-	(163,550)	-	-
Payments to Employees	(29,453)	(10,342)	-	(135,334)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	(40,853)
Payments for Interest	-	-	-	-
Other Operating Revenue (Note 34)	-	-	92	5,721
Other Operating Expense (Note 34)	-	(55)	-	(4,510)
Net Cash Provided by Operating Activities	607,854	(24,058)	220,498	184,422
Cash Flows from Noncapital Financing Activities				
Transfers In from Other Funds	-	-	-	348
Transfers Out to Other Funds	(544,854)	(415)	(4,279)	(395,939)
Other Noncapital Financing Receipt Activities (Note 34)	310	-	40	249,145
Other Noncapital Financing Disbursement Activities (Note 34)	-	-	-	(31,289)
Net Cash Used for Noncapital Financing Activities	(544,544)	(415)	(4,239)	(177,735)
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(3,436)	(93)	-	(1,626)
Payment of Principal and Interest on Bonds and Notes	-	(561)	-	(326,124)
Proceeds from Sale of Capital Assets	4	-	-	2
Other Capital and Related Financing Receipt Activities (Note 34)	-	-	-	165,862
Other Capital and Related Financing Disbursement Activities (Note 34)	-	-	-	(730)
Net Cash Used for Capital and Related Financing Activities	(3,432)	(654)	-	(162,616)
Cash Flows from Investing Activities				
Purchase of Investments	(6,128)	(1,166,643)	-	-
Proceeds from Sales or Maturities of Investments	18,417	1,131,390	-	25,623
Investment Income on Cash, Cash Equivalents, and Investments	678	54,220	-	1,239
Net Cash Provided by (Used for) Investing Activities	12,967	18,967	-	26,862
Net Increase (Decrease) in Cash and Cash Equivalents	72,845	(6,160)	216,259	(129,067)
Cash and Cash Equivalents, July 1	2,983	83,351	762,607	293,688
Cash and Cash Equivalents, June 30	\$ 75,828	\$ 77,191	\$ 978,866	\$ 164,621
Reconciliation of Cash and Cash Equivalents				
Per the Statement of Net Position:				
Cash and Cash Equivalents	\$ 111,186	\$ 77,210	\$ 978,866	\$ 165,342
Cash and Travel Advances	1	-	-	209
Less:				
Securities Lending Cash Equivalents	(35,359)	(19)	-	(930)
Cash and Cash Equivalents per the Statement of Cash Flows	\$ 75,828	\$ 77,191	\$ 978,866	\$ 164,621

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

	Governmental Activities	
	Total	Internal Service Funds
\$ 4,084,844	\$ 752,871	
18,401	15	
16,557	1,285,443	
(3,316)	(13,225)	
(638,558)	(133,442)	
(107,917)	(447,315)	
(2,003,011)	(1,384,904)	
(163,550)	-	
(175,129)	(50,938)	
(40,853)	-	
-	(19)	
5,813	-	
(4,565)	(17,383)	
988,716	(8,897)	
348	624	
(945,487)	(2,715)	
249,495	13,405	
(31,289)	(1,901)	
(726,933)	9,413	
(5,155)	(4,187)	
(326,685)	(14,461)	
6	1,936	
165,862	-	
(730)	(633)	
(166,702)	(17,345)	
(1,172,771)	-	
1,175,430	-	
56,137	2,478	
58,796	2,478	
153,877	(14,351)	
1,142,629	455,461	
\$ 1,296,506	\$ 441,110	
\$ 1,332,604	\$ 443,072	
210	-	
(36,308)	(1,962)	
\$ 1,296,506	\$ 441,110	

Continued on next page

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

For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Reconciliation of Operating Income				
To Net Cash Provided by (Used for)				
Operating Activities:				
Operating Income (Loss)	\$ 592,628	\$ 43,668	\$ 203,546	\$ 151,873
Adjustments to Reconcile Operating				
Income to Net Cash Provided by (Used for)				
Operating Activities:				
Depreciation	2,929	535	-	3,352
Interest, Dividends, Rents, and Other Investment Income	(5,962)	(592)	-	-
Miscellaneous Nonoperating Income	-	-	37	248
Other	(196)	42	-	118
Change in Assets, Deferred Outflow s of Resources, Liabilities, and				
Deferred Inflow s of Resources				
(Increase) Decrease in Accounts Receivable	9,274	13,847	19,734	(1,019)
(Increase) Decrease in Due from Other Funds	-	-	188	(74)
(Increase) Decrease in Due from External Parties (Fiduciary Funds)	-	-	-	-
(Increase) Decrease in Due from Component Units	-	-	-	-
(Increase) Decrease in Other Assets	-	-	-	-
(Increase) Decrease in Inventory	(2,519)	-	-	(6,315)
(Increase) Decrease in Prepaid Items	(11)	25	-	(1,782)
(Increase) Decrease in Deferred Outflow s of Resources	(1,848)	(766)	-	(2,001)
Increase (Decrease) in Accounts Payable	5,445	(125)	27	22,808
Increase (Decrease) in Amounts Due to Other Governments	-	-	(291)	12
Increase (Decrease) in Due to Other Funds	250	4	(159)	9,295
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	29	9	-	87
Increase (Decrease) in Interfund Payables	-	-	-	(7,316)
Increase (Decrease) in Unearned Revenue	744	-	-	816
Increase (Decrease) in Other Liabilities	10,861	(304)	(2,584)	(43)
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-	7,290
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-	3,975
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(4,541)	11,322	-	275
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	3,037	(90,900)	-	11,138
Increase (Decrease) in Deferred Inflow s of Resources	(2,266)	(823)	-	(8,315)
Net Cash Provided by (Used for) Operating Activities	\$ 607,854	\$ (24,058)	\$ 220,498	\$ 184,422
Noncash Investing, Capital, and Financing Activities:				
The following transactions occurred prior to the Statement of Net Position date:				
Installment Purchases Used to Finance Capital Assets	\$ -	\$ -	\$ -	\$ -
Change in Fair Value of Investments	-	(53,628)	-	-
Capital Asset Addition Included in Accounts Payable	-	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	\$ -	\$ (53,628)	\$ -	\$ -

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

	Governmental Activities	
	Internal Service Funds	
Total		
\$ 991,715	\$	(222,887)
6,816		17,040
(6,554)		-
285		23
(36)		80
41,836		(685)
114		1,116
-		(13,685)
-		625
-		(1,995)
(8,834)		(419)
(1,768)		2,417
(4,615)		(1,022)
28,155		22,148
(279)		92
9,390		(94)
125		48
(7,316)		-
1,560		129
7,930		(784)
7,290		(2,866)
3,975		192,109
7,056		(668)
(76,725)		5,735
(11,404)		(5,354)
\$ 988,716	\$	(8,897)
\$ -	\$	9,183
(53,628)		-
-		111
\$ (53,628)	\$	9,294



Fiduciary Funds

Private Purpose Trust Funds

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

Pension and Other Employee Benefit Trust Funds

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

Investment Trust Fund

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

Agency Funds

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

A listing of all Fiduciary Funds is located on pages 240-241 in the Combining and Individual Fund Statements and Schedules section of this report. Combining financial statements for all Fiduciary Funds begin on page 242.

Statement of Fiduciary Net Position – Fiduciary Funds

June 30, 2016

(Dollars in Thousands)

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Agency Funds
Assets and Deferred Outflows of Resources				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 182,763	\$ 479,216	\$ 1,964,139	\$ 382,695
Investments (Notes 1 and 6):				
Bonds and Mortgage Securities	96,932	20,812,431	130,284	-
Stocks	252,349	21,229,198	-	-
Fixed Income Commingled Funds	1,156	1,179,229	-	-
Index and Pooled Funds	1,789,890	8,481,970	-	-
Real Estate	1,719	7,666,278	-	-
Private Equity	-	9,053,853	-	-
Mutual and Money Market Funds	737,745	-	-	-
Short-term Investments	-	138,912	1,247,254	73,663
Hybrid Defined Contribution Investments	-	73,913	-	-
Other	671,856	5,023,017	-	332,623
Total Investments	3,551,647	73,658,801	1,377,538	406,286
Receivables, Net (Notes 1 and 7):				
Accounts	95	-	-	57,008
Contributions	-	236,774	-	-
Interest and Dividends	2,282	219,464	1,097	-
Security Transactions	-	1,211,865	-	-
Other Receivables	308	327,144	-	-
Total Receivables	2,685	1,995,247	1,097	57,008
Due from Other Funds (Note 9)	-	25	-	-
Due from Internal Parties (Governmental Funds and Business-type Activities) (Note 9)	-	30,237	-	-
Due from Component Units (Note 9)	-	38,561	-	-
Prepaid Items (Note 1)	57	-	-	-
Other Assets (Notes 1 and 10)	-	-	-	49
Furniture and Equipment (Note 1)	946	32,097	-	-
Total Assets	3,738,098	76,234,184	3,342,774	846,038
Deferred Outflows of Resources (Notes 1, 13, 14, and 15)	506	-	-	-
Total Assets and Deferred Outflows of Resources	3,738,604	76,234,184	3,342,774	846,038
Liabilities and Deferred Inflows of Resources				
Accounts Payable and Accrued Expenses (Notes 1 and 24)	2,082	44,721	-	6,900
Amounts Due to Other Governments	-	-	-	261,364
Due to Other Funds (Note 9)	25	-	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities) (Note 9)	65	13,822	1	168
Obligations Under Securities Lending Program (Notes 1 and 6)	32	5,023,020	-	150
Other Liabilities (Notes 1 and 25)	4,656	385,398	-	577,311
Retirement Benefits Payable	-	334,817	-	-
Refunds Payable	-	5,420	-	-
Compensated Absences Payable (Notes 1 and 21)	299	2,455	-	-
Insurance Premiums and Claims Payable	-	64,856	-	145
Payable for Security Transactions	-	2,095,503	-	-
Net Pension Liability	3,674	-	-	-
Other Postemployment Benefits (OPEB) Liability	669	-	-	-
Total Liabilities	11,502	7,970,012	1	846,038
Deferred Inflows of Resources (Notes 1, 13, 14, and 15)	258	-	-	-
Total Liabilities and Deferred Inflows of Resources	11,760	7,970,012	1	846,038
Net Position Restricted for Pensions/ Other Employment Benefits, Pool				
Participants, and Other Purposes	\$ 3,726,844	\$ 68,264,172	\$ 3,342,773	\$ -

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

Statement of Changes in Fiduciary Net Position – Fiduciary Funds

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund
Additions:			
Investment Income:			
Interest, Dividends, and Other Investment Income	\$ 34,072	\$ 1,576,024	\$ 7,653
Distributions to Shareholders from Net Investment Income	-	-	(7,653)
Total Investment Income	34,072	1,576,024	-
Less Investment Expenses	4,703	405,954	-
Net Investment Income	29,369	1,170,070	-
Proceeds from Unclaimed Property	88,488	-	-
Contributions:			
Participants	434,473	-	-
Member	-	997,240	-
Employer	-	2,782,256	-
Total Contributions	434,473	3,779,496	-
Shares Sold	-	-	4,891,925
Reinvested Distributions	-	-	7,657
Other Revenue (Note 27)	19	2,458	-
Total Additions	552,349	4,952,024	4,899,582
Deductions:			
Loan Servicing Payments	22	-	-
Educational Expense Benefits	203,429	-	-
Retirement Benefits	-	4,357,852	-
Refunds to Former Members	-	104,618	-
Retiree Health Insurance Credits	-	153,914	-
Insurance Premiums and Claims	40,523	182,575	-
Trust Payments	6,978	-	-
Administrative Expenses	7,428	43,167	-
Other Expenses (Note 29)	-	4,031	-
Shares Redeemed	23,616	-	4,284,738
Long-term Disability Benefits	-	39,309	-
Total Deductions	281,996	4,885,466	4,284,738
Net Increase	270,353	66,558	614,844
Net Position Restricted for Pensions/ Other Employment Benefits, Pool Participants, and Other Purposes			
July 1, as restated (Note 2)	3,456,491	68,197,614	2,727,929
June 30	<u>\$ 3,726,844</u>	<u>\$ 68,264,172</u>	<u>\$ 3,342,773</u>

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



Component Units

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

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

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

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

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

Nonmajor Component Units include those listed on pages 264-265 in the Combining and Individual Fund Statements and Schedules section of this report.

Statement of Net Position – Component Units

June 30, 2016

(Dollars in Thousands)

	Virginia Housing Development Authority	Virginia Public School Authority	Virginia Resources Authority
Assets and Deferred Outflows of Resources			
Cash and Cash Equivalents (Notes 1 and 6)	\$ 3,294	\$ 22,558	\$ 10,719
Investments (Notes 1 and 6)	7,475	-	4,549
Receivables, Net (Notes 1 and 7)	6,419,226	3,465,326	4,422,487
Contributions Receivable, Net (Notes 1 and 8)	-	-	-
Due from Primary Government (Note 9)	-	-	-
Due from Component Units (Note 9)	-	-	-
Inventory (Note 1)	-	-	-
Prepaid Items (Note 1)	3,010	-	46
Other Assets (Notes 1 and 10)	13,952	-	299
Loans Receivable from Primary Government (Notes 1 and 9)	-	193,865	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	1,024,267	174,220	292,597
Restricted Investments (Notes 6 and 11)	504,898	-	394,132
Other Restricted Assets (Note 11)	23,434	-	-
Nondepreciable Capital Assets (Notes 1 and 12)	3,531	-	-
Depreciable Capital Assets, Net (Notes 1 and 12)	21,845	-	103
Total Assets	8,024,932	3,855,969	5,124,932
Deferred Outflows of Resources (Notes 1, 13, 14, and 15)	-	138,112	83,101
Total Assets and Deferred Outflows of Resources	8,024,932	3,994,081	5,208,033
Liabilities and Deferred Inflows of Resources			
Accounts Payable (Notes 1 and 24)	40,304	305	322
Amounts Due to Other Governments	-	111,032	-
Due to Primary Government (Note 9)	-	-	-
Due to Component Units (Note 9)	-	-	-
Due to External Parties (Fiduciary Funds) (Note 9)	-	-	-
Unearned Revenue (Note 1)	-	-	-
Obligations Under Securities Lending Program (Notes 1 and 6)	-	-	-
Other Liabilities (Notes 1, 14 and 25)	497,967	55,802	42,009
Loans Payable to Primary Government (Notes 1 and 9)	-	-	-
Claims Payable (Notes 1 and 23):			
Due Within One Year	-	-	-
Due in More Than One Year	-	-	-
Long-term Liabilities (Notes 1, 21, and 26):			
Due Within One Year	492,167	297,443	175,819
Due in More Than One Year	4,002,551	3,552,336	3,435,931
Total Liabilities	5,032,989	4,016,918	3,654,081
Deferred Inflows of Resources (Notes 1, 13, 14, 15, and 36)	-	-	26,808
Total Liabilities and Deferred Inflows of Resources	5,032,989	4,016,918	3,680,889
Net Position			
Net Investment in Capital Assets	14,356	-	103
Restricted For:			
Nonexpendable:			
Higher Education	-	-	-
Other	-	-	-
Expendable:			
Bond Indenture	2,825,966	-	-
Capital Projects/Construction/Capital Acquisition	-	-	1,504,353
Debt Service	-	-	-
Gifts and Grants	-	-	-
Higher Education	-	-	-
Virginia Pooled Investment Program	-	-	7,749
Other	-	-	-
Unrestricted	151,621	(22,837)	14,939
Total Net Position (Deficit) (Note 4)	\$ 2,991,943	\$ (22,837)	\$ 1,527,144

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

Virginia College Building Authority	Nonmajor Component Units	Total
\$ 2,378	\$ 2,310,808	\$ 2,349,757
-	10,564,004	10,576,028
24,252	1,338,775	15,670,066
-	386,320	386,320
3,955	83,432	87,387
-	123,212	123,212
-	130,431	130,431
-	152,042	155,098
-	89,065	103,316
-	-	193,865
373,388	732,891	2,597,363
-	4,378,156	5,277,186
-	247,040	270,474
-	2,515,939	2,519,470
-	15,233,946	15,255,894
403,973	38,286,061	55,695,867
27,544	558,148	806,905
431,517	38,844,209	56,502,772
-	-	-
-	1,140,884	1,181,815
-	5,761	116,793
-	49,517	49,517
119,987	3,225	123,212
-	38,561	38,561
-	367,367	367,367
-	3,864	3,864
88,488	913,424	1,597,690
-	18,905	18,905
-	90,466	90,466
-	41,161	41,161
-	-	-
255,895	613,427	1,834,751
3,793,165	11,688,301	26,472,284
4,257,535	14,974,863	31,936,386
-	320,353	347,161
4,257,535	15,295,216	32,283,547
-	-	-
-	10,762,488	10,776,947
-	-	-
-	3,364,043	3,364,043
-	161,771	161,771
-	-	2,825,966
-	238,688	1,743,041
-	67,816	67,816
-	139,393	139,393
251,882	5,354,937	5,606,819
-	-	7,749
-	13,704	13,704
(4,077,900)	3,446,153	(488,024)
\$ (3,826,018)	\$ 23,548,993	\$ 24,219,225

Statement of Activities – Component Units

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Expenses	Charges for Services	Program Revenues		Net (Expenses) Revenue
			Operating Grants and Contributions (Note 1)	Capital Grants and Contributions	
Virginia Housing Development Authority	\$ 402,477	\$ 430,758	\$ 123,589	\$ -	\$ 151,870
Virginia Public School Authority	133,226	133,372	8,236	-	8,382
Virginia Resources Authority	154,788	148,047	-	50,857	44,116
Virginia College Building Authority	745,625	71,730	42,363	472	(631,060)
Total Major Component Units	1,436,116	783,907	174,188	51,329	(426,692)
Nonmajor Component Units:					
Higher Education	13,593,806	9,239,982	1,998,278	640,449	(1,715,097)
Other	891,145	716,125	14,403	42,380	(118,237)
Total Nonmajor Component Units	14,484,951	9,956,107	2,012,681	682,829	(1,833,334)
Total Component Units	\$ 15,921,067	\$ 10,740,014	\$ 2,186,869	\$ 734,158	\$ (2,260,026)

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

Operating Appropriations from Primary Government	General Revenues			Contributions to Permanent and Term Endowments	Change in Net Position	Net Position	Net Position (Deficit) June 30 (Note 4)
	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous			(Deficit) July 1, as restated (Note 2)	
\$ -	\$ -	\$ 19,788	\$ -	\$ -	\$ 171,658	\$ 2,820,285	\$ 2,991,943
-	-	334	246	-	8,962	(31,799)	(22,837)
-	-	-	-	-	44,116	1,483,028	1,527,144
318,431	-	-	-	-	(312,629)	(3,513,389)	(3,826,018)
318,431	-	20,122	246	-	(87,893)	758,125	670,232
1,783,496	71,296	(96,912)	103,205	158,500	304,488	21,146,432	21,450,920
119,169	19,960	21,677	8,001	16,313	66,883	2,031,190	2,098,073
1,902,665	91,256	(75,235)	111,206	174,813	371,371	23,177,622	23,548,993
\$ 2,221,096	\$ 91,256	\$ (55,113)	\$ 111,452	\$ 174,813	\$ 283,478	\$ 23,935,747	\$ 24,219,225



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Notes to the Financial Statements

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Reporting Entity

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

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

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

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

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

Route 460 Funding Corporation of Virginia (nonmajor enterprise) – The Corporation, a private, non-stock nonprofit corporation was created to develop, construct, and provide financing for the U.S. Route 460 Corridor Improvements Project. The Corporation was a blended component unit of the Virginia Department of Transportation (VDOT) (primary government) because it was fiscally dependent on the primary government, and there was a financial benefit/burden relationship between the primary government and the Corporation. The corporate offices of the Corporation were located at VDOT, 1401 East Broad Street, Richmond, Virginia 23219. Dixon Hughes Goodman, LLP audited the Corporation, and a separate report is available from VDOT. The continuing operations of the Corporation ceased during fiscal year 2016.

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

GASB statements generally require any organization that raises and holds economic

resources for the direct benefit of these reporting entity to be reported as a component unit, even if the reporting entity is not financially accountable for the organization. The entities are included in the Commonwealth's reporting entity as nonprofit charitable organizations and exist solely to support the Commonwealth's higher education institutions and certain state agencies. The higher education institution nonprofit organizations are included in the applicable higher education institution's column in the accompanying financial statements. In all instances where separate disclosure of these nonprofit organizations is required in the accompanying footnotes, the entities' totals are aggregated and disclosed as "foundations."

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

Discretely presented component units are:

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

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

Virginia Resources Authority (VRA) (major) – The Authority was created as a public body corporate and a political subdivision of the Commonwealth to provide financing of infrastructure projects for water supply, wastewater, storm water, solid waste treatment, airports, public safety, brownfields remediation and redevelopment, and recycling. The Governor appoints the 11-member board and the Executive Director of the Authority. The primary government is able to impose its will on the Authority, and there is a financial benefit/burden to the primary government. The Commonwealth does not guarantee any bonds issued by the Virginia Resources Authority. The administrative offices of the Authority are located at 1111 East Main Street, Suite 1920, Richmond, Virginia 23219. Brown, Edwards and Company, LLP audits the Authority, and a separate report is issued.

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

Only the activity of the Authority that relates to the financing of capital projects and equipment purchases by state-supported colleges and universities is included in the accompanying financial statements. The state-supported colleges and universities reported revenue from the Authority of \$468.3 million as Program Revenue Capital Grants and Contributions for the 21st Century Program and \$71.2 million as Program Revenue Operating Grants and Contributions for equipment. The Authority reported Operating Appropriations from Primary Government of approximately \$318.4 million. In addition, the Authority reported approximately \$30.0 million in payments from the state-supported colleges and universities for 21st Century and Equipment Program debt service costs and approximately \$12.3 million in interest on Build America Bonds. The Authority assists private institutions of higher education in the financing and refinancing of a broad range of facilities. The Authority is authorized to issue obligations and lend the proceeds to private institutions; however, such financings or refinancings are not obligations of the primary government nor the Authority, but are payable solely from the revenues pledged by the respective private institution. This indebtedness, totaling \$817.4 million, is not

included in the accompanying financial statements.

Higher Education Institutions (nonmajor) –

The Commonwealth's higher education institutions are granted broad corporate powers by state statutes. The Governor appoints the members of each institution's board of trustees. In addition to the annual appropriations to support the institutions' operations, the Commonwealth provides funding for, and construction of, major academic plant facilities for the institutions. Institutions reported Operating Appropriations from Primary Government of approximately \$1.8 billion and Program Revenue Capital Grants and Contributions of approximately \$96.9 million from the primary government. Therefore, there is a financial benefit/burden to the primary government. The higher education institutions are: the University of Virginia, including the University of Virginia Medical Center and the University of Virginia's College at Wise; Virginia Polytechnic Institute and State University; Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority, the College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science; Virginia Military Institute; Virginia State University; Norfolk State University; University of Mary Washington; James Madison University; Radford University; Old Dominion University; George Mason University; Virginia Community College System; Christopher Newport University; and Longwood University. The Southwest Virginia Higher Education Center, Roanoke Higher Education Authority, Institute for Advanced Learning and Research, Southern Virginia Higher Education Center, and New College Institute are also included as higher education institutions. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. As previously noted, certain foundations are considered component units of the higher education institutions, and are included in the accompanying financial statements as well as the higher education institutions' individually published financial statements. The Auditor of Public Accounts (APA) does not audit the Roanoke Higher Education Authority, the Institute for Advanced Learning and Research, and the component units of the higher education institutions, including foundations, but relies on the reports issued by other auditors to render her opinion.

The APA audits the colleges and universities, and individual reports are issued under separate cover. Complete financial statements for each institution may be obtained from their respective administrative offices. The addresses for these institutions may be obtained from the Department of Accounts,

101 North 14th Street, Richmond, Virginia 23219-3638.

Innovation and Entrepreneurship Investment Authority (IEIA) (nonmajor) –

The Authority is granted corporate powers by the *Code of Virginia*. The Authority serves to facilitate the marketing, organization, and development of scientific research and technology by the state's institutions of higher education and private industry in the Commonwealth. In addition, the Authority serves to promote the economic development of the Commonwealth by attracting and retaining high technology jobs and businesses in Virginia. The Governor and General Assembly appoint the 17-member board, and there is a financial benefit/burden to the primary government. The Authority's combined financial statements include the accounts of the Center for Innovative Technology (CIT) and subsidiaries after elimination of all significant intercompany balances and transactions. CIT is a non-stock, not-for-profit corporation, which acts as the operating arm of the Authority. The address for the administrative offices of the Authority is CIT Building, Suite 600, 2214 Rock Hill Road, Herndon, Virginia 20170-4228. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia Economic Development Partnership (VEDP) (nonmajor) –

The Partnership was created as a body corporate and operates to encourage, stimulate, and support the development and expansion of commerce in the Commonwealth. The Governor appoints the 15-member board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East Cary Street, Suite 900, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Partnership, and a separate report is issued.

Virginia Outdoors Foundation (nonmajor) –

The Foundation was created as a body politic and is administratively assigned to the Department of Conservation and Recreation (part of primary government) and charged with promoting preservation through the acceptance of donated conservation easements and raising funds for the purchase of preservation land. The Governor appoints the 7-member board of trustees, and the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 39 Garrett Street, Suite 200, Warrenton, VA 20186. Hicok, Fern & Company CPAs audits the Foundation, and a separate report is issued.

Virginia Port Authority (VPA) (nonmajor) – The Authority was established as a corporate body and operates to serve the citizens and promote commerce through the harbors and ports of Virginia. The Governor appoints a majority of the 12-member board, and the primary government is able to impose its will on the Authority. There is also a financial benefit/burden to the primary government. The administrative offices of the Authority are located at 701 Town Center Drive, Suite 900, Newport News, Virginia 23606. PBMares, LLP, audits the Authority, and a separate report is issued.

Virginia Tourism Authority (nonmajor) – The Authority was created as a public body corporate and as a political subdivision of the Commonwealth. The Authority encourages, stimulates, and promotes tourism and film production industries of the Commonwealth. The Governor appoints all of the board members, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East Cary Street, Suite 900, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

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

Tobacco Region Revitalization Commission (formerly Tobacco Indemnification and Revitalization Commission) (nonmajor) – The Commission was created as a body corporate and as a political subdivision of the Commonwealth. The Commission was established to determine the appropriate recipients of the monies in the Tobacco Indemnification and Community Revitalization Fund. This fund is to provide payments to tobacco farmers as compensation for the adverse economic effects resulting from loss of investment in specialized tobacco equipment and barns, as well as lost tobacco production opportunities. It also provides monies to revitalize tobacco dependent communities. The Governor appoints the majority of the board, and there is a financial benefit/burden to the

primary government. The administrative offices are located at 701 East Franklin Street, Suite 501, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Commission, and a separate report is issued.

Hampton Roads Sanitation District Commission (nonmajor) – The Commission was established as a political subdivision of the Commonwealth and a government instrumentality. The Commission, which is the governing board of the district, was granted corporate powers by the *Code of Virginia*. The Governor appoints the Commission members, who serve at his pleasure. Therefore, the primary government is able to impose its will on the Commission. The Commonwealth is not obligated by the debt of the Commission. The Commission was established to benefit the inhabitants of the district and operates a sewage system for 17 localities in the Chesapeake Bay area. The address for the administrative offices of the Commission is 1434 Air Rail Avenue, Virginia Beach, Virginia 23455. KPMG, LLP, audits the Commission, and a separate report is issued.

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

The Authority issued the 2002 Series, the 2013B Series, and the 2013A Series of revenue bonds for specific customers. The 2002 Series variable rate revenue bonds were for a facility built specifically for the United Network for Organ Sharing. The 2013B Series variable rate revenue bonds were for the Virginia Blood Services project. The 2013A Series variable rate revenue bonds were to assist the Institute for Transfusion Medicine (ITxM). The bonds are secured by a letter of credit and are payable solely from the payments made by the borrower under the loan agreement. None of these bonds constitutes a debt or pledge of the Authority or the Commonwealth. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Virginia Small Business Financing Authority (VSBFA) (nonmajor) – Section 2.2-2280 of the *Code of Virginia* established the Authority as a public body corporate and a political subdivision of the Commonwealth. The

Governor appoints the 11-member board, and the primary government is able to impose its will on the Authority. The Authority was created to assist small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses. The Authority can provide financial assistance to small businesses by providing loans, guarantees, insurance, and other assistance, thereby encouraging the investment of private capital in small businesses in the Commonwealth. The Authority can loan money to local governments as defined by the *Code of Virginia* for economic development purposes. The Authority also guarantees loans made to small businesses by banks. The administrative offices of the Authority are located at 101 North 14th Street, 11th Floor, Richmond, Virginia 23218-0446. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

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

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

Science Museum of Virginia Foundation (nonmajor) – The Foundation is a non-stock, nonprofit corporation established to implement and fund programs, projects, and operations that are authorized and approved by the trustees of the Science Museum of Virginia (part of primary government). There is a financial benefit/burden relationship to the primary government, and the economic resources of the Foundation are entirely for the direct benefit of the Commonwealth and its citizens. The administrative offices of the Foundation are located at 2500 West Broad Street, Richmond, Virginia, 23220. Cherry

Bekaert, LLP, audits the Foundation, and a separate report is issued.

Virginia Commercial Space Flight Authority (VCSFA) (nonmajor) – The Authority is a legally separate political subdivision of the Commonwealth created by the General Assembly to facilitate and coordinate scientific and technological research and development and to promote the industrial and economic development of the Commonwealth. The Governor appoints the 9-member board and there is a potential financial benefit/burden to the primary government. The Commonwealth provided \$26.0 million in bond offerings through the Virginia Public Building Authority (nonmajor) to the VCSFA in fiscal year 2009. The Commonwealth provided \$25.6 million in capital contributions through a memorandum of understanding in September 2012. The Commonwealth provided an additional \$10.0 million of capital contributions through a settlement agreement by and among the VCSFA, the Commonwealth, and Orbital Sciences Corporation to the VCSFA in January 2014. The Commonwealth approved the conversion of a \$5.0 million interest-free note to repair Pad 0A into a grant in March 2015. The administrative offices of the Authority are located at 4111 Monarch Way, Suite 303, Norfolk, Virginia 23508. Dixon Hughes Goodman, LLP, audits the Authority, and a separate report is issued.

Danville Science Center, Inc. (nonmajor) – The Center is a nonprofit corporation formed for the purpose of implementing and funding those programs, projects and operations which are authorized and approved by the trustees of the Science Museum of Virginia (part of primary government). There is a financial benefit/burden to the primary government, and the economic resources of the Center are entirely for the direct benefit of the Commonwealth and its citizens. The administrative offices of the Center are located at 677 Craghead Street, Danville, Virginia 24541. Kania & Associates, LLP, audits the Center, and a separate report is issued.

Virginia Museum of Fine Arts Foundation (nonmajor) – The Foundation operates as a nonprofit corporation under the laws of Virginia to fund exhibitions, programs, and capital asset expansion to ensure that the Virginia Museum of Fine Arts (part of primary government) has the space and resources for art to help improve the quality of life for many. There is a financial benefit/burden to the primary government, and the economic resources of the Foundation are entirely for the direct benefit of the Commonwealth and its citizens. The administrative offices of the Foundation are located at 200 North Boulevard, Richmond, Virginia 23220. Dixon Hughes Goodman, LLP,

audits the Foundation, and a separate report is issued.

A. L. Philpott Manufacturing Extension Partnership (nonmajor) – The Partnership has the mission to foster economic growth by enhancing the competitiveness of Virginia's manufacturers. The Partnership provides manufacturing firms with fee-based technology consulting services, access to business modernization resources, and support for interfirm collaboration. Further, the Partnership provides direct assistance to increase sales, decrease costs, and improve quality, productivity, and competitiveness. The Partnership has a 24-member board of trustees. The board consists of the presidents of two public four-year institutions of higher education; three community college presidents; one president of a private four-year institution of higher education; the director of Virginia's Center for Innovative Technology; Virginia's Secretary of Commerce and Trade; Virginia's Secretary of Technology; and 15 citizen members, representing manufacturing industries, appointed by the Governor. There is also a financial benefit/burden to the primary government. The administrative office is located at 32 Bridge Street South, Suite 200B, Martinsville, VA 24112-6216. The Auditor of Public Accounts audits the Partnership, and a separate report is issued.

Virginia University Research Partnership (nonmajor) – The Partnership was created as a nonprofit, non-stock corporation to receive grant monies appropriated by the General Assembly. The Partnership oversaw the administration of those grant payments for use by a nonprofit, public benefit research institute that conducted research and development for government agencies, commercial businesses, foundations, and other organizations. Due to the primary government being the sole source of funding, it was able to impose its will on the Partnership. The administrative offices were located at 901 East Byrd Street, Post Office Box 798, Richmond, Virginia 23218-0798. The Partnership ceased operations during fiscal year 2016.

Fort Monroe Authority (nonmajor) – The Authority is a legally separate, political subdivision of the Commonwealth created by the General Assembly to assist in formulating a reuse plan for Fort Monroe. The Governor appoints a majority of the 17-member board, and there is a potential financial benefit/burden to the primary government. The administrative offices of the Authority are located at 20 Ingalls Road, Fort Monroe, Virginia 23651. Cherry Bekaert, LLP, audits the Authority, and a separate report is issued.

Assistive Technology Loan Fund Authority (nonmajor) – The Authority was

created as a political subdivision and public body corporate by the *Code of Virginia*. The Governor appoints the board of directors as directed by the *Code* and the primary government is able to impose its will on the Authority. The Authority manages a fund to provide loans to individuals to acquire assistive technology, other equipment, or other authorized purposes designed to help disabled individuals become more independent. The administrative offices are located at 1602 Rolling Hills Drive, Suite 107, Richmond, Virginia 23229. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia Sesquicentennial of the American Civil War Foundation (nonmajor) – The Foundation was established to prepare for and commemorate the sesquicentennial of Virginia's participation in the American Civil War. The Foundation was formed under the Virginia Nonstock Corporation Act. The economic resources received or held by the Foundation are entirely, or almost entirely, for the direct benefit of the primary government. The administrative offices are located at the General Assembly Building, 2nd Floor, 201 North 9th Street, Richmond, VA 23219. Brown, Edwards & Company, LLP, audits the Foundation, and a separate report is issued.

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

Virginia Arts Foundation (nonmajor) – The Foundation was created as a body politic and corporate to serve the Virginia Commission for the Arts (part of primary government) by promoting the arts in the Commonwealth. The Governor appoints the board of trustees for the Virginia Commission for the Arts, which also serves as the board for the Virginia Arts Foundation. The Director of the Virginia Commission for the Arts serves as the board chairman. In addition, the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 1001 East Broad Street, Suite 330, Richmond, VA 23219. The Auditor of Public

Accounts audits the Foundation as part of the Virginia Commission for the Arts.

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

Virginia Health Workforce Development Authority (nonmajor) – The Authority is a legally separate public body corporate and a political subdivision of the Commonwealth created by the General Assembly. The Authority facilitates the development of a statewide health professions pipeline. The Governor appoints a majority of the board members, and the primary government is able to impose its will on the Authority. The administrative offices of the Authority are located at 3831 Westerre Parkway, Suite 2, Henrico, VA 23233. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

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

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

Edwards, and Company, LLP audits the Corporation, and a separate report is issued.

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

Jamestown-Yorktown Foundation, Inc. – The nonprofit corporation was created by the *Code of Virginia* to assist the Jamestown-Yorktown Foundation (Foundation). The corporation board consists of five members selected from the Foundation's board of trustees. Several Commonwealth officials serve as ex-officio members of the Foundation's board, and the Governor appoints 12 members. The Corporation's basic activities consist of soliciting and collecting contributions, purchasing artifacts, sponsoring events and exhibits, and overseeing investments. The administrative offices of the Corporation are located at Post Office Box 3605, Williamsburg, Virginia 23187. Dixon Hughes Goodman, LLP, audits the Corporation, and a separate report is issued.

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

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

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

C. Government-wide and Fund Financial Statements

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

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

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

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

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

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

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the primary government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year (or one year for Medicaid). Significant revenues subject to accrual include federal grants and income and sales taxes. Income tax revenues for tax underpayments are only recognized to the extent of the primary government's estimated refunds for tax overpayments received. Revenues that the primary government earns by incurring obligations are recognized in the same period as when the obligations are recognized.

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

The primary government reports the following major governmental funds:

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

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

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

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

Proprietary Funds, Fiduciary Funds, and Component Units Financial Statements – The financial statements of the proprietary funds, fiduciary funds, and component units are reported using the economic resources measurement focus and the full accrual basis of accounting. As with the government-wide statements, revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus since they only report assets and liabilities.

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

Foundations' (component units) financial statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. The financial statements are prepared under FASB rather than GASB standards. In some instances, activities of the foundations (component units) are reported separately within the footnotes because of the different reporting standards. Also, some foundations (component units) have a December 31st or March 31st year-end rather than a fiscal year-end. Foundations (component units) with different year-ends are included in these financial statements for the year ending December 31, 2015, or March 31, 2016. Significant intrafund activity/balances between each

higher education institution and their foundations have been eliminated.

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

- University of Virginia (nonmajor component unit):
 - o institution assets of \$468,365
 - o institution liabilities of \$32,259
 - o institution revenue of \$8.2 million
 - o foundation assets of \$952,323
 - o foundation liabilities of \$641,895
 - o foundation expenses of \$7.7 million
- Old Dominion University (nonmajor component unit):
 - o institution liabilities of \$59.6 million
 - o institution revenue of \$1.6 million
 - o institution expenses of \$636,555
 - o foundation assets of \$53.7 million

The primary government reports the following major enterprise funds:

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

Virginia College Savings Plan Fund – Administers the Virginia529 prePAID Program.

Unemployment Compensation Fund – Accounts for receipts from employers and expenses incurred to provide benefits to eligible unemployed workers.

Additionally, the primary government reports the following fund types:

Governmental Fund Types:

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

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

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

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

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

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

Pension and Other Employee Benefit Trust Funds – Account for transactions of the Commonwealth administered retirement systems and other employment benefits.

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

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

E. Budgetary Process

Budgetary amounts shown in the Required Supplementary Information and Combining and Individual Fund Statements and Schedules Sections represent the total of the original budgeted amounts and all supplemental appropriations. The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly. Unexpended

appropriations at the end of the fiscal year generally lapse. However, they may be reappropriated for expenditure in the following fiscal year. The Governor, as required by the *Code of Virginia*, submits a budget composed of all proposed expenditures for the Commonwealth, and of estimated revenues and borrowing for a biennium, to the General Assembly. Budgets are adopted for the General and Special Revenue Funds, except for the Literary Fund (major special revenue). Formal budgetary integration is not employed for the Capital Projects (nonmajor governmental), Debt Service (nonmajor governmental), Permanent Funds (nonmajor governmental), and the Literary (major special revenue) Funds because effective budgetary control is alternatively achieved through the General Fund and the remaining Special Revenue Funds.

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

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

F. Cash, Cash Equivalents, Investments, and Derivatives

Cash

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

As of June 30, 2016, the General Fund had a negative cash balance of \$3.9 billion. In order to properly reflect the general account position, this negative cash balance has been eliminated in the accompanying statements and offset against the primary government's cash equivalents and investments (see Note 6).

Cash Equivalents

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

Investments

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

Governmental and proprietary funds, both primary government and component units, report investments in money market and in the Commonwealth sponsored investment pools at amortized cost which approximates fair value. Additionally, the Virginia College Savings Plan Fund (major enterprise) reports certain investments at net asset value. All other investments are reported at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended by GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining fair value measurements using the level of fair value hierarchy and valuation techniques (see Note 6).

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

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

Derivatives

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

G. Receivables

Receivables in the governmental funds consist primarily of the accrual of taxes, as well as receivables of the primary government's Medicaid program. Receivables in the proprietary funds consist primarily of tuition contribution receivables and unemployment compensation. Receivables of fiduciary funds are primarily the accrual of security transactions in the Pension and Other Employee Benefit Trust Funds. Receivables of the

component units consist primarily of mortgage receivables, loans receivable, local school bonds receivable, patient receivables, and student receivables. Receivables are recorded net of allowances for doubtful accounts (see Note 7).

H. Contributions Receivable, Net

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

I. Internal Balances

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

J. Inventory

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

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

VSP inventories are recorded in the General (major) and Other Special Revenue (nonmajor) Funds using the average cost methodology and are maintained at cost. VDOT inventories are recorded in the Commonwealth Transportation Fund (major special revenue) using the FIFO and average cost methodologies and are maintained at either cost or average cost.

In addition to inventories maintained as stated above, the following agencies reported donated inventory balances on hand at June 30, 2016:

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

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

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

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

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

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

K. Prepaid Items

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

L. Interfund Loans Receivable/Payable

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

M. Other Assets

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

N. Capital Assets

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

Capital assets are stated at historical cost or, in some instances, estimated historical cost. Donated capital assets from entities external to the reporting entity are stated at acquisition value at the time of donation. Asset transfers or donations from within the reporting entity are recorded at the carrying value of the transferring entity as required by GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The

primary government capitalizes all equipment that has a cost or value greater than \$50,000 and expected useful life of greater than two years. The primary government capitalizes all land, water rights/easements, buildings, infrastructure, and software that have a cost or value greater than \$100,000 and an expected useful life of greater than two years. Selected agencies, business-type entities, and component units utilize a capitalization limit lower or higher than the primary government's established thresholds for various reasons. Accordingly, reported capital assets may include some items that cost less than those thresholds. Infrastructure, including highways, bridges, and rights-of-way, is capitalized using the historical approach and includes any assets acquired prior to fiscal year 1980.

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

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

The primary government capitalizes construction-in-progress when project expenditures, including construction of intangible assets, exceed \$100,000. Interest incurred during construction is not capitalized in governmental funds. Interest incurred during the construction of proprietary fund assets is included in the capitalized value of the asset. The total interest cost incurred during the fiscal year was \$3.7 million. None of the interest cost incurred this fiscal year was capitalized.

Expenditures are classified as construction-in-progress if:

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

The estimated lives of capital assets are as follows:

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

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

O. Deferred Outflows of Resources

Deferred outflows of resources are a consumption of assets by the government that is applicable to a future reporting period. Deferred outflows have a natural debit balance and, therefore increase net position similar to assets (see Notes 13, 14, and 15).

P. Accounts Payable

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

Q. Unearned Revenue

Unearned revenue represents monies received or revenues accrued but not earned as of June 30, 2016. The majority of unearned revenue is reported by higher education institutions (nonmajor component units), where it is primarily composed of revenue for student tuition accrued in advance of the semester and advance payments on grants and contracts. In the special revenue funds, unearned revenue is composed primarily of prepaid toll revenue, contributions from localities and private sectors for highway construction projects, and multi-year vehicle registrations recorded in the Commonwealth Transportation Special Revenue Fund (major governmental). In the enterprise funds, a majority of unearned revenue represents online ticket monies received by the Virginia Lottery (major enterprise) for which corresponding drawings have not been held.

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

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

R. Unearned Taxes

Unearned taxes represent income taxes related to the period January through June 2016. This amount is the estimate to be refunded (overpayments by taxpayers) reduced by the estimate to be received (underpayments from taxpayers) that will be finalized when income tax returns are filed in subsequent years. Individual income tax estimated

overpayments total \$857.6 million and estimated underpayments total \$911.8 million. When underpayments exceed overpayments, revenue on the fund statements is only recognized to the extent of estimated overpayments. Since underpayments exceed overpayments for the individual income taxes, the unearned tax amount is zero for the fiscal year.

Corporate income tax estimated overpayments total \$41.1 million and estimated underpayments total \$58.3 million. When underpayments exceed overpayments, revenue on the fund statements is only recognized to the extent of estimated overpayments. Since underpayments exceed overpayments for the corporate income taxes, the unearned tax amount is zero for the fiscal year.

S. Obligations Under Securities Lending Program

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

T. Other Liabilities

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

U. Claims Payable

Claims payable, reported in the proprietary funds of the primary government, represent both health and liability insurance claims payable at June 30, 2016. This includes both actual claims submitted, as well as actuarially determined claims incurred but not reported. Claims relating to the primary government's liability insurance programs are reported in the Risk Management – internal service fund and the Risk Management – nonmajor enterprise fund. Also, health insurance claims are reported in the Health Care – internal service fund and the Local Choice Health Care – nonmajor enterprise fund (see Notes 23.A. and 23.B.). Claims payable reported by the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – nonmajor component unit) represents estimated malpractice, workers' compensation, and medical claims payable amounts.

V. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. The governmental fund statements reflect the portion of long-term liabilities that will be paid from expendable resources that represent payments to employees for separations that occurred prior to

June 30. The proprietary fund statements and discrete component unit statements reflect total long-term liabilities and distinguish between those portions payable within one year and those payable in future years (see Note 26).

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

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

W. Deferred Inflows of Resources

Deferred inflows of resources are an acquisition of assets by the government that is applicable to a future reporting period. Deferred inflows have a natural credit balance and, therefore decrease net position similar to liabilities (see Notes 13, 14, 15, and 36).

X. Nonspendable Fund Balances

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

Y. Restricted Fund Balances

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

Z. Committed Fund Balances

Committed fund balance includes amounts that must be spent for specific purposes that have been legislatively mandated by the Governor and General Assembly.

AA. Assigned Fund Balances

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

BB. Unassigned Fund Balances

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

CC. Cash Management Improvement Act

Included in Amounts Due to Other Governments is the Commonwealth's Cash Management Improvement Act (CMIA) interest liability to the federal government, which is calculated in accordance with the interest calculation and exchange provisions of the Federal Cash Management Improvement Act of 1990. The Commonwealth's interest liability is subject to review and final confirmation by the Bureau of the Fiscal Service (BFS) of the U.S. Treasury. If required, the payment is to be made on March 31 of the following year. Payment will be made from a sum sufficient appropriation authorized for this purpose by the Appropriation Act. The CMIA interest rate of exchange is based by law on the average of the bond equivalent rates of 13-week Treasury Bills auctioned during the annual reporting period as calculated by BFS.

DD. Investment Income

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

EE. Intrafund Eliminations

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

FF. Interfund Activity

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

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

Fund Statements

The fund statement beginning balance restatements resulted from the following:

- The Commonwealth Transportation (major special revenue) has been restated by \$51.3 million as discussed previously.
- The Federal Trust (major special revenue) and Other (nonmajor special revenue) beginning balances were restated by \$5.2 million due to clarified federal reporting guidance for the Equitable Sharing program.
- The Literary Fund (major special revenue) has been restated by \$150.0 million discussed previously.
- Private Purpose Trust Funds have been restated by \$150.0 million as a result of a change made to the investment liquidation management strategy related to the Unclaimed Property Trust Fund. The strategy modification to liquidate all securities not claimed by the owner after three years increased the cash available to the fund. The Unclaimed Property Trust Fund should only report assets that will not revert to the Literary Fund (major special revenue).

Component Units

The government-wide and fund statements were restated for the following.

- The University of Virginia has restated balances by \$39.6 million for the liability to beneficiaries related to irrevocable split-interest agreements previously omitted.

2. RESTATEMENT OF BEGINNING BALANCES

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

Government-wide Activities

Governmental Activities

The Governmental Activities were restated for the following:

- The Commonwealth Transportation (major special revenue) has been restated by \$51.3 million as a result of unearned revenue associated with multi-year vehicle registrations being understated.
- The Literary Fund (major special revenue) has been restated by \$150.0 million as a result of a change in the investment liquidation management strategy related to the Private Purpose Trust Fund that increased beginning cash balances of the Literary Fund as discussed below.
- Capital Asset balances were restated by \$9.7 million due to errors that resulted in an understatement of previous balances.

Beginning Balance Restatement

(Dollars in Thousands)

	Balance as of June 30, 2015	Change in Investment Liquidation	Clarified Reporting Guidance	Correction of Prior Year Errors	Balance June 30, 2015 as restated
Government-wide Activities:					
Primary Government:					
Governmental Activities	\$ 19,436,857	\$ 150,000	\$ -	\$ (41,636)	\$ 19,545,221
Business-type Activities	1,379,462	-	-	-	1,379,462
Total Primary Government	<u>\$ 20,816,319</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ (41,636)</u>	<u>\$ 20,924,683</u>
Component Units	<u>\$ 23,975,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (39,596)</u>	<u>\$ 23,935,747</u>
Fund Statements:					
Governmental Funds					
Major Governmental Funds:					
General	\$ 848,356	\$ -	\$ -	\$ -	\$ 848,356
Special Revenue Funds:					
Commonwealth Transportation	2,271,107	-	-	(51,306)	2,219,801
Federal Trust	115,436	-	5,219	-	120,655
Literary	(37,478)	150,000	-	-	112,522
Nonmajor Governmental Funds	<u>1,119,955</u>	<u>-</u>	<u>(5,219)</u>	<u>-</u>	<u>1,114,736</u>
Total Governmental Funds	<u>\$ 4,317,376</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ (51,306)</u>	<u>\$ 4,416,070</u>
Fiduciary Funds					
Private Purpose Trust Funds	<u>\$ 3,606,491</u>	<u>\$ (150,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,456,491</u>
Pension and Other Employee Benefit Trust Funds	<u>\$ 68,197,614</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,197,614</u>
Investment Trust Funds	<u>\$ 2,727,929</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,727,929</u>
Component Units:					
Virginia Housing Development Authority	\$ 2,820,285	\$ -	\$ -	\$ -	\$ 2,820,285
Virginia Public School Authority	(31,799)	-	-	-	(31,799)
Virginia Resources Authority	1,483,028	-	-	-	1,483,028
Virginia College Building Authority	(3,513,389)	-	-	-	(3,513,389)
Nonmajor Component Units	<u>23,217,218</u>	<u>-</u>	<u>-</u>	<u>(39,596)</u>	<u>23,177,622</u>
Total Component Units	<u>\$ 23,975,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (39,596)</u>	<u>\$ 23,935,747</u>

3. NET POSITION/FUND BALANCE CLASSIFICATIONS

Fund Balance

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

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

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

Committed fund balance includes amounts that must be spent for specific purposes that have been legislatively mandated by the Governor and General Assembly.

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

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

The governmental fund balance classifications and amounts at June 30, 2016, are shown in the following table.

Governmental Fund Balance Classifications

(Dollars in Thousands)

	General Fund	Commonwealth Transportation	Federal Trust	Literary	Nonmajor Governmental	Total
Nonspendable						
Inventory	\$ 41,325	\$ 85,918	\$ 32,582	\$ -	\$ 4,989	\$ 164,814
Prepaid Items	73,040	12,288	2,643	-	20,272	108,243
Permanent Funds	-	-	-	-	34,055	34,055
Total Nonspendable	<u>114,365</u>	<u>98,206</u>	<u>35,225</u>	<u>-</u>	<u>59,316</u>	<u>307,112</u>
Restricted						
Agriculture and Forestry	-	-	-	-	1,382	1,382
Capital Projects/Construction/Capital Acquisition	-	-	-	-	39,662	39,662
Contract and Debt Administration	-	3,205	-	-	1,243	4,448
Debt Service	-	-	-	-	21,752	21,752
Economic and Technological Development	-	-	-	-	13	13
Educational and Training Programs	-	-	-	-	8,633	8,633
Environmental Quality and Natural Resource Preservation	-	-	-	-	16,567	16,567
Gifts and Grants	-	7,775	93,763	-	2,285	103,823
Government Operations:						
Legislative Services	-	-	-	-	5	5
Administrative Services	-	-	-	-	1,672	1,672
Health and Public Safety	-	-	-	-	76,511	76,511
Literary Fund	-	-	-	50,815	-	50,815
Lottery Proceeds Fund	62,086	-	-	-	-	62,086
Revenue Stabilization Fund	841,057	-	-	-	-	841,057
Transportation Activities	-	320,116	-	-	-	320,116
Virginia Water Supply Assistance Grant Fund	5,060	-	-	-	-	5,060
Total Restricted	<u>908,203</u>	<u>331,096</u>	<u>93,763</u>	<u>50,815</u>	<u>169,725</u>	<u>1,553,602</u>
Committed						
Agriculture and Forestry	92	-	-	-	23,203	23,295
Amount Required for Mandatory Reappropriation	58,465	-	-	-	-	58,465
Amount Required for Reappropriation of 2016 Unexpended Balances for Capital Outlay	141,890	-	-	-	-	141,890
Capital Projects/Construction/Capital Acquisition	1,036	-	-	-	688	1,724
Central Capital Planning Fund	10,197	-	-	-	-	10,197
Commonwealth's Development Opportunity Fund	24,957	-	-	-	-	24,957
Communications Sales and Use Tax	2,599	-	-	-	-	2,599
Contract and Debt Administration	-	10,860	-	-	330	11,190
Economic and Technological Development	45,045	-	-	-	50,976	96,021
Educational and Training Programs	1,250	1,204	-	-	6,484	8,938
Environmental Quality and Natural Resource Preservation	11,376	-	-	-	107,182	118,558
Government Operations:						
Legislative Services	-	-	-	-	74	74
Administrative Services	97	-	-	-	70,361	70,458
Health and Public Safety	13,200	3,545	-	-	199,341	216,086
Natural Disaster Sum Sufficient	25,573	-	-	-	-	25,573
Regulatory Oversight	-	-	-	-	132,934	132,934
Transportation Activities	-	1,482,998	-	-	4,059	1,487,057
Virginia Health Care Fund	45,461	-	-	-	-	45,461
Virginia Water Quality Improvement Fund	15,773	-	-	-	-	15,773
Total Committed	<u>397,011</u>	<u>1,498,607</u>	<u>-</u>	<u>-</u>	<u>595,632</u>	<u>2,491,250</u>
Assigned						
Economic and Technological Development	-	-	-	-	1,849	1,849
Educational and Training Programs	-	-	-	-	5,611	5,611
Environmental Quality and Natural Resource Preservation	-	-	-	-	7,926	7,926
Government Operations:						
Administrative Services	-	-	-	-	348	348
Health and Public Safety	-	-	-	-	13,021	13,021
Transportation Activities	-	507	-	-	-	507
Total Assigned	<u>-</u>	<u>507</u>	<u>-</u>	<u>-</u>	<u>28,755</u>	<u>29,262</u>
Unassigned	<u>(709,290)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(709,290)</u>
Total Fund Balance	<u>\$ 710,289</u>	<u>\$ 1,928,416</u>	<u>\$ 128,988</u>	<u>\$ 50,815</u>	<u>\$ 853,428</u>	<u>\$ 3,671,936</u>

4. DEFICIT FUND BALANCES/NET POSITION

The Virginia Lottery (major enterprise fund), the Department of Alcoholic Beverage Control (nonmajor enterprise fund), the Department of General Services' Consolidated Laboratory Services Fund (nonmajor enterprise fund), the Department of Environmental Quality's Title V Air Pollution Permit Fund (nonmajor enterprise fund), and the Payroll Service Bureau (internal service fund) ended the year with deficit net positions of \$30.9 million, \$86.1 million, \$2.0 million, \$8.8 million, and \$2.4 million, respectively. This was solely attributable to the net pension liability resulting from GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and the net other postemployment benefits (OPEB) obligation resulting from GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The Risk Management Fund (nonmajor enterprise fund) ended the year with a deficit net position balance of \$19.4 million. The deficit was a result of increasing claims liability for constitutional officers' programs.

The Virginia Information Technologies Agency (internal service fund) ended the year with a deficit net position balance of \$37.4 million. The deficit was a result of a decline in revenue associated with service usage and fixed operating expenses to Northrop Grumman, and noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Enterprise Application Fund (internal service fund) ended the year with a deficit net position balance of \$7.9 million. This deficit was the result of a working capital advance liability for the implementation of the Cardinal project, coupled with noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Property Management Fund (internal service fund) ended the year with a deficit net position balance of \$21.6 million. This deficit was the result of the purchase of a leasehold interest in a state-owned building in fiscal year 2006. Also, the Property Management Fund incurred additional capital lease liabilities due to transfers of leases from other state agencies in fiscal year 2009. Additionally, in fiscal year 2012, the Property Management Fund entered into three energy leases where the asset is reported in the governmental fund and the liability is recorded in the internal service fund. Further, there are noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Risk Management Fund (internal service fund) ended the year with a deficit net position balance of \$692.6 million. The deficit was the result of the Worker's Compensation Program having estimated claims payable exceeding the available equity in the fund. Claims are paid on a pay-as-you-go basis. To the extent that claims exceed current resources, they will ultimately become a liability of the fund from which the claim originated.

The Virginia Public School Authority (major component unit) ended the year with a deficit net position balance of \$22.8 million. This deficit is the result of an accrued credit against future debt service payments on Local School Bonds due from the localities subsequent to June 30.

The Virginia College Building Authority (major component unit) ended the year with a deficit net position balance of \$3.8 billion. This deficit occurs because the Authority issued bonds for the 21st Century College and Equipment programs subject to future appropriations from the General Fund of the Commonwealth without any other security. These future appropriations are not included as assets of the Authority.

The Southern Virginia Higher Education Center (nonmajor component unit) ended the year with a deficit net position balance of \$642,132. This was solely attributable to the entries for the net pension liability resulting from GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and the net other postemployment benefits (OPEB) obligation resulting from GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The Virginia Economic Development Partnership (nonmajor component unit) ended the year with a deficit net position balance of \$9.8 million. This deficit occurs because the partnership's Statement of Net Position reflects \$14.8 million in non-current liabilities related to compensated absences, net pension liabilities, and net other postemployment benefit obligation. The Partnership is funded mainly by state appropriations, which show current funding only.

The Virginia Tourism Authority (nonmajor component unit) ended the year with a deficit net position balance of \$1.9 million. This deficit occurs because the Authority's Statement of Net Position reflects \$8.3 million in non-current liabilities related to compensated absences, net pension liabilities, and net other postemployment benefit obligation.

5. REVENUE STABILIZATION FUND

In accordance with Article X, Section 8 of the Constitution of Virginia, the amount estimated as required for deposit to the Revenue Stabilization Fund must be appropriated for that purpose by the General Assembly. During fiscal year 2016, in accordance with the provisions of Article X, Section 8 of the Constitution of Virginia and Section 2.2-1830 of the *Code of Virginia*, a withdrawal of \$235.5 million was made from the fund.

Under the provisions of Article X, Section 8 of the Constitution of Virginia, a deposit of \$605.6 million is required during fiscal year 2017 based on fiscal year 2015 revenue collections. This required deposit is included as a restricted component of fund balance and includes the advance reservation of \$129.5 million provided in Chapter 665, 2015 Acts of Assembly. No

deposit is required based on fiscal year 2016 revenue collections.

Section 2.2-1829(b) of the *Code of Virginia* requires an additional deposit into the Fund when specific criteria have been met. No such deposit is required since the specified criteria were not met for fiscal year 2016.

The Revenue Stabilization Fund has principal and interest on deposit of \$235.5 million restricted as a part of General Fund balance. Pursuant to the constitutional amendment of Article X, Section 8, effective January 1, 2011, the amount on deposit cannot exceed 15.0 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. As of June 30, 2016, the Constitutional maximum is \$2.5 billion.

6. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2016, the carrying amount of cash for the primary government was \$3.6 billion and the bank balance was \$387.4 million. The carrying amount of cash for component units was \$1.9 billion and the bank balance was \$1.1 billion. Cash equivalents are investments with an original maturity of 90 days or less. Cash and cash equivalents for foundations (component units) totaled \$366.1 million as of year-end. A portion of this amount and some balances during the year exceeded Federal Deposit Insurance Corporation (FDIC) insurance coverage. Foundation investments are disclosed in the Interest Rate Risk section of this note. Note 6 includes investment derivatives for the primary government and excludes derivatives for the component units. For additional information concerning derivative instruments, see Note 14.

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

Certain deposits are held by trustees in accordance with the Trust Subsidiary Act, Section 6.2-1057 of the *Code of Virginia*. The act requires that cash held by trustees while awaiting investment or distribution is not to be used by an affiliate bank of the trustee in the conduct of its business unless the affiliate bank delivers securities to the trust department as collateral that is at least equal to the fair value of the trust funds held on deposit in excess of amounts insured by the FDIC.

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

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

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

At June 30, 2016, the State Treasurer held no security that was in default as to principal or interest and had no securities that were out of compliance with guidelines.

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

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

The Board of Trustees of the Virginia Retirement System (the System) (part of primary government) has full power to invest and reinvest the trust funds in accordance with Section 51.1-124.30 of the *Code of Virginia*, as amended. This section requires the Board to discharge its duties solely in the interest of the beneficiaries and to invest the assets with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity

and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Board must also diversify such investments so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so. The System does not have investment policies that place specific restrictions on investments related to custodial risk, interest rate risk, credit risk, or foreign currency risk. The System investment portfolio is intended to be managed through diversification and prudent judgment, rather than through specific policy restrictions.

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

Custodial Risk

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

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

As of June 30, 2016, the primary government had \$3.1 million in cash balances that were uninsured and uncollateralized, and \$40.1 million in cash balances that were uninsured and collateralized with securities held by the pledging financial institution. In addition, the primary government had \$1.1 billion of cash equivalents and investments that were exposed to custodial risk as uninsured and uncollateralized. The majority of this amount, held by the System, consisted of various types of debt and equity securities that were held by counterparties' trust departments or agents, but not in the System's name. Common and preferred stocks represented \$889.1 million of the total. The remainder was for various types of debt securities.

As of June 30, 2016, component units had \$17.5 million in cash balances that were uninsured and uncollateralized, and \$19.8 million in cash balances that were uninsured and collateralized with securities held by the pledging financial institution.

As of June 30, 2016, the investments of the Pension and Other Employee Benefit Trust Funds were approximately 81.3 percent of the primary government investments. Of the total primary government investments exposed to custodial risk, 99.8 percent were investments of the Pension and Other Employee Benefit Trust Funds.

Interest Rate Risk

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

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

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

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

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

As of June 30, 2016, the System's investments included \$2.6 billion, primarily in Corporate Bonds and Notes, U.S. Treasury and Agency Securities, Agency Unsecured Bonds and Notes, and Other Debt Securities, which are highly sensitive to interest rate fluctuations in that they are subject to early payment in a period of declining interest rates and/or because they have an option adjusted duration of greater than ten years. The resulting reduction in expected total cash flows affects the fair value of these securities. As of June 30, 2016, the College of William and Mary (nonmajor component unit) had \$26.9 million in Mutual and Money Market Funds that have fair values that are highly sensitive to changes in interest rates due to the long term maturity of these securities.

At June 30, 2016, the Commonwealth had the following investments and maturities:

Primary Government Investments

(Dollars in Thousands)

<u>Investment Type</u>	<u>June 30, 2016</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
<u>Debt Securities</u>					
U. S. Treasury and Agency Securities	\$ 4,934,803	\$ 370,260	\$ 2,834,471	\$ 1,086,245	\$ 643,827
Corporate Bonds and Notes	12,392,363	3,843,642	4,102,900	2,896,420	1,549,401
Supranational and Non-U.S. Government Bonds and Notes	2,225,330	242,405	586,372	967,246	429,307
Commercial Paper	3,879,288	3,879,288	-	-	-
Negotiable Certificates of Deposit	3,529,830	3,514,557	15,273	-	-
Repurchase Agreements	1,433,076	1,433,076	-	-	-
Municipal Securities	272,295	2,897	47,418	69,030	152,950
Asset-Backed Securities	886,592	113,255	395,503	213,662	164,172
Agency Mortgage-Backed Securities	2,976,174	320,211	1,844,060	669,126	142,777
Agency Unsecured Bonds and Notes	2,890,951	1,787,477	758,685	53,850	290,939
Mutual and Money Market Funds (Includes SNAP)	1,847,268	1,847,268	-	-	-
The Boston Company Pooled Employee Trust Fund	62,519	62,519	-	-	-
Guaranteed Investment Contracts	786,361	-	786,361	-	-
Fixed Income and Commingled Funds	1,698,777	106,956	1,402,473	189,348	-
Investments held by broker-dealers under securities loans					
U. S. Government and Agency Securities	322	104	218	-	-
Corporate Bonds	1,355	203	733	419	-
Other	639,534	6,029	201,226	420,978	11,301
Total	<u>\$ 40,456,838</u>	<u>\$ 17,530,147</u>	<u>\$ 12,975,693</u>	<u>\$ 6,566,324</u>	<u>\$ 3,384,674</u>

Component Unit Investments

(Dollars in Thousands)

<u>Investment Type</u>	<u>June 30, 2016</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
<u>Debt Securities</u>					
U. S. Treasury and Agency Securities	\$ 1,184,640	\$ 181,439	\$ 238,081	\$ 56,254	\$ 708,866
Corporate Bonds and Notes	393,399	98,637	269,704	20,327	4,731
Commercial Paper	376,961	376,961	-	-	-
Negotiable Certificates of Deposit	171,179	122,277	48,902	-	-
Repurchase Agreements	52,167	52,167	-	-	-
Reverse Repurchase Agreements	500,000	500,000	-	-	-
Municipal Securities	217,064	13,203	87,208	82,367	34,286
Asset-Backed Securities	146,607	15,012	107,071	4,246	20,278
Agency Unsecured Bonds and Notes	245,082	124,911	114,879	5,292	-
Agency Mortgage-Backed Securities	138,704	20,958	54,062	6,906	56,778
Mutual and Money Market Funds (Includes SNAP)	823,952	776,068	18,741	25,137	4,006
Guaranteed Investment Contracts	45,442	2,220	12,147	16,761	14,314
Fixed Income and Commingled Funds	90,110	5,390	1,372	83,348	-
Other	7,423	3,779	3,613	31	-
Total	<u>\$ 4,392,730</u>	<u>\$ 2,293,022</u>	<u>\$ 955,780</u>	<u>\$ 300,669</u>	<u>\$ 843,259</u>

Foundation Investments
(Dollars in Thousands)

<u>Investment Type</u>	<u>Fair Value</u>
U.S. Treasury and Agency Securities	\$ 1,302,193
Common & Preferred Stocks	832,104
Corporate Bonds and Notes	249,675
Negotiable Certificates of Deposit	18,284
Municipal Securities	6,262
Repurchase Agreements	385
Asset Backed Securities	1,261
Agency Mortgage Backed	5,104
Mutual and Money Market Funds	521,090
Real Estate	569,080
Index Funds	179,610
Hedge Funds	2,169,525
Partnerships	1,616,341
Venture Capital	824,841
Other	3,731,863
Total	<u>\$ 12,027,618</u>

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

Credit Risk

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

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

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

The following tables present the credit ratings for the majority of the investments of the primary government and component units as of June 30, 2016. The ratings presented are using S&P and Moody's rating scales. Within the primary government, the investments presented in the table represented 79.9 percent of the total debt securities. Within the component units, the investments presented in the table represented 84.5 percent of the total debt securities.

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

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

Credit Rating - Primary Government
(Dollars in Thousands)

Investment	Amount	Rating Agency	Rating	Percent of Portfolio
U. S. Treasury and Agency Securities (1)	\$ 4,934,737	N/A	N/A	12.2%
Commercial Paper	2,634,489	Moody's	P-1	6.5%
Agency Unsecured Bonds and Notes	2,335,669	Standard & Poor's	AA+	5.8%
Agency Mortgage Backed Securities	2,024,230	Moody's	Aaa	5.0%
Negotiable Certificates of Deposit	1,882,474	Moody's	P-1	4.7%
Corporate Bonds and Notes	1,413,640	Moody's	Aa3	3.5%
Negotiable Certificates of Deposit	1,296,241	Standard & Poor's	A-1	3.2%
Corporate Bonds and Notes	1,216,856	Moody's	NR	3.0%
Corporate Bonds and Notes	1,072,893	Moody's	A1	2.7%
Corporate Bonds and Notes	1,018,044	Moody's	Aa2	2.5%
Corporate Bonds and Notes	983,522	Moody's	Baa1	2.4%
Mutual and Money Market Funds (Include SNAP)	891,460	Standard & Poor's	AAA	2.2%
Repurchase Agreements	862,327	Moody's	NR	2.1%
Mutual and Money Market Funds (Include SNAP)	838,391	Moody's	Aaa	2.1%
Fixed Income and Commingled Funds	832,148	Moody's	Baa1	2.1%
Guaranteed Investment Contracts	786,361	N/A	N/A	1.9%
Agency Mortgage Backed Securities	729,271	Moody's	NR	1.8%
Corporate Bonds and Notes	722,080	Moody's	A3	1.8%
Corporate Bonds and Notes	720,155	Moody's	Baa3	1.8%
Corporate Bonds and Notes	659,397	Moody's	A2	1.6%
Corporate Bonds and Notes	655,795	Moody's	Baa2	1.6%
Commercial Paper	650,296	Moody's	P-2	1.6%
Commercial Paper	594,503	Standard & Poor's	A-1	1.5%
Agency Unsecured Bonds and Notes	553,617	Moody's	Aaa	1.4%
Fixed Income and Commingled Funds	518,079	N/A	N/A	1.3%
Corporate Bonds and Notes	507,629	Moody's	Ba3	1.3%
Repurchase Agreements	500,000	Standard & Poor's	AA+	1.2%
Other Debt Securities	456,699	Moody's	Aaa	1.1%

Credit Rating - Component Units
(Dollars in Thousands)

Investment	Amount	Rating Agency	Rating	Percent of Portfolio
U. S. Treasury and Agency Securities (1)	\$ 1,184,640	N/A	N/A	27.0%
Mutual and Money Market Funds (Include SNAP)	440,401	Standard & Poor's	AAA	10.0%
Commercial Paper	303,246	Moody's	P-1	6.9%
Reverse Repurchase Agreements	300,000	Standard & Poor's	BBB-	6.8%
Mutual and Money Market Funds (Include SNAP)	289,618	N/A	N/A	6.6%
Reverse Repurchase Agreements	200,000	Moody's	Baa2	4.6%
Agency Unsecured Bonds and Notes	199,301	Moody's	Aaa	4.5%
Negotiable Certificates of Deposit	120,001	Moody's	P-1	2.7%
Fixed Income and Commingled Funds	90,110	N/A	N/A	2.1%
Mutual and Money Market Funds (Include SNAP)	84,880	Moody's	Aaa	1.9%
Asset Backed Securities	76,922	Moody's	Aaa	1.8%
Corporate Bonds and Notes	60,151	Moody's	A1	1.4%
Agency Mortgage Backed Securities	60,041	Moody's	Aaa	1.4%
Agency Mortgage Backed Securities	54,071	Standard & Poor's	AA+	1.2%
Corporate Bonds and Notes	52,425	Moody's	A2	1.2%
Commercial Paper	50,958	N/A	N/A	1.2%
Asset Backed Securities	48,435	Standard & Poor's	AAA	1.1%
Repurchase Agreements	48,405	N/A	N/A	1.1%
Guaranteed Investment Contracts	45,442	Standard & Poor's	AA-	1.0%

(1) Obligations of the U. S. Government or obligations explicitly guaranteed by the U. S. Government are not considered to have credit risk.

Concentration of Credit Risk

Concentration of credit risk is related to the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The Commonwealth holds no investment in the securities of a single issuer that is more than 5.0 percent of the total

market value of its investments. In addition, the State Treasury and the System have individual investment policies limiting the amounts that may be invested in any single issuer.

It is the State Treasurer's policy that each portfolio will be diversified with no more than 4.0 percent of the value

of the fund invested in the securities of any single issuer. This limitation shall not apply to the U.S. Government, or agency thereof, or U.S. Government sponsored corporation securities and fully insured and/or collateralized certificates of deposit. Certain portfolios are limited to amounts less than 4.0 percent of the value of the fund invested in the securities of any single issuer.

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

Foreign Currency Risk

Primary Government

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an

investment. All primary government investments exposed to foreign currency risk were part of the System, the Virginia College Savings Plan, and the Unclaimed Property portfolios at June 30, 2016.

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

Component Units

All nonmajor component unit investments exposed to foreign currency risk were part of the College of William and Mary, James Madison University, and the Virginia Economic Development Partnership at June 30, 2016.

Foreign Currency Exposures by Asset Class - Primary Government
(Dollars in Thousands)

Currency	Cash & Cash Equivalents	Equity	Fixed Income	Private Equity	Real Estate	Corporate Bonds	International Funds	Total
U.S. Dollar	\$ -	\$ 1,991	\$ -	\$ 2,145	\$ -	\$ -	\$ 1,286,111	\$ 1,290,247
Euro Currency Unit	(1,395,029)	1,744,423	38,173	652,675	220,516	27,801	-	1,288,559
Japanese Yen	(695,834)	1,611,536	-	-	1,682	7,899	-	925,283
Hong Kong Dollar	(124,791)	742,777	-	-	4,033	1,291	-	623,310
British Pound Sterling	(781,060)	1,202,631	1,869	-	116,085	3,267	-	542,792
South Korean Won	3,269	382,154	-	-	-	-	-	385,423
Canadian Dollar	(462,405)	752,811	-	-	29,392	2,510	-	322,308
Swiss Franc	(360,779)	625,023	-	-	1,997	1,742	-	267,983
Indian Rupee	14,253	221,543	7,045	-	-	-	-	242,841
S African Comm Rand	(4,552)	141,710	60,163	-	-	-	-	197,321
Australian Dollar	(294,750)	463,709	-	-	10,951	-	-	179,910
New Taiwan Dollar	(10,760)	185,345	-	-	-	-	-	174,585
Brazil Real	(40,709)	102,309	103,005	-	-	-	-	164,605
Turkish Lira	3,066	80,516	46,604	-	-	-	-	130,186
Mexican New Peso	38,597	45,891	44,147	-	847	-	-	129,482
Malaysian Ringgit	26,356	62,394	39,352	-	-	-	-	128,102
Thailand Baht	17,896	70,112	16,562	-	-	-	-	104,570
Swedish Krona	(99,523)	196,387	-	-	-	-	-	96,864
Indonesian Rupiah	(608)	33,934	57,512	-	-	-	-	90,838
Polish Zloty	9,294	18,839	42,869	-	-	-	-	71,002
Danish Krone	(69,486)	131,549	-	-	-	-	-	62,063
Russian Ruble (New)	18,717	18,922	21,525	-	-	-	-	59,164
Colombian Peso	10,072	1,797	26,545	-	-	-	-	38,414
Chilean Peso	(2,150)	37,566	-	-	-	-	-	35,416
Norwegian Krone	(65,897)	93,835	-	-	-	-	-	27,938
Philippines Peso	8,274	13,050	2,087	-	-	-	-	23,411
Hungarian Forint	(9,204)	8,019	14,884	-	-	-	-	13,699
Moroccan Dirham	12,479	-	-	-	-	-	-	12,479
Romanian Leu	(1,436)	-	13,734	-	-	-	-	12,298
Peruvian Nuevo Sol	3,353	-	7,855	-	-	-	-	11,208
Egyptian Pound	259	4,632	-	-	-	-	-	4,891
UAE Dirham	144	3,772	-	-	-	-	-	3,916
Argentina Peso	3,595	-	-	-	-	-	-	3,595
Ghanaian Cedi	-	-	3,390	-	-	-	-	3,390
Qatari Riyal	716	2,668	-	-	-	-	-	3,384
Nigerian Naira	-	-	736	-	-	-	-	736
Saudi Arabia Riyal	(5,572)	-	-	-	-	-	-	(5,572)
Czech Koruna	(23,392)	310	-	-	-	-	-	(23,082)
Israeli Shekel	(69,767)	44,607	-	-	-	-	-	(25,160)
New Zealand Dollar	(58,977)	26,703	-	-	608	-	-	(31,666)
Chinese Yuan Renminbi	(46,331)	104	-	-	-	-	-	(46,227)
Singapore Dollar	(189,425)	120,402	-	-	-	-	-	(69,023)
Total	\$ (4,642,097)	\$ 9,193,971	\$ 548,057	\$ 654,820	\$ 386,111	\$ 44,510	\$ 1,286,111	\$ 7,471,483

Foreign Currency Exposures by Asset Class - Component Units
(Dollars in Thousands)

Currency	Cash & Cash Equivalents	Equity	Fixed Income	Private Equity	Real Estate	International Funds	Total
British Pound Sterling	\$ 1,046	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,046
Euro Currency Unit	2,815	-	-	-	-	-	2,815
Other	13	-	-	-	-	-	13
Total	\$ 3,874	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,874

Fair Value Measurements

Primary Government

The Commonwealth implemented GASB Statement No. 72, *Fair Value Measurement and Application*, during fiscal year 2016. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The fair value hierarchy is based on the valuation inputs used to measure the fair value of assets.

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs and may include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or model-driven valuations;
- Level 3 inputs are derived using valuation techniques that have significant unobservable inputs.

Investments that do not have a readily determinable fair value are excluded from the fair value hierarchy and instead are valued by using the net asset value (NAV) per share (or its equivalent). In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant in the valuation.

The following table summarizes cash equivalents and investments reported at fair value by the primary government as of June 30, 2016.

Fair Value Measurements - Primary Government
(Dollars in Thousands)

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fair value measured using fair value hierarchy				
<u>Debt Securities (1)</u>				
U. S. Treasury and Agency Securities	\$ 4,602,784	\$ 4,066,089	\$ 536,695	\$ -
Corporate Bonds and Notes	9,100,701	1,102	9,097,443	2,156
Supranational and Non-U.S. Government Bonds and Notes	2,149,134	10,281	2,138,853	-
Commercial Paper	1,021,317	-	1,021,317	-
Negotiable Certificates of Deposit	1,611,416	2,034	1,609,382	-
Repurchase Agreements	70,749	-	70,749	-
Municipal Securities	272,296	6,788	265,508	-
Asset-Backed Securities	886,593	23	886,570	-
Agency Mortgage-Backed Securities	2,976,173	303	2,975,870	-
Agency Unsecured Bonds and Notes	1,780,207	7,669	1,772,538	-
Mutual and Money Market Funds	205,641	205,368	273	-
Fixed Income and Commingled Funds	265,503	68,655	-	196,848
Investments held by broker-dealers under securities loans				
U. S. Government and Agency Securities	322	322	-	-
Corporate Bonds	1,355	1,355	-	-
Other	639,533	2,671	636,862	-
Total Debt Securities	<u>25,583,724</u>	<u>4,372,660</u>	<u>21,012,060</u>	<u>199,004</u>
<u>Equity Securities (2)</u>				
Common and Preferred Stocks	21,710,001	21,581,265	128,025	711
Foreign Currencies	2,910	720	2,190	-
Equity Index and Pooled Funds	67,588	67,583	5	-
Index Funds	1,847,078	1,847,078	-	-
Real Estate	3,252,978	1,933	-	3,251,045
Other	1,995,874	1,081,788	-	914,086
Total Equity Securities	<u>28,876,429</u>	<u>24,580,367</u>	<u>130,220</u>	<u>4,165,842</u>
Total by Fair Value Level	<u>\$ 54,460,153</u>	<u>\$ 28,953,027</u>	<u>\$ 21,142,280</u>	<u>\$ 4,364,846</u>
Fair value established using the net asset value (NAV) (3)				
Mutual and Money Market Funds	12,514			
Fixed Income and Commingled Funds	1,433,274			
Equity Index and Pooled Funds	8,490,961			
Real Estate	4,507,388			
Other Equity Securities	8,521,634			
Total Fair Value established using NAV	<u>22,965,771</u>			
Total Fair Value	<u>\$ 77,425,924</u>			

(1) Debt securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using a proprietary matrix pricing technique. This pricing technique defines the primary source and secondary sources to be used if the primary pricing source does not provide a value. The valuation techniques may include market participant's assumptions, quoted prices for similar securities, benchmark yield curves including but not limited to treasury benchmarks, LIBOR and swap curves, market corroborated inputs, and other data inputs.
- Level 3 - valued using proprietary information.

(2) Equity securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using bid evaluations.
- Level 3 – valued using proprietary information and independent appraisals. This results in using one or more valuation techniques, such as the market approach and or the income approach, for those securities for which sufficient and reliable data is available. Within this level, the use of the market approach generally consists of using comparable market transactions or other data, while the use of the income approach generally consists of the net present value of estimated future cash flows.

(3) Investments reported at fair value established using the NAV were all part of the System and the Virginia College Savings Plan Fund (major enterprise).

- Additional information is available in the System's separately issued financial statements, which may be obtained from the Virginia Retirement System at P.O. Box 2500, Richmond, Virginia 23218-2500.
- Additional information regarding the Virginia 529 prePAID assets is available in the Virginia529 individually published financial statements, which may be obtained by writing to Virginia529, 9001 Arboretum Parkway, North Chesterfield, Virginia 23236.

Component Units

The following table summarizes cash equivalents and investments reported at fair value by the component units as of June 30, 2016. The table excludes cash equivalents and investments measured at fair value by the foundations that follow FASB standards.

Fair Value Measurements - Component Units (Dollars in Thousands)				
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fair value measured using fair value hierarchy				
<u>Debt Securities (1)</u>				
U. S. Treasury and Agency Securities	\$ 1,134,669	\$ 518,571	\$ 616,098	\$ -
Corporate Bonds and Notes	392,517	5,101	387,416	-
Commercial Paper	63,586	16,962	46,624	-
Negotiable Certificates of Deposit	49,899	29,907	19,992	-
Repurchase Agreements	52,167	26,881	25,286	-
Municipal Securities	211,437	309	211,128	-
Asset-Backed Securities	146,607	-	146,607	-
Agency Mortgage-Backed Securities	138,704	660	138,044	-
Agency Unsecured Bonds and Notes	245,082	330	244,752	-
Mutual and Money Market Funds	238,183	157,422	76,001	4,760
Fixed Income and Commingled Funds	4,726	4,726	-	-
Other	3,646	54	3,592	-
Total Debt Securities	<u>2,681,223</u>	<u>760,923</u>	<u>1,915,540</u>	<u>4,760</u>
<u>Equity Securities (2)</u>				
Common and Preferred Stocks	68,863	68,863	-	-
Equity Index and Pooled Funds	34,514	34,514	-	-
Index Funds	13,611	13,611	-	-
Real Estate	2,347	2,313	-	34
Other	519,779	515,493	1,576	2,710
Total Equity Securities	<u>639,114</u>	<u>634,794</u>	<u>1,576</u>	<u>2,744</u>
Total by Fair Value Level	<u>\$ 3,320,337</u>	<u>\$ 1,395,717</u>	<u>\$ 1,917,116</u>	<u>\$ 7,504</u>
Fair value established using the net asset value (NAV) (3)				
Mutual and Money Market Funds	20,344			
Guaranteed Investment Contracts	45,442			
Fixed Income and Commingled Funds	85,384			
Equity Index and Pooled Funds	130,375			
Index Funds	5,973			
Real Estate	21,101			
Other Equity Securities	<u>462,316</u>			
Total Fair Value established using NAV	<u>770,935</u>			
Total Fair Value	<u>\$ 4,091,272</u>			

(1) Debt securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities using the market approach.
- Level 2 - valued based on quoted prices for similar securities in active market or quoted prices for identical or similar securities in markets that are not active and a matrix pricing technique. The valuation techniques may include securities' relationship to benchmark quoted prices and market corroborated inputs.
- Level 3 - valued based on a market comparable companies technique where inputs are obtained from various sources including market participants, dealers, and brokers.

(2) Equity securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities using the market approach.
- Level 2 - valued using significant other observable inputs.
- Level 3 – valued using unobservable inputs and may include assumptions of management. They are valued based on long-dated commodity swaps whose forward pace curve was correlated with observable market data or shares of a privately held company whose value was based on projected cash flows.

(3) Virginia Resources Authority (major) and the following nonmajor component units reported investments at fair value established using the NAV: Virginia Polytechnic Institute and State University, Virginia Commonwealth University (VCU), Virginia Commonwealth University Health System Authority (blended component unit of VCU), College of William and Mary, Virginia Military Institute, and Virginia Biotechnology Research Partnership Authority. Additional information is available in the individually published financial statements.

Securities Lending

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

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

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

When securities are loaned, the collateral received is at least 100.0 percent of fair value of the securities loaned and must be maintained at 100.0 percent or greater. There are no stated restrictions on the amount of securities that may be loaned, but the basic composition of the general account portfolio effectively restricts the maximum percentage of the portfolio that may be loaned. During the past fiscal year, approximately 4.3 percent of the general account securities were on loan.

During the past year, a combination of U.S. Treasury, agency, agency mortgage and corporate securities have been loaned, with the majority of the loaned securities being U.S. Treasury and agency securities. At June 30, 2016, all collateral received was in the form of cash.

Securities loaned for the State Treasurer's cash collateral reinvestment pool, which consisted of 50.6 percent general account funds and 49.4 percent Virginia Lottery funds as of June 30, 2016, had a carrying value of \$50.0 million and a fair value of \$69.4 million. The fair value of the collateral received was \$70.7 million providing for coverage of 101.9 percent. At year-end, the State Treasury's securities lending program had no credit risk exposure to borrowers because the amounts it owed the borrowers exceeded the amounts the

borrowers owed Treasury's securities lending program. All securities are marked to market daily. The carrying value of the cash collateral reinvestment pool received was \$70.7 million and the fair value of the investments purchased with the cash collateral was \$70.7 million. As of June 30, 2016, the State Treasurer's cash collateral reinvestment pool had an unrealized gain of \$262, and is recorded in the General Fund as stated in Note 1.DD. This amount is included in the total State Treasurer's Portfolio discussed earlier in this note.

Cash collateral reinvestment guidelines were amended effective April 16, 2014. Approved investment instruments include Indemnified Repurchase Agreements marked to market daily and preapproved Government Money Market Funds. Term repurchase agreements are limited to 93 days. At June 30, 2016, 100.0 percent of cash collateral reinvestments were in indemnified repurchase agreements.

At June 30, 2016, the cash collateral reinvestment portfolio had a weighted average maturity, expected maturity and final maturity of one day.

At June 30, 2016 the cash collateral reinvestment portfolio was in compliance with the State Treasury's current cash collateral reinvestment guidelines. During the fiscal year, Treasury received final pay downs on all securities that were out of compliance due to various security ratings downgrades during the past few years and the adoption of more restrictive reinvestment guidelines in 2014.

Under authorization of the Board, the Virginia Retirement System (the System) lends its fixed income and equity securities to various broker-dealers on a temporary basis. This program is administered through an agreement with the System's custodial agent bank. All security loan agreements are collateralized by cash, securities, or an irrevocable letter of credit issued by a major bank, and have a market value equal to at least 102.0 percent of the market value for domestic securities and 105.0 percent for international securities. Securities received as collateral cannot be pledged or sold by the System unless the borrower defaults. Contracts require the lending agents to indemnify the System if the borrowers fail to return the securities lent and related distributions and if the collateral is inadequate to replace the securities lent. All securities loans can be terminated on demand by either the System or the borrowers. The majority of loans are open loans, meaning the rebate is set daily. This results in a maturity of one or two days on average, although securities are often on loan for longer periods. The maturity of loans generally does not match the maturity of collateral investments, which averages 14 days. At year-end, the System has no credit risk exposure to borrowers because the amounts it owes the borrowers exceeded the amounts the borrowers owe the System. All securities are marked to market daily and carried at market value. The market value of securities on loan at June 30, 2016, was \$8.3 billion. The June 30, 2016, balance was composed of U.S. Government and agency securities of \$2.6 billion, corporate and other bonds of \$1.7 billion and common and preferred stocks

of \$4.0 billion. The value of collateral (cash and non-cash) at June 30, 2016, was \$8.7 billion.

At June 30, 2016, the invested cash collateral had a cost of \$5.0 billion and was composed of time deposits of \$85.1 million, floating rate notes of \$3.3 billion, mutual and money market funds of \$872.2 million, and repurchase agreements of \$774.1 million.

7. RECEIVABLES

The following schedule (dollars in thousands) details the accounts, loans, local school bonds, interest, taxes, prepaid tuition contributions, security transactions, and other receivables presented in the major funds, aggregated nonmajor funds by type, internal service funds, fiduciary funds, major component units, and aggregated nonmajor component units, as of June 30, 2016.

	Accounts Receivable	Loans / Mortgage Receivable	Local School Bonds Receivable	Interest Receivable	Taxes Receivable
Primary Government:					
General	\$ 1,050,212	\$ 233	\$ -	\$ 373,255	\$ 1,873,833
Major Special Revenue Funds:					
Commonwealth Transportation	143,493	160,134	-	-	184,587
Federal Trust	818,946	228	-	-	-
Literary	289,044	137,359	-	38,463	-
Nonmajor Governmental Funds	126,544	35	-	13,525	7,239
Major Enterprise Funds:					
Virginia Lottery	63,070	-	-	-	-
Virginia College Savings Plan	11,853	-	-	4,337	-
Unemployment Compensation	136,092	-	-	-	-
Nonmajor Enterprise Funds	52,720	-	-	-	-
Internal Service Funds	10,292	-	-	-	-
Private Purpose Trust Funds	93	2	-	2,282	-
Pension and Other Employee Benefit Trust Funds (1)	236,774	-	-	219,464	-
Investment Trust Fund	-	-	-	1,097	-
Agency Funds	602	-	-	-	108,327
Total Primary Government (2)	\$ 2,939,735	\$ 297,991	\$ -	\$ 652,423	\$ 2,173,986
Discrete Component Units:					
Virginia Housing Development Authority (3)	\$ -	\$ 6,554,553	\$ -	\$ 30,803	\$ -
Virginia Public School Authority (4)	-	-	3,402,283	63,043	-
Virginia Resources Authority	-	4,391,211	-	29,834	-
Virginia College Building Authority	-	-	-	24,252	-
Nonmajor Component Units (5)	1,692,914	154,794	-	5,472	7,504
Total Component Units	\$ 1,692,914	\$ 11,100,558	\$ 3,402,283	\$ 153,404	\$ 7,504

Note (1): In the Pension and Other Employee Benefit Trust Funds, Interest Receivable of \$219,464 (dollars in thousands) also includes dividends receivable. Additionally, Other Receivables of \$327,144 (dollars in thousands) are made up of \$319,098 (dollars in thousands) in pending investment transactions, which includes \$282,903 (dollars in thousands) in futures margins receivable, \$32,881 (dollars in thousands) in futures contracts receivable, and \$3,314 (dollars in thousands) in securities lending; and \$8,046 (dollars in thousands) in other receivables related to benefit plans.

Note (2): Fiduciary net receivables in the amount of \$2,056,037 (dollars in thousands) are not included in the Government-wide Statement of Net Position.

Note (3): The Virginia Housing Development Authority (major component unit) reports \$6,284,707 (dollars in thousands) as Restricted Loans Receivable, \$28,995 (dollars in thousands) as Restricted Interest Receivable, and \$1,584 (dollars in thousands) as Restricted Other Receivables.

Note (4): The Virginia Public School Authority (major component unit) reports \$3,402,283 (dollars in thousands) as Local School Bonds Receivable. This amount will be used to repay the Authority's bonds.

Note (5): Other Receivables of the nonmajor component units are primarily comprised of pledges receivable of \$15,840 (dollars in thousands) reported by the University of Virginia; sponsors accounts receivable of \$27,433 (dollars in thousands) reported by Virginia Commonwealth University; premium receivables of \$84,918 (dollars in thousands) and third-party settlements and non-patient receivables of \$45,095 (dollars in thousands) reported by Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University), and \$54,932 (dollars in thousands) reported by foundations of the higher education institutions representing FASB reporting entities defined in Note 1.B.; and \$24,725 (dollars in thousands) reported by the Virginia Biotechnology Research Partnership Authority.

Prepaid Tuition Contributions Receivable	Security Transactions	Other Receivables	Allowance for Doubtful Accounts	Net Accounts Receivable	Amounts to be Collected Greater than One Year
\$ -	\$ -	\$ -	\$ (1,537,171)	\$ 1,760,362	\$ 401,143
-	-	-	(34,112)	454,102	164,494
-	-	-	(7,678)	811,496	180
-	-	-	(293,283)	171,583	120,950
-	-	-	(88,714)	58,629	424
-	-	-	-	63,070	-
198,759	-	-	-	214,949	152,005
-	-	-	(28,014)	108,078	-
-	-	13	(1,113)	51,620	-
-	-	-	(615)	9,677	-
-	-	308	-	2,685	-
-	1,211,865	327,144	-	1,995,247	-
-	-	-	-	1,097	-
-	-	-	(51,921)	57,008	8,290
<u>\$ 198,759</u>	<u>\$ 1,211,865</u>	<u>\$ 327,465</u>	<u>\$ (2,042,621)</u>	<u>\$ 5,759,603</u>	<u>\$ 847,486</u>
\$ -	\$ -	\$ 11,992	\$ (178,122)	\$ 6,419,226	\$ 6,026,690
-	-	-	-	3,465,326	3,146,746
-	-	1,768	(326)	4,422,487	4,120,639
-	-	-	-	24,252	-
-	-	350,100	(872,009)	1,338,775	216,871
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 363,860</u>	<u>\$ (1,050,457)</u>	<u>\$ 15,670,066</u>	<u>\$ 13,510,946</u>

8. CONTRIBUTIONS RECEIVABLE, NET

The following schedule details the contributions receivable for foundations⁽¹⁾ included with the nonmajor component units, as of June 30, 2016. The major component units reported no contributions receivable for fiscal year 2016.

(Dollars in Thousands)

	Due in Less Than One Year	Due Between One and Five Years	Due in More Than Five Years	Subtotal	Present Value Discount (2)	Allowance for Doubtful Accounts	Contributions Receivable, Net
Discrete Component Units:							
Nonmajor Component Units	\$ 152,158	\$ 221,020	\$ 61,069	\$ 434,247	\$ (23,069)	\$ (24,858)	\$ 386,320
Total Component Units	<u>\$ 152,158</u>	<u>\$ 221,020</u>	<u>\$ 61,069</u>	<u>\$ 434,247</u>	<u>\$ (23,069)</u>	<u>\$ (24,858)</u>	<u>\$ 386,320</u>

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

Note (2): The discount rate used to determine present value ranges from 0.1 percent to 6.0 percent.

9. INTERFUND AND INTER-ENTITY ASSETS / LIABILITIES

Due from/to Other Funds

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

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

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

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

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

The following schedule shows the Due from/to Other Funds as of June 30, 2016.

Schedule of Due from/to Other Funds

June 30, 2016

(Dollars in Thousands)

Due From	Amount	Due To	Amount
Primary Government		Primary Government	
General Fund	\$ 77,181	Major Special Revenue Funds:	
		Federal Trust	\$ 145
		Major Enterprise Funds:	
		Virginia Lottery	53,486
		Nonmajor Enterprise Funds	22,439
		Internal Service Funds	1,111
Major Special Revenue Funds:			
Federal Trust	2,762	General Fund	78
		Major Enterprise Funds:	
		Unemployment Compensation	2,684
Nonmajor Governmental Funds	6,822	Major Special Revenue Funds:	
		Commonwealth Transportation	2,349
		Federal Trust	2,974
		Nonmajor Governmental Funds	900
		Major Enterprise Funds:	
		Unemployment Compensation	149
		Nonmajor Enterprise Funds	446
		Internal Service Funds	4
Major Enterprise Funds:			
Unemployment Compensation	494	General Fund	315
		Major Special Revenue Funds:	
		Commonwealth Transportation	9
		Federal Trust	92
		Nonmajor Governmental Funds	73
		Major Enterprise Funds:	
		Virginia Lottery	1
		Nonmajor Enterprise Funds	4
Nonmajor Enterprise Funds	808	General Fund	124
		Major Special Revenue Funds:	
		Commonwealth Transportation	416
		Federal Trust	110
		Nonmajor Governmental Funds	121
		Nonmajor Enterprise Funds	23
		Internal Service Funds	14
Internal Service Funds	50,970	General Fund	29,005
		Major Special Revenue Funds:	
		Commonwealth Transportation	8,288
		Federal Trust	6,326
		Nonmajor Governmental Funds	3,956
		Major Enterprise Funds:	
		Virginia Lottery	435
		Virginia College Savings Plan	67
		Nonmajor Enterprise Funds	2,108
		Internal Service Funds	785
Pension and Other Employee Benefit Trust Funds	25	Private Purpose Trust Funds	25
Total Primary Government	<u>\$ 139,062</u>	Total Primary Government	<u>\$ 139,062</u>

Schedule of Due from/to Internal/External Parties

June 30, 2016

(Dollars in Thousands)

Due From	Amount	Due To	Amount
Primary Government		Primary Government	
General Fund	\$ 1	Investment Trust Fund	\$ 1
Nonmajor Governmental Funds	168	Agency Funds	168
Internal Service Funds	13,887	Private Purpose Trust Funds	65
		Pension and Other Employee Benefit Trust Funds	13,822
Pension and Other Employee Benefit Trust Funds	30,237	General Fund	18,559
		Major Special Revenue Funds:	
		Commonwealth Transportation	5,020
		Federal Trust	2,627
		Nonmajor Governmental Funds	2,738
		Major Enterprise Funds:	
		Virginia Lottery	184
		Virginia College Savings Plan	68
		Nonmajor Enterprise Funds	650
		Internal Service Funds	391
Total Primary Government	<u>\$ 44,293</u>	Total Primary Government	<u>\$ 44,293</u>

Interfund Receivables/Payables

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

The following schedule shows the Interfund Receivables/Payables for the primary government as of June 30, 2016. There were no Interfund Receivables/Payables for the component units as of June 30, 2016.

Interfund Receivables/Payables

June 30, 2016

(Dollars in Thousands)

Receivable From:	Amount	Payable To:	Amount
Primary Government		Primary Government	
Nonmajor Governmental Funds	\$ 157,909	Major Special Revenue Funds:	
		Federal Trust	\$ 23,135
		Nonmajor Enterprise Funds	29,749
		Internal Service Funds	105,025
Total Primary Government	<u>\$ 157,909</u>	Total Primary Government	<u>\$ 157,909</u>

Due from/to Primary Government and Component Units

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

A due from primary government amount that is due from the Federal Trust Fund (major special revenue) to the Virginia College Building Authority (major component unit) of \$4.0 million is for interest on Build America Bonds (BABs).

An \$83.4 million due from primary government amount that is due from the General Fund (major governmental) to the higher education institutions (nonmajor component units) is for the following: appropriations available for capital projects and other programs of \$83.1 million, and payments awaiting disbursements of \$316,098. The General Fund reports \$4.1 million in the fund financial statements and an additional \$79.3 million in the government-wide financial statements.

A \$38,591 due from primary government amount represents an amount due from a nonmajor governmental fund related to the Department of the Treasury's reimbursement programs to the Virginia Community College System (nonmajor component unit).

A \$30.0 million due from component units is due from the University of Virginia (nonmajor component unit) in the amount of \$15.5 million, and the Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University – nonmajor component unit) in the amount of \$14.5 million, to the Department of Medical Assistance Services regarding a federal disallowance amount, and the entire General Fund amount is in the government-wide financial statements.

An \$18.7 million due from component units in the Health Care Fund (internal service fund) represents amounts due from the nonmajor component units.

A \$773,521 due from component units represents monies owed for administrative and project expenses from the Science Museum of Virginia Foundation (nonmajor component unit) to a nonmajor governmental fund. The entire nonmajor governmental amount is reported in the government-wide financial statements.

The \$120.0 million due from component units amount represents amounts due from the Virginia College Building Authority (major component unit) for the Department of the Treasury's reimbursement programs to higher education institutions (nonmajor component units). There is a due to component units of \$3.2 million from a foundation of the Old Dominion University (nonmajor component unit) to the Virginia Commercial Space Flight Authority (nonmajor component unit).

Due from/to Component Units and Fiduciary Funds

A \$38.6 million due from component units in the Pension and Other Employee Benefit Trust Funds (fiduciary funds) represents amounts due from nonmajor component units.

Loans Receivable/Payable Between Primary Government and Component Units

The College of William and Mary (nonmajor component unit) loan of \$2.0 million was used to fund a capital project until bonds were issued. The George Mason University (nonmajor component unit) and the Virginia Community College System (nonmajor component unit) loans of \$12.5 million and \$4.4 million were used to advance fund federally-funded programs. These amounts are due to a nonmajor governmental fund.

The \$193.9 million in loans receivable from primary government represents loans from the Virginia Public School Authority (VPSA) (major component unit) to the Literary Special Revenue Fund (major governmental fund). The VPSA makes grants to local school divisions to finance the purchase of educational technology equipment. The VPSA makes these grants using the proceeds of notes issued for that purpose, which will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Special Revenue Fund (major governmental fund).

10. OTHER ASSETS

The following table summarizes Other Assets as of June 30, 2016.

(Dollars in Thousands)

	Cash and Travel Advances	Other Assets	Total Other Assets
Primary Government:			
General	\$ 809	\$ -	\$ 809
Major Special Revenue Funds:			
Commonwealth Transportation	415	-	415
Federal Trust	1,867	-	1,867
Nonmajor Governmental Funds	692	1,022	1,714
Major Enterprise Funds:			
Virginia Lottery	1	-	1
Nonmajor Enterprise Funds	209	-	209
Internal Service Funds (1)	-	13,054	13,054
Agency Funds (2)	-	49	49
Total Primary Government	<u>\$ 3,993</u>	<u>\$ 14,125</u>	<u>\$ 18,118</u>
Discrete Component Units:			
Virginia Housing Development Authority	\$ -	\$ 13,952	\$ 13,952
Virginia Resources Authority	-	299	299
Nonmajor Component Units (3)	2,521	86,544	89,065
Total Component Units	<u>\$ 2,521</u>	<u>\$ 100,795</u>	<u>\$ 103,316</u>

Note (1): Of the \$13,054 (dollars in thousands) shown above, \$11,915 (dollars in thousands) and \$1,109 (dollars in thousands) represent Virginia Information Technologies Agency and Virginia Correctional Enterprises, respectively, amounts due from various governmental funds that will not be received within 60 days. These amounts are reclassified to an internal balance on the Government-wide Statement of Net Position.

Note (2): Other Assets of the Agency Funds represent prepaid expenses and advances to third party agents. The \$49 (dollars in thousands) shown above is not included in the Government-wide Statement of Net Position.

Note (3): Other Assets of the nonmajor component units are primarily comprised of debt issuance costs, goodwill, a derivative asset, and other miscellaneous items spread among the higher education institutions and related foundations.

11. RESTRICTED ASSETS

Restricted assets represent monies or other resources that must be used for specific legal or contractual requirements. The Commonwealth Transportation Fund (major special revenue), Debt Service Fund (nonmajor governmental), and Capital Project Fund (nonmajor governmental) reported \$338.5 million in restricted assets related to bond agreements.

The Virginia Housing Development Authority, the Virginia Public School Authority, and the Virginia College Building Authority (all major component units) reported restricted assets totaling \$1.6 billion, \$174.2 million, and \$373.4 million, respectively. These major component units' assets are restricted for debt service under a bond indenture or other agreement, or for construction and equipment.

The Virginia Resources Authority (major component unit) reported restricted assets of \$686.7 million. Of this amount, \$679.0 million is restricted for loans to local governments, bond indentures, or federal and state regulations for various revolving funds, and \$7.7 million is restricted for the Operating Reserve Fund for the Virginia Pooled Financing Program.

The Virginia Port Authority (nonmajor component unit) reported restricted assets of \$148.2 million primarily for debt service under bond agreements, construction and other project funds.

The Tobacco Region Revitalization Commission (nonmajor component unit) reported restricted assets of \$215.4 million to be used for financial aid to tobacco growers and to foster community economic growth.

The Hampton Roads Sanitation District Commission (nonmajor component unit) reported restricted assets of \$91.6 million. Of this amount, \$23.8 million is for debt service and \$67.8 million is revenue bond construction funds.

The Virginia Small Business Financing Authority (nonmajor component unit) reported restricted assets of \$37.7 million for gifts and grants.

The higher education institutions (nonmajor component units) reported restricted assets totaling approximately \$4.6 billion primarily for endowment and other contractual obligations. Included in this amount is approximately \$4.0 billion of foundations' restricted assets. The two museum foundations, the Virginia Museum of Fine Arts Foundation (nonmajor component unit) and the Science Museum of Virginia Foundation (nonmajor component unit) had restricted assets of \$244.0 million and \$21.4 million, respectively, primarily for donor-imposed restricted endowments.

The remaining \$5.2 million is spread among the following nonmajor component units: the Virginia Outdoors Foundation, the Danville Science Center, the Fort Monroe Authority, the Virginia Arts Foundation, and the Library of Virginia Foundation.

12. CAPITAL ASSETS

The following schedule presents the changes in the Capital Assets as of June 30, 2016.

Schedule of Changes in Capital Assets

Governmental Activities

(Dollars in Thousands)

	Balance July 1, as restated (1)	Increases	Decreases	Balance June 30
Nondepreciable Capital Assets:				
Land	\$ 2,940,964	\$ 211,460	\$ (50,836)	\$ 3,101,588
Water Rights and/or Easements	69,770	5,558	-	75,328
Infrastructure	322,741	-	-	322,741
Construction-in-Progress	4,001,765	1,958,541	(1,590,135)	4,370,171
Total Nondepreciable Capital Assets	7,335,240	2,175,559	(1,640,971)	7,869,828
Depreciable Capital Assets:				
Buildings	4,022,494	20,031	(17,212)	4,025,313
Equipment	1,163,187	59,757	(25,781)	1,197,163
Infrastructure	32,695,809	1,797,719	(299,329)	34,194,199
Software	499,043	27,151	-	526,194
Total Capital Assets being Depreciated	38,380,533	1,904,658	(342,322)	39,942,869
Less Accumulated Depreciation for:				
Buildings	1,389,551	95,078	(12,186)	1,472,443
Equipment	677,019	56,665	(19,017)	714,667
Infrastructure	14,038,825	906,282	(19,668)	14,925,439
Software	252,825	33,453	(1,517)	284,761
Total Accumulated Depreciation	16,358,220	1,091,478	(52,388)	17,397,310
Total Depreciable Capital Assets, Net	22,022,313	813,180	(289,934)	22,545,559
Total Capital Assets, Net	\$ 29,357,553	\$ 2,988,739	\$ (1,930,905)	\$ 30,415,387

Note (1): Beginning balances have been restated by \$9.7 million as discussed in Note 2.

Depreciation Expense Charged to Functions of the Primary Government

June 30, 2016

(Dollars in Thousands)

Governmental Activities:	
General Government	\$ 28,498
Education	12,679
Transportation	937,019
Resources and Economic Development	24,745
Individual and Family Services	25,403
Administration of Justice	46,094
Capital Assets held by the Internal Service	
Funds are charged to various functions	17,040
Total	<u>\$ 1,091,478</u>

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

(Dollars in Thousands)

	Balance July 1	Increases	Decreases	Balance June 30
Nondepreciable Capital Assets:				
Land	\$ 1,977	\$ -	\$ -	\$ 1,977
Construction-in-Progress	4,602	789	(3,851)	1,540
Total Nondepreciable Capital Assets	<u>6,579</u>	<u>789</u>	<u>(3,851)</u>	<u>3,517</u>
Depreciable Capital Assets:				
Buildings	30,784	78	(112)	30,750
Equipment	65,580	3,830	(1,958)	67,452
Software	7,039	4,304	(181)	11,162
Total Capital Assets being Depreciated	<u>103,403</u>	<u>8,212</u>	<u>(2,251)</u>	<u>109,364</u>
Less Accumulated Depreciation for:				
Buildings	13,146	572	-	13,718
Equipment	53,431	4,656	(1,942)	56,145
Software	3,178	1,588	(67)	4,699
Total Accumulated Depreciation	<u>69,755</u>	<u>6,816</u>	<u>(2,009)</u>	<u>74,562</u>
Total Depreciable Capital Assets, Net	<u>33,648</u>	<u>1,396</u>	<u>(242)</u>	<u>34,802</u>
Total Capital Assets, Net	<u>\$ 40,227</u>	<u>\$ 2,185</u>	<u>\$ (4,093)</u>	<u>\$ 38,319</u>

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

(Dollars in Thousands)

	Balance July 1 (1)	Increases	Decreases	Subtotal June 30	Foundations (2)	Total June 30
Nondepreciable Capital Assets:						
Land	\$ 600,210	\$ 16,490	\$ (5,345)	\$ 611,355	\$ 294,959	\$ 906,314
Construction-in-Progress	1,671,305	1,366,995	(1,566,508)	1,471,792	37,991	1,509,783
Inexhaustible Works of Art/Historical Treasures	78,508	2,490	-	80,998	19,713	100,711
Livestock	1,168	-	(571)	597	2,065	2,662
Total Nondepreciable Capital Assets	<u>2,351,191</u>	<u>1,385,975</u>	<u>(1,572,424)</u>	<u>2,164,742</u>	<u>354,728</u>	<u>2,519,470</u>
Depreciable Capital Assets:						
Buildings	14,741,600	1,189,587	(33,665)	15,897,522	1,212,396	17,109,918
Infrastructure	3,311,062	256,657	(5,928)	3,561,791	6,196	3,567,987
Equipment	3,421,861	289,461	(220,351)	3,490,971	156,023	3,646,994
Improvements Other Than Buildings	509,677	29,436	(3,116)	535,997	80,773	616,770
Library Books	833,428	24,260	(10,833)	846,855	-	846,855
Software	436,779	40,356	(1,499)	475,636	-	475,636
Other Intangible Assets	2,000	-	-	2,000	-	2,000
Total Capital Assets being Depreciated	<u>23,256,407</u>	<u>1,829,757</u>	<u>(275,392)</u>	<u>24,810,772</u>	<u>1,455,388</u>	<u>26,266,160</u>
Less Accumulated Depreciation for:						
Buildings	4,715,850	422,115	(21,212)	5,116,753	330,777	5,447,530
Infrastructure	1,504,299	93,124	(5,666)	1,591,757	3,215	1,594,972
Equipment	2,302,726	248,559	(166,183)	2,385,102	106,120	2,491,222
Improvements Other Than Buildings	302,852	21,720	(1,841)	322,731	53,010	375,741
Library Books	707,498	30,516	(8,635)	729,379	-	729,379
Software	326,847	44,451	(1,476)	369,822	-	369,822
Other Intangible Assets	1,467	133	-	1,600	-	1,600
Total Accumulated Depreciation	<u>9,861,539</u>	<u>860,618</u>	<u>(205,013)</u>	<u>10,517,144</u>	<u>493,122</u>	<u>11,010,266</u>
Total Depreciable Capital Assets, Net	<u>13,394,868</u>	<u>969,139</u>	<u>(70,379)</u>	<u>14,293,628</u>	<u>962,266</u>	<u>15,255,894</u>
Total Capital Assets, Net	<u>\$ 15,746,059</u>	<u>\$ 2,355,114</u>	<u>\$ (1,642,803)</u>	<u>\$ 16,458,370</u>	<u>\$ 1,316,994</u>	<u>\$ 17,775,364</u>

Note (1): There have been reclassifications in beginning balances of certain line items above.

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

13. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, requires certain items to be classified as either deferred outflows or deferred inflows of resources. Additionally, deferred outflows or deferred inflows of resources are also required by other GASB statements. While all deferred outflows or deferred inflows of resources applicable to the Commonwealth are listed below, see Notes 14, 15, and 36 for additional information regarding these items.

Deferred Outflows

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

Deferred Inflows

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

The following tables summarize deferred outflows and deferred inflows of resources as of June 30, 2016.

Government-wide Statements

(Dollars in Thousands)

	Primary Government			Total Component Units
	Governmental Activities	Business-type Activities	Total	
Deferred Outflows of Resources				
Effective Hedges in a Loss Position	\$ -	\$ -	\$ -	\$ 22,933
Loss on Refunding of Debt	75,896	-	75,896	433,468
Pension Related	655,383	17,903	673,286	350,504
Total Deferred Outflows of Resources	<u>\$ 731,279</u>	<u>\$ 17,903</u>	<u>\$ 749,182</u>	<u>\$ 806,905</u>
Deferred Inflows of Resources				
Effective Hedges in a Gain Position	\$ -	\$ -	\$ -	\$ 2,466
Service Concession Arrangements	2,142,066	-	2,142,066	70,161
Gain on Refunding of Debt	-	-	-	35,035
Pension Related	432,869	9,967	442,836	239,499
Total Deferred Inflows of Resources	<u>\$ 2,574,935</u>	<u>\$ 9,967</u>	<u>\$ 2,584,902</u>	<u>\$ 347,161</u>

Fund Statements

(Dollars in Thousands)

	Primary Government - Governmental Funds					Total Governmental Funds
	General	Commonwealth Transportation	Federal Trust	Literary	Nonmajor Governmental Funds	
Deferred Outflows of Resources						
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred Inflows of Resources						
Revenues Considered Unavailable	\$ 967,818	\$ 49,020	\$ 85,467	\$ 22,452	\$ 26,971	\$ 1,151,728
Total Deferred Inflows of Resources	<u>\$ 967,818</u>	<u>\$ 49,020</u>	<u>\$ 85,467</u>	<u>\$ 22,452</u>	<u>\$ 26,971</u>	<u>\$ 1,151,728</u>

(Continued on next page)

Fund Statements (continued from previous page)

	Business-type Activities					
(Dollars in Thousands)	Enterprise Funds					
	Virginia Lottery	Virginia College Savings Plan	Nonmajor	Total Business-type Activities	Internal Service Funds	Private Purpose Trust Funds
Deferred Outflows of Resources						
Effective Hedges in a Loss Position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss on Refunding of Debt	-	-	-	-	-	-
Pension Related	4,454	1,833	11,616	17,903	6,495	506
Total Deferred Outflow s of Resources	<u>\$ 4,454</u>	<u>\$ 1,833</u>	<u>\$ 11,616</u>	<u>\$ 17,903</u>	<u>\$ 6,495</u>	<u>\$ 506</u>
Deferred Inflows of Resources						
Effective Hedges in a Gain Position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Service Concession Arrangements	-	-	-	-	-	-
Gain on Refunding of Debt	-	-	-	-	-	-
Pension Related	2,026	758	7,183	9,967	5,820	258
Total Deferred Inflow s of Resources	<u>\$ 2,026</u>	<u>\$ 758</u>	<u>\$ 7,183</u>	<u>\$ 9,967</u>	<u>\$ 5,820</u>	<u>\$ 258</u>

(Dollars in Thousands)	Component Units				
	Virginia Public School Authority	Virginia Resources Authority	Virginia College Building Authority	Nonmajor Component Units	Total Component Units
Deferred Outflows of Resources					
Effective Hedges in a Loss Position	\$ -	\$ -	\$ -	\$ 22,933	\$ 22,933
Loss on Refunding of Debt	138,112	83,002	27,544	184,810	433,468
Pension Related	-	99	-	350,405	350,504
Total Deferred Outflow s of Resources	<u>\$ 138,112</u>	<u>\$ 83,101</u>	<u>\$ 27,544</u>	<u>\$ 558,148</u>	<u>\$ 806,905</u>
Deferred Inflows of Resources					
Effective Hedges in a Gain Position	\$ -	\$ -	\$ -	\$ 2,466	\$ 2,466
Service Concession Arrangements	-	-	-	70,161	70,161
Gain on Refunding of Debt	-	26,778	-	8,257	35,035
Pension Related	-	30	-	239,469	239,499
Total Deferred Inflow s of Resources	<u>\$ -</u>	<u>\$ 26,808</u>	<u>\$ -</u>	<u>\$ 320,353</u>	<u>\$ 347,161</u>

14. DERIVATIVES

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

Primary Government

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

Virginia College Savings Plan (Virginia529)

GASB Statement No. 53 defines stable value investment vehicles as synthetic guaranteed investment contracts. Stable value funds are invested in a high quality, diversified, intermediate term, fixed income portfolio that is protected against interest rate volatility by wrap or investment contracts from banks and insurance companies that guarantee the payment of benefits at book value (cost plus accrued interest), which enables the entire investment to be carried at its book value. The Virginia529 utilizes stable value investments in both the Virginia529 prePAID Program (major enterprise fund) and Virginia529 inVEST Fund (Private Purpose Trust Fund). Virginia529's stable value investments meet the definition of fully benefit-responsive synthetic guaranteed investment contracts and are reported at contract value. At June 30, 2016, Virginia529 had the following stable value investments outstanding (dollars in thousands) in the respective programs as shown in the table below.

Stable Value Investments							
Fund	Wrap Provider	Notional Amount	Effective Date	Maturity Date	Credit Rate	June 30, 2016 Fair Value	June 30, 2015 Fair Value
Enterprise	American General Life	\$ 28,391	2/21/2014	Open ended	1.7%	\$ 118,683	\$ 120,898
	RGA	28,376	6/22/2016	Open ended	2.3%		
	Voya Retirement & Annuity	29,420	12/3/2002	Open ended	2.4%		
	State Street Bank	28,375	5/1/2002	Open ended	2.7%		
Private Purpose	American General Life	\$ 133,505	1/16/2014	Open ended	1.4%	\$ 690,820	\$ 666,733
	Voya Retirement & Annuity	27,490	12/3/2002	Open ended	3.2%		
	Voya Retirement & Annuity	107,734	10/5/2012	Open ended	1.6%		
	Prudential Retirement Insurance & Annuity	134,869	1/30/2014	Open ended	2.1%		
	RGA	133,498	8/28/2015	Open ended	2.0%		
	State Street Bank	134,702	5/1/2002	Open ended	2.1%		

The following table (dollars in thousands) contains information relating to fair value, changes in fair value, and notional value for U.S. Treasury Futures Contracts.

Investment Derivatives - U.S. Treasury Futures Contracts					
Changes in Fair Value			Fair Value at June 30, 2016		
Fund	Classification	Amount	Classification	Amount	Notional Amount
Enterprise	Revenue	\$ 111	Investment	\$ 207	\$ 13,040

Pursuant to its investment management agreement, Advent Capital Management, LLC may invest in derivatives for hedging purposes or for the use of efficient portfolio management. Synthetic positions are not allowed and the use of derivatives should not be considered as an alpha generator. Advent primarily uses forward foreign exchange contracts to hedge the value of investments denominated in non-U.S. dollar currencies. Credit risk of exchange traded currency contracts lies with the clearinghouse of the exchange at which the contracts are traded, while credit risk of currency contracts traded over the counter lies with the counterparty. Counterparty risk exposure is generally equal to the unrealized gain on in-the-money contracts. The following table (dollars in thousands) contains a breakdown of these forward contracts by currency.

Virginia prePAID Currency Forwards				
Currency	Cost	Foreign Exchange Purchases	Foreign Exchange Sales	Market Value
British Pound Sterling	\$ 3,724	\$ 257	\$ (3,677)	\$ (3,420)
Canadian Dollar	2,484	-	(2,514)	(2,514)
Euro	28,356	679	(28,782)	(28,103)
Hong Kong Dollar	1,321	-	(1,322)	(1,322)
Japanese Yen	7,424	205	(8,133)	(7,928)
Swiss Franc	1,790	-	(1,819)	(1,819)
U.S. Dollar	(45,099)	46,245	(1,147)	45,098
Total	\$ -	\$ 47,386	\$ (47,394)	\$ (8)

Additional information is available in the Virginia529 individually published financial statements, which may be obtained by writing to Virginia529, 9001 Arboretum Parkway, North Chesterfield, Virginia 23236.

Virginia Retirement System

The Virginia Retirement System (the System) is a party, directly and indirectly, to various derivative financial investments that appear on the financial statements and that are used in the normal course of business to enhance returns on investments and manage risk exposure to changes in value resulting from fluctuations in market conditions. These investments may involve, to varying degrees, elements of credit and market risk in excess of amounts recognized on the financial statements.

At June 30, 2016, the System had four types of derivative financial instruments: futures, currency forwards, options and swaps. Futures, currency forwards, and options contracts provide the System with the opportunity to build passive benchmark positions, manage portfolio duration in relation to various benchmarks, adjust portfolio yield curve exposure and gain market exposure to various indexes in a more efficient way and at lower transaction costs. Credit risks depend on whether the contracts are exchange-traded or exercised over-the-counter. Market risks arise from adverse changes in market prices, interest rates and foreign exchange rates.

Futures Contracts

Futures contracts are contracts to deliver or receive securities at a specified future date and at a specified price or yield. Futures contracts are traded on organized exchanges (exchange-traded) and require an initial margin (collateral) in the form of cash or marketable securities. The net change in the futures contract value is settled daily, in cash, with the exchanges. The net gains or losses resulting from the daily settlements are included in the accompanying financial statements. Holders of futures contracts look to the exchange for performance under the contract and not to the entity holding the offsetting futures position. Accordingly, the amount at risk posed by nonperformance of counterparties to futures contracts is minimal. The market value of the System's investments in futures contracts at June 30, 2016 and 2015 was \$9.9 million and negative \$10.9 million, respectively. The notional value of the System's investment in futures contracts at June 30, 2016 and 2015 is shown in the following table.

Futures Contracts as of June 30		
(Dollars in Thousands)		
	2016	2015
Cash & Cash Equivalent Derivatives Futures:		
Long	\$ -	\$ -
Short	-	(183,747)
Equity Derivatives Futures:		
Long	635,381	827,881
Short	(2,019)	-
Fixed Income Derivatives Futures:		
Long	1,021,181	89,556
Short	(733,650)	(606,020)
Total Futures	<u>\$ 920,893</u>	<u>\$ 127,670</u>

Currency Forwards

Currency forwards represent foreign exchange contracts and are used by the System to effect settlements and to protect the base currency (\$US) value of portfolio assets denominated in foreign currencies against fluctuations in the exchange rates of those currencies. A forward foreign currency exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated price. The credit risk of currency contracts that are exchange-traded lies with the clearinghouse of

the exchange where the contracts are traded. The credit risk of currency contracts traded over-the-counter lies with the counterparty, and exposure usually is equal to the unrealized profit on in-the-money contracts. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates. Information on the System's currency forwards contracts at June 30, 2016 and 2015 is shown in the following table.

Currency Forwards

as of June 30

(Dollars in Thousands)

Currency	Cost	Pending Foreign Exchange Purchases	Pending Foreign Exchange Sales	Fair Value 2016	Fair Value 2015
Argentine Peso	\$ 2,320	\$ 2,302	\$ -	\$ 2,302	\$ -
Australian Dollar	(292,607)	182,514	(473,459)	(290,945)	(222,487)
Brazil Real	(40,627)	9,773	(52,000)	(42,227)	(57,527)
British Pound Sterling	(832,753)	363,019	(1,168,566)	(805,547)	(1,050,547)
Canadian Dollar	(473,519)	205,071	(678,116)	(473,045)	(566,277)
Chilean Peso	(3,282)	1,606	(4,964)	(3,358)	319
Chinese Yuan Renminbi	(46,791)	638	(46,969)	(46,331)	-
Colombian Peso	8,385	8,918	(194)	8,724	(7,814)
Czech Koruna	(23,683)	-	(23,679)	(23,679)	-
Danish Krone	(69,336)	52,808	(121,681)	(68,873)	(94,319)
Euro Currency Unit	(1,417,991)	395,667	(1,793,541)	(1,397,874)	(1,037,892)
Hong Kong Dollar	(126,132)	13,546	(139,681)	(126,135)	(166,460)
Hungarian Forint	(14,200)	8,120	(22,431)	(14,311)	1,083
Indian Rupee	12,449	25,553	(13,122)	12,431	19,477
Indonesian Rupiah	1,431	9,785	(11,112)	(1,327)	1,057
Israeli Shekel	(68,884)	10,140	(79,210)	(69,070)	(69,449)
Japanese Yen	(697,641)	278,767	(972,110)	(693,343)	(1,052,403)
Malaysian Ringgit	24,839	28,117	(2,581)	25,536	15,840
Mexican Peso	32,716	44,500	(11,215)	33,285	10,738
Moroccan Dirham	12,417	12,478	-	12,478	-
New Taiwan Dollar	(10,780)	-	(10,961)	(10,961)	-
New Turkish Lira	1,591	12,936	(11,262)	1,674	4,646
New Zealand Dollar	(58,895)	104,421	(164,592)	(60,171)	(127,251)
Norwegian Krone	(69,448)	166,245	(235,000)	(68,755)	68,428
Peruvian Nuevo Sol	3,338	3,345	-	3,345	2,345
Philippine Peso	7,624	8,237	(616)	7,621	8,733
Polish Zloty	8,217	31,372	(23,941)	7,431	7,278
Romanian Leu	(1,663)	80	(1,719)	(1,639)	(1,630)
Russian Ruble	17,402	20,938	(3,187)	17,751	(5,981)
Saudi Arabian Riyal	(5,462)	-	(5,572)	(5,572)	-
Singapore Dollar	(188,111)	157,502	(347,958)	(190,456)	(253,062)
South African Rand	(5,542)	15,351	(21,129)	(5,778)	(2,081)
South Korean Won	686	11,883	(11,452)	431	(23,077)
Swedish Krona	(101,805)	117,325	(218,539)	(101,214)	(158,286)
Swiss Franc	(369,479)	10,415	(379,769)	(369,354)	(293,002)
Thai Baht	17,782	20,642	(2,887)	17,755	7,426
U.S. Dollar	4,770,298	7,039,144	(2,268,846)	4,770,298	5,037,287
Total Forwards Subject to Foreign Currency Risk				<u>\$ 51,097</u>	<u>\$ (4,888)</u>

Options Contracts

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

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

This premium is reflected as a liability on the financial statements, and the System bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Information on the System's options balances at June 30, 2016 and 2015 is shown in the following table.

Options Contracts as of June 30

(Dollars in Thousands)

	2016	2015
Cash and Cash Equivalent Options:		
Call	\$ 2,117	\$ (3)
Put	(192)	14
Equity Options:		
Call	-	-
Put	-	-
Fixed Income Options:		
Call	-	(12)
Put	-	(37)
Swaptions:		
Call	-	(12)
Put	-	(51)
Total Options	<u>\$ 1,925</u>	<u>\$ (101)</u>

Swap Agreements

Swaps are negotiated contracts between two counterparties for the exchange of payments at certain intervals over a predetermined timeframe. The payments are based on a notional principal amount and calculated using either fixed or floating interest rates or total returns from certain instruments or indexes. Swaps are used to manage risk and enhance returns. To reduce the risk of counterparty nonperformance, the System generally requires collateral on any material gains from these transactions. During fiscal year 2016, the System entered into credit defaults, interest rate and total return swaps. Information on the System's swap balances at June 30, 2016 and 2015 is shown in the following table.

Swap Agreements
as of June 30

(Dollars in Thousands)

Counterparty	Notional Amount	VRS Rate	Counterparty Rate	Maturity Date	Buying/ Selling Protection	Pay/ Receive Rate	Fair Value 2016	Fair Value 2015
Credit Default Swaps:								
Barclays Bank PLC	\$ 3,900			6/20/2019	Selling	1.0%	\$ 44	\$ 47
Barclays Bank PLC	3,700			12/20/2018	Buying	1.0%	-	(64)
Barclays Bank PLC	3,450			9/20/2020	Selling	1.0%	-	(53)
Barclays Bank PLC	3,400			6/20/2019	Selling	1.0%	(32)	(57)
Barclays Bank PLC	2,600			9/20/2015	Selling	1.0%	-	(9)
Barclays Bank PLC	1,800			12/20/2018	Buying	1.0%	-	(33)
Barclays Bank PLC	1,800			9/20/2015	Selling	1.0%	-	(1)
Barclays Bank PLC	1,239			6/20/2021	Buying	1.0%	6	-
Barclays Bank PLC	884			6/20/2021	Buying	1.0%	4	-
Barclays Bank PLC	800			12/20/2020	Selling	1.0%	(62)	-
Barclays Bank PLC	800			9/20/2015	Selling	1.0%	-	1
Barclays Bank PLC	700			12/20/2018	Buying	1.0%	-	(9)
Barclays Bank PLC	600			6/20/2019	Selling	1.0%	(1)	(4)
Barclays Bank PLC	600			9/20/2020	Selling	1.0%	(18)	-
Barclays Bank PLC	530			6/20/2021	Buying	1.0%	3	-
Barclays Bank PLC	500			9/20/2016	Selling	1.0%	1	-
Barclays Bank PLC	200			9/20/2016	Selling	1.0%	-	-
Barclays Bank PLC	200			6/20/2017	Selling	1.0%	1	-
Barclays Bank PLC	200			12/20/2017	Selling	1.0%	-	-
Barclays Bank PLC	100			12/20/2016	Selling	1.0%	-	-
BNP Paribas SA/London	2,800			6/20/2021	Buying	1.0%	28	-
BNP Paribas SA/London	537			6/20/2021	Buying	1.0%	9	-
BNP Paribas SA/London	343			6/20/2021	Buying	1.0%	6	-
BNP Paribas SA/London	330			6/20/2021	Buying	1.0%	6	-
BNP Paribas SA/London	47			6/20/2021	Buying	1.0%	-	-
Credit Suisse Group AG	3,400			12/20/2018	Buying	1.0%	-	(52)
Credit Suisse Group AG	1,300			6/20/2020	Selling	5.0%	-	35
Credit Suisse Group AG	800			12/20/2016	Selling	1.0%	3	8
Credit Suisse Group AG	555			12/20/2017	Selling	1.0%	4	-
Credit Suisse Group AG	225			12/20/2015	Selling	5.0%	-	3
Credit Suisse Group AG	200			9/20/2020	Selling	1.0%	(6)	-
Credit Suisse Group AG	200			12/20/2016	Selling	1.0%	1	2
Credit Suisse Group AG	150			12/20/2016	Selling	5.0%	-	5
Deutsche Bank AG/London	8,875			6/20/2019	Selling	1.0%	(155)	(421)
Deutsche Bank AG/London	5,300			12/20/2018	Selling	1.0%	26	24
Deutsche Bank AG/London	2,900			6/20/2019	Selling	1.0%	7	-
Deutsche Bank AG/London	2,600			9/20/2015	Selling	1.0%	-	(9)
Deutsche Bank AG/London	1,400			9/20/2015	Selling	1.0%	-	1
Deutsche Bank AG/London	1,200			12/20/2016	Selling	1.0%	4	12
Deutsche Bank AG/London	800			9/20/2015	Selling	1.0%	-	1
Deutsche Bank AG/London	700			6/20/2018	Selling	1.0%	(4)	(21)
Deutsche Bank AG/London	400			3/20/2020	Selling	1.0%	(2)	(4)
Deutsche Bank AG/London	400			3/20/2016	Selling	1.0%	-	-
Goldman Sachs International	6,600			6/20/2019	Selling	1.0%	(62)	(110)
Goldman Sachs International	5,800			9/20/2019	Selling	1.0%	-	(301)
Goldman Sachs International	5,225			3/20/2020	Selling	5.0%	-	(37)
Goldman Sachs International	5,200			6/20/2020	Selling	1.0%	-	(362)
Goldman Sachs International	5,200			9/20/2015	Selling	1.0%	-	2
Goldman Sachs International	5,000			12/20/2018	Selling	1.0%	-	(99)
Goldman Sachs International	4,900			6/20/2020	Selling	5.0%	-	(67)
Goldman Sachs International	3,400			6/20/2019	Selling	1.0%	(4)	(22)
Goldman Sachs International	2,800			12/20/2017	Selling	1.0%	5	-
Goldman Sachs International	2,300			3/20/2019	Selling	5.0%	-	263
Goldman Sachs International	2,100			12/20/2019	Selling	5.0%	-	83
Goldman Sachs International	2,100			12/20/2019	Selling	1.0%	-	(258)
Goldman Sachs International	1,950			9/20/2015	Selling	1.0%	-	(799)
Goldman Sachs International	1,050			12/20/2020	Selling	1.0%	-	(33)
Goldman Sachs International	900			3/20/2020	Buying	1.0%	-	88
Goldman Sachs International	700			3/20/2016	Selling	1.0%	-	1
Goldman Sachs International	650			6/20/2019	Buying	1.0%	-	(16)
Goldman Sachs International	650			6/20/2020	Selling	5.0%	-	46
Goldman Sachs International	400			12/20/2016	Selling	1.0%	1	-
Goldman Sachs International	300			12/20/2020	Selling	1.0%	(23)	-
Goldman Sachs International	300			12/20/2018	Selling	1.0%	(1)	(3)
Goldman Sachs International	200			12/20/2017	Selling	1.0%	1	-
HSBC Securities Inc	7,200			6/20/2021	Buying	1.0%	591	-
HSBC Securities Inc	5,300			9/20/2020	Selling	1.0%	-	(81)
HSBC Securities Inc	2,100			3/20/2020	Selling	1.0%	-	(21)
HSBC Securities Inc	1,500			9/20/2019	Selling	1.0%	-	(78)
HSBC Securities Inc	1,400			12/20/2020	Selling	1.0%	(109)	-
HSBC Securities Inc	1,300			9/20/2015	Selling	1.0%	-	-
HSBC Securities Inc	1,200			9/20/2016	Selling	1.0%	2	-
HSBC Securities Inc	1,100			6/20/2019	Selling	1.0%	(1)	(7)
HSBC Securities Inc	1,000			6/20/2019	Selling	1.0%	(9)	(17)
HSBC Securities Inc	900			3/20/2019	Selling	1.0%	-	(27)
HSBC Securities Inc	800			12/20/2016	Selling	1.0%	2	-

Continued on next page

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

(Dollars in Thousands)

Counterparty	Notional Amount	VRS Rate	Counterparty Rate	Maturity Date	Buying/ Selling Protection	Pay/ Receive Rate	Fair Value 2016	Fair Value 2015
Credit Default Swaps (continued):								
HSBC Securities Inc	700			6/20/2018	Selling	1.0%	(4)	(21)
HSBC Securities Inc	400			3/20/2019	Selling	1.0%	-	(12)
HSBC Securities Inc	400			6/20/2019	Selling	1.0%	-	(11)
HSBC Securities Inc	200			3/20/2023	Selling	1.0%	-	(19)
HSBC Securities Inc	200			12/20/2016	Selling	1.0%	1	-
HSBC Securities Inc	100			3/20/2023	Selling	1.0%	-	(10)
Intercontinental Exchange Holdings	26,159			6/20/2020	Selling	5.0%	-	1,633
Intercontinental Exchange Holdings	18,300			6/20/2020	Selling	1.0%	-	(1,685)
Intercontinental Exchange Holdings	10,000			6/20/2021	Selling	1.0%	(757)	-
Intercontinental Exchange Holdings	5,000			6/20/2020	Selling	5.0%	-	346
Totals-Credit Default Swaps	206,449						(494)	(2,232)
Interest Rate Swaps:								
Banque Nationale de Paris	89,000	Brazil Cetip Interbank Deposit	13.5%	1/2/2017			-	(155)
Barclays Bank PLC	2,372	12.2%	Brazil Cetip Interbank Deposit	1/4/2021			19	-
Barclays Bank PLC	2,123	12.3%	Brazil Cetip Interbank Deposit	1/4/2021			(5)	-
Barclays Bank PLC	1,481	Brazil Cetip Interbank Deposit	13.8%	1/4/2016			-	(2)
Barclays Bank PLC	1,288	Brazil Cetip Interbank Deposit	12.4%	1/2/2018			-	(17)
Barclays Bank PLC	999	Brazil Cetip Interbank Deposit	16.0%	1/2/2019			69	-
Barclays Bank PLC	608	3-month Johannesburg (JIBAR)	8.0%	12/18/2023			(6)	(8)
Barclays Bank PLC	650	Mexico Interbank 28-day Index	5.0%	2/26/2018			-	9
Barclays Bank PLC	335	3-month Johannesburg (JIBAR)	7.5%	12/17/2019			(3)	(2)
BlackRock Inc	553	Mexico Interbank 28-day Index	5.0%	2/26/2018			-	-
Chicago Mercantile Exchange Inc	183,813	3-month LIBOR	1.5%	9/15/2017			-	1,663
Chicago Mercantile Exchange Inc	140,213	3-month LIBOR	1.5%	9/15/2017			-	1,268
Chicago Mercantile Exchange Inc	73,271	2.8%	3-month LIBOR + 500 bps	9/21/2046			(15,295)	-
Chicago Mercantile Exchange Inc	50,159	2.3%	3-month LIBOR + 500 bps	9/21/2026			(3,891)	-
Chicago Mercantile Exchange Inc	12,813	6-month EURIBOR +100 bps	0.8%	9/16/2025			-	571
Chicago Mercantile Exchange Inc	10,397	3.0%	3-month LIBOR	9/15/2045			(2,802)	(72)
Chicago Mercantile Exchange Inc	8,300	1.3%	3-month LIBOR	5/6/2017			-	(12)
Chicago Mercantile Exchange Inc	7,400	2.0%	3-month LIBOR	12/16/2019			-	(56)
Chicago Mercantile Exchange Inc	6,290	Mexico Interbank 28-day Index	5.6%	7/7/2021			-	(16)
Chicago Mercantile Exchange Inc	5,209	1.0%	6-month LIBOR - Japanese Yen	9/18/2023			-	(208)
Chicago Mercantile Exchange Inc	4,246	2.0%	6-month LIBOR - British Pound	9/16/2025			-	82
Chicago Mercantile Exchange Inc	3,617	3.0%	6-month LIBOR - British Pound	9/17/2024			-	(274)
Chicago Mercantile Exchange Inc	1,785	Mexico Interbank 28-day Index	5.8%	6/5/2023			-	(41)
Chicago Mercantile Exchange Inc	1,651	Mexico Interbank 28-day Index + 100 bps	6.2%	1/3/2035			-	(168)
Chicago Mercantile Exchange Inc	1,553	1.0%	6-month LIBOR - Japanese Yen	9/20/2024			-	(10)
Chicago Mercantile Exchange Inc	1,262	Mexico Interbank 28-day Index	5.6%	11/10/2021			-	(13)
Chicago Mercantile Exchange Inc	1,114	6-month EURIBOR	0.8%	9/16/2025			-	50
Chicago Mercantile Exchange Inc	1,114	1.5%	6-month EURIBOR	3/16/2046			-	68
Chicago Mercantile Exchange Inc	196	0.5%	6-month LIBOR - Japanese Yen	9/17/2021			-	(2)
Chicago Mercantile Exchange Inc	134	Mexico Interbank 28-day Index + 100 bps	5.5%	2/22/2023			-	(5)
Credit Suisse AG	4,682	13.4%	Brazil Cetip Interbank Deposit	1/2/2018			(6)	-
Credit Suisse AG	3,496	Brazil Cetip Interbank Deposit	16.0%	1/2/2019			241	-
Credit Suisse AG	3,058	Brazil Cetip Interbank Deposit	12.2%	1/4/2021			-	(5)
Credit Suisse AG	1,661	14.7%	Brazil Cetip Interbank Deposit	1/2/2018			(41)	-
Credit Suisse AG	716	Thai Baht 6-month fixing range	2.8%	9/23/2025			50	-
Deutsche Bank AG/London	13,484	Brazil Cetip Interbank Deposit	12.8%	1/4/2021			237	148
Deutsche Bank AG/London	11,267	Brazil Cetip Interbank Deposit	13.9%	1/2/2017			-	(2)
Deutsche Bank AG/London	6,664	10.9%	Brazil Cetip Interbank Deposit	1/2/2017			-	202
Deutsche Bank AG/London	6,503	12.3%	Brazil Cetip Interbank Deposit	1/2/2017			-	45
Deutsche Bank AG/London	4,744	16.2%	Brazil Cetip Interbank Deposit	1/4/2021			(546)	-
Deutsche Bank AG/London	4,603	Brazil Cetip Interbank Deposit	11.7%	1/4/2021			-	(97)
Deutsche Bank AG/London	4,370	Brazil Cetip Interbank Deposit	12.4%	1/2/2019			9	-
Deutsche Bank AG/London	3,153	16.6%	Brazil Cetip Interbank Deposit	1/2/2018			(159)	-
Deutsche Bank AG/London	1,385	Colombia IBR Overnight Interbank	5.3%	8/29/2019			(43)	10
Deutsche Bank AG/London	1,451	Brazil Cetip Interbank Deposit	12.9%	4/1/2021			47	34
Deutsche Bank AG/London	1,215	Kilbor Interbank Offered Rate	3.3%	4/19/2018			(4)	(13)
Deutsche Bank AG/London	1,035	Mexico Interbank 28-day Index	5.0%	10/10/2019			(9)	(6)
Deutsche Bank AG/London	1,109	Thai Baht 6-month fixing range	1.9%	2/26/2021			11	-
Deutsche Bank AG/London	817	Colombia IBR Overnight Interbank	6.1%	10/16/2024			(33)	(6)
Deutsche Bank AG/London	749	Brazil Cetip Interbank Deposit	13.3%	1/4/2021			26	-
Deutsche Bank AG/London	596	5.3%	Mexican Interbank Equilibrium	9/6/2019			-	4
Deutsche Bank AG/London	618	Thai Baht 6-month fixing range	2.6%	10/19/2025			32	-
Deutsche Bank AG/London	541	Thai Baht 6-month fixing range	2.0%	8/17/2020			8	-
Deutsche Bank AG/London	333	Thai Baht 6-month fixing range	2.2%	11/23/2020			7	-
Deutsche Bank AG/London	2,469	Brazil Cetip Interbank Deposit	12.4%	1/2/2018			46	(6)
Deutsche Bank AG/London	324	6-month LIBOR-Thai Baht	2.6%	1/29/2025			17	(5)
Deutsche Bank AG/London	206	Colombia IBR Overnight Interbank	5.3%	3/17/2020			(7)	1
Deutsche Bank AG/London	142	Thai Baht 6-month fixing range	3.4%	1/15/2021			11	9
Deutsche Bank AG/London	142	Thai Baht 6-month fixing range	3.4%	1/21/2021			11	9
Deutsche Bank AG/London	57	Thai Baht 6-month fixing range	3.4%	11/19/2018			3	3
Deutsche Bank AG/London	28	Thai Baht 6-month fixing range	3.4%	11/14/2018			1	1
Deutsche Bank AG/London	17	Thai Baht 6-month fixing range	2.2%	1/29/2020			-	-

Continued on next page

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

(Dollars in Thousands)

Counterparty	Notional Amount	VRS Rate	Counterparty Rate	Maturity Date	Buying/ Selling Protection	Pay/ Receive Rate	Fair Value 2016	Fair Value 2015
Interest Rate Swaps (continued):								
Goldman Sachs International	16,356	14.1%	Brazil Cetip Interbank Deposit	8/1/2016			-	-
Goldman Sachs International	4,058	3-month New Zealand Bank Bill	5.0%	12/17/2024			-	360
Goldman Sachs International	1,017	3-month Johannesburg (JIBAR)	8.5%	9/21/2021			22	-
Goldman Sachs International	404	3-month Johannesburg (JIBAR)	7.5%	12/17/2019			-	(2)
HSBC Securities Inc	968	14.1%	Brazil Cetip Interbank Deposit	1/2/2018			(14)	-
HSBC Securities Inc	11,611	13.8%	Brazil Cetip Interbank Deposit	1/2/2017			29	12
HSBC Securities Inc	11,330	13.3%	Brazil Cetip Interbank Deposit	1/4/2021			(398)	-
HSBC Securities Inc	7,304	12.4%	Brazil Cetip Interbank Deposit	1/2/2018			135	-
HSBC Securities Inc	6,555	Brazil Cetip Interbank Deposit	15.5%	1/2/2018			245	-
HSBC Securities Inc	6,535	13.9%	Brazil Cetip Interbank Deposit	1/6/2017			-	(1)
HSBC Securities Inc	4,245	12.2%	Brazil Cetip Interbank Deposit	1/4/2021			(11)	(8)
HSBC Securities Inc	3,465	Brazil Cetip Interbank Deposit	13.4%	1/2/2018			4	-
HSBC Securities Inc	2,189	Brazil Cetip Interbank Deposit	13.8%	4/1/2016			-	(7)
HSBC Securities Inc	2,134	Thai Baht 6-month fixing range	2.0%	8/17/2020			32	-
HSBC Securities Inc	687	Brazil Cetip Interbank Deposit	14.5%	1/1/2019			26	-
HSBC Securities Inc	485	3-month Johannesburg (JIBAR)	7.5%	12/17/2024			(22)	(29)
HSBC Securities Inc	562	Brazil Cetip Interbank Deposit	12.8%	1/4/2021			10	6
HSBC Securities Inc	483	Brazil Cetip Interbank Deposit	11.5%	1/4/2021			-	(14)
HSBC Securities Inc	458	Thai Baht 6-month fixing range	2.5%	1/28/2025			21	(10)
HSBC Securities Inc	395	Colombia IBR Overnight Interbank	6.2%	3/21/2024			(12)	3
HSBC Securities Inc	325	Mexico Interbank 28-day Index	5.5%	2/22/2023			(5)	(13)
HSBC Securities Inc	281	Brazil Cetip Interbank Deposit	12.1%	1/4/2021			(1)	(2)
HSBC Securities Inc	239	3-month Johannesburg (JIBAR)	8.8%	9/21/2026			6	-
HSBC Securities Inc	177	6-month Warsaw Interbank	2.8%	12/17/2024			9	(3)
HSBC Securities Inc	134	6.4%	Colombia IBR Overnight Interbank	7/2/2025			4	(1)
HSBC Securities Inc	105	Thai Baht 6-month fixing range	2.1%	1/28/2020			4	2
HSBC Securities Inc	51	Thai Baht 6-month fixing range	2.2%	11/23/2020			1	-
UBS AG	10,769	Brazil Cetip Interbank Deposit	12.6%	1/4/2021			197	125
UBS AG	1,654	10.9%	Brazil Cetip Interbank Deposit	1/2/2017			59	268
UBS AG	3,402	11.7%	Brazil Cetip Interbank Deposit	1/4/2021			73	74
UBS AG	2,716	Brazil Cetip Interbank Deposit	11.6%	1/2/2018			(100)	(83)
UBS AG	1,165	Mexico Interbank 28-day Index	5.6%	10/11/2021			3	(9)
UBS AG	936	Brazil Cetip Interbank Deposit	9.1%	1/2/2017			(74)	(66)
UBS AG	661	Mexico Interbank 28-day Index	5.2%	10/21/2020			(6)	-
UBS AG	163	5.3%	Mexican Interbank Equilibrium	9/6/2019			-	1
UBS AG	5,565	Brazil Cetip Interbank Deposit	12.4%	1/2/2018			(103)	(88)
Total Interest Rate Swaps	805,165						(21,871)	3,491
Total Return Swaps:								
Barclays Bank PLC	50,000	1-month LIBOR - 5 bps	Barclays Capital US Aggregate Index	8/1/2017			-	-
Barclays Bank PLC	25,000	1-month LIBOR - 10 bps	Barclays Capital US Aggregate Index	10/1/2016			-	-
Barclays Bank PLC	25,000	1-month LIBOR	Barclays Capital US Aggregate Index	7/1/2017			-	-
Barclays Bank PLC	25,000	1-month LIBOR	Barclays Capital US Aggregate Index	2/1/2017			-	-
Barclays Bank PLC	20,000	1-month LIBOR + 10 bps	Barclays Capital US Aggregate Index	6/1/2017			-	-
Barclays Bank PLC	20,000	1-month LIBOR + 15 bps	Barclays Capital US Aggregate Index	8/1/2016			-	-
Deutsche Bank AG/London	250,000	3-month LIBOR + 42 bps	MSCI ACWI IMI	7/18/2016			-	-
Deutsche Bank AG/London	25,000	1-month LIBOR + 15 bps	Barclays Capital US Aggregate Index	7/1/2016			-	-
Deutsche Bank AG/London	18,000	1-month LIBOR + 3 bps	Barclays Capital US Aggregate Index	9/1/2016			-	-
Deutsche Bank AG/London	1	3-month LIBOR + 42 bps	MSCI ACWI IMI	7/16/2016			-	-
Goldman Sachs Group Inc	250,101	3-month LIBOR + 42 bps	MSCI ACWI	7/16/2015			(100)	-
Goldman Sachs Group Inc	186,653	3-month LIBOR + 42 bps	MSCI ACWI	7/16/2015			-	(5,306)
Goldman Sachs Group Inc	2	3-month LIBOR + 42 bps	MSCI ACWI IMI	7/18/2016			-	-
Goldman Sachs Group Inc	226,219	3-month LIBOR + 42 bps	MSCI ACWI	7/16/2015			-	(6,430)
Goldman Sachs Group Inc	150,616	3-month LIBOR + 42 bps	MSCI ACWI IMI	7/16/2015			-	(4,281)
Goldman Sachs Group Inc	150,120	3-month LIBOR + 42 bps	MSCI ACWI IMI	7/16/2015			-	(2,832)
Total Return Swaps	1,421,712						(100)	(18,849)
Total Swaps	\$ 2,433,326						\$ (22,465)	\$ (17,590)

Derivative instruments are classified in Level 1 and Level 2 in the fair value hierarchy. Derivative instruments classified as Level 1 of the Fair Value Hierarchy are valued using price quoted in active markets for those securities. The derivative instruments in Level 1 consist of futures contracts on U.S. Treasury bond and notes and futures contracts on U.S. equity indexes. Derivative instruments classified as Level 2 of the fair value hierarchy are valued using a number of modeling approaches that take into account observable market levels, benchmark rates, and foreign exchange rates.

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

Component Units

Investment Derivative Instruments

The Virginia Housing Development Authority (major component unit) enters into forward sales contracts for the delivery of GNMA and FNMA securities in order to lock in the sales price for the securitization of certain single-family mortgage loans. The contracts offset changes in interest rates between the time of the loan reservations and the securitization of such loans into GNMA and FNMA securities. These contracts are considered investment derivative instruments, such that their change in fair value is reported as investment derivative gains or losses on the statement of revenues, expenses, and changes in net position. Fair values of the forwards are based on observable market prices for similar instruments traded on the secondary mortgage loan markets. The Authority's portfolio of investment derivatives are classified as Level 2 in the fair value hierarchy. The outstanding forward contracts, summarized by counterparty rating as of June 30, 2016, were as follows:

Counterparty Rating	Par	Concentration	Notional Amount	Market Value	Fair Value Asset (Liability)
A-1/AA+	\$ 166,000,000	40.4%	\$ 169,521,836	\$ 171,443,437	\$ (1,921,601)
A-1/AA-	140,000,000	34.0%	143,191,836	144,922,188	(1,730,352)
A-1/A	97,000,000	23.4%	99,554,141	100,820,312	(1,266,171)
Baa2/BBB	9,000,000	2.2%	9,177,539	9,348,750	(171,211)
	<u>\$ 412,000,000</u>	<u>100.0%</u>	<u>\$ 421,445,352</u>	<u>\$ 426,534,687</u>	<u>\$ (5,089,335)</u>

Investment Derivative Instruments – Ineffective Hedges

During fiscal year 2015, the University of Virginia (UVA) (nonmajor) refunded the Series 2003A bonds and the commercial paper associated with the fixed-payer interest rate swaps which terminated hedge accounting. The fixed-payer interest rate swaps were no longer effective hedges. At June 30, 2016, the negative fair value of the swaps of \$43.0 million is included in other liabilities and the change in fair value of negative \$14.2 million was reported as investment earnings in the accompanying financial statements. During fiscal year 2015, UVA established two fixed-receiver interest rate swaps with a total notional amount of \$128.0 million to provide a hedge against fixed interest rates on Series 2015B bonds. These swaps were reevaluated as of

June 30, 2016, and determined to no longer be effective hedges. The deferred outflows of resources balance of \$648,468 was reported as investment earnings upon reclassification in the accompanying financial statements. At June 30, 2016, the positive fair value of the fixed-receiver interest rate swaps of \$3.6 million is included in other assets and the change in fair value of \$4.3 million is included in investment earnings in the accompanying financial statements. The derivative instruments are classified as Level 2 of the fair value hierarchy. Additional information regarding derivative instruments is available in the institution's individually published financial statements.

Hedging Derivative Instruments

At June 30, 2016, the Virginia Commonwealth University (VCU) (nonmajor) had two fixed-payer interest rate swaps with a notional amount of \$57.6 million, which declines to \$4.8 million at the termination date of November 1, 2030. The swaps are used as cash flow hedges by VCU in order to provide a hedge against changes in interest rates on variable rate Series 2012A and 2012B bonds. The Series 2012A and 2012B bonds refunded prior Series 2006A and 2006B bonds that resulted in the termination of the prior hedging relationship between the interest rate swaps and the 2006A and 2006B bonds. At the time of the refunding in November 2012, the accumulated change in fair value of the interest rate swaps was negative \$14.1 million and was included in the calculation of the deferred loss on refunding. There was also a reestablishment of hedge accounting on the new debt. At June 30, 2016, the negative fair value of VCU's swaps of \$11.6 million is included in other liabilities and the cumulative change in fair value of VCU's swaps since reestablishing hedge accounting of \$2.5 million is included in deferred inflows of resources in the accompanying financial statements. The derivative instruments are classified as Level 2 of the fair value hierarchy.

At June 30, 2016, the Medical College of Virginia Hospitals (MCVH), which is a division of the Virginia Commonwealth University Health System Authority (a blended component unit of VCU), had two interest rate swap agreements with a notional amount of \$119.0 million and another interest rate swap agreement with a notional amount of \$59.5 million. The swaps are used as cash flow hedges by MCVH in order to provide a hedge against changes in interest rates on variable rate Series 2013A and 2013B bonds. The Series 2013A and 2013B bonds refunded prior Series 2005 and 2008 bonds that resulted in the termination of the prior hedging relationship between the interest rate swaps and the Series 2005 and 2008 bonds. At the time of the refunding in June 2013, the accumulated change in fair value of the interest rate swaps was negative \$42.1 million and was included in the calculation of the deferred loss on refunding. There was also a reestablishment of hedge accounting on the new debt. At June 30, 2016, the negative fair value of MCVH's swaps of \$65.0 million is included in other liabilities and the cumulative change in fair value of MCVH's swaps of \$22.9 million is included in deferred outflows of resources in the accompanying financial statements.

The derivative instruments are classified as Level 2 of the fair value hierarchy.

The following schedule shows debt service requirements of VCU and MCVH bonds payable hedged debt of \$243.5 million and net receipts/payments on associated derivative instruments. These amounts assume that current variable and reference rates on the hedging instruments will remain the same for their terms. As these rates vary, net receipt/payments on the hedging instruments will vary. Additional information is available in the individually published financial statements of the higher education institution.

Maturity	Principal	Interest	Derivative	Total
			Instruments, Net	
2017	\$ 5,690,000	\$ 2,191,675	\$ 8,149,489	\$ 16,031,164
2018	5,920,000	2,135,950	7,966,088	16,022,038
2019	6,085,000	2,078,571	7,775,236	15,938,807
2020	6,385,000	2,018,427	7,579,229	15,982,656
2021	6,615,000	1,956,040	7,373,398	15,944,438
2022-2026	45,675,000	8,627,027	33,354,581	87,656,608
2027-2031	68,760,000	5,658,172	24,183,497	98,601,669
2032-2036	67,540,000	2,418,663	12,802,211	82,760,874
2037-2041	30,815,000	129,030	1,645,763	32,589,793
Total	<u>\$ 243,485,000</u>	<u>\$ 27,213,555</u>	<u>\$ 110,829,492</u>	<u>\$ 381,528,047</u>

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

15. RETIREMENT AND PENSION SYSTEMS

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

A. Administration

GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*, addressed certain issues that were raised during the implementation of these Standards. Specifically, the Statement addressed the issues regarding (1) the presentation of payroll-related measures in the required supplementary information, (2) the selection of assumptions and the treatment of deviations from guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. While this Statement was effective for reporting periods beginning after June 15, 2016, the Virginia Retirement System (the System) has elected to implement it early and provided disclosure guidance to participating employers based on this Statement.

The System is an independent agency of the Commonwealth that administers pension plans, other employee benefit plans, and other funds for Commonwealth employees, teachers, political subdivision employees, and other qualifying employees. The Board of Trustees is responsible for the general administration and operation of the plans. The Board consists of five members appointed by the Governor and four members appointed by the Joint Rules Committee, all subject to confirmation by the General Assembly. The Board of Trustees appoints a director to serve as the chief administrative officer of the System and a chief investment officer to direct, manage, and administer the investment of the System's funds. The Board of Trustees has appointed BNY Mellon as the custodian of designated assets of the System.

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

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

Basis of Accounting

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

Method Used to Value Investments

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

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

statements received from the funds, partnerships, or investment managers.

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

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

C. Plan Description

The Virginia Retirement System (VRS) is a qualified governmental retirement plan that administers three retirement benefit structures: Plan 1, Plan 2, and Hybrid Plan, for state employees, public school board employees, employees of participating political subdivisions, and other qualifying employees. VRS is a combination of mixed-agent and cost-sharing, multiple-employer retirement plans. Each plan's accumulated assets may legally be used to pay all the plan benefits provided to any of the plan's members, retirees, and beneficiaries. Contributions for fiscal year 2016 were \$3.2 billion with a reserve balance available for benefits of \$64.0 billion. The current year contributions include \$162.4 million as an additional contribution from the Commonwealth representing an expedited payment of the deferred contribution from the 2010-2012 biennium. At June 30, 2016, the VRS had 827 contributing employers.

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

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

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

all other requirements are established by Title 51.1 of the *Code of Virginia*, as amended.

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

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

Members of VaLORS hired before July 1, 2001, were allowed to make a one-time election to increase the multiplier from 1.7 to 2.0 percent instead of receiving a monthly hazardous duty supplement. VaLORS members who elected to retain the 1.7 percent multiplier are eligible for the supplement until age 65. Members of VaLORS hired after June 20, 2001, have their benefit computed using the 2.0 percent multiplier and are not eligible for the supplement.

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

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

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

As required by Title 51.1 of the *Code of Virginia*, as amended, members contribute 5.0 percent of their annual compensation to the retirement plans. Employers may assume the 5.0 percent member contribution. If a member leaves covered employment, the accumulated contributions plus earned interest may be refunded to the member. Each participating employer is required by state statute to contribute the remaining amounts necessary to fund the retirement plans using the entry age normal actuarial cost method adopted by the Board of Trustees. Contributions for fiscal year 2016 were \$39.4 million, \$45.4 million, and \$97.0 million, and reserved balances available for benefits were \$730.7 million, \$468.3 million, and \$1.2 billion, for SPORS, JRS, and VaLORS, respectively. The

current year contributions include \$2.1 million, \$8.5 million, and \$16.5 million, respectively, as additional contributions from the Commonwealth representing an expedited payment of the deferred contribution from the 2010-2012 biennium. State statute may be amended only by the General Assembly. To the extent that the employer's long-term obligation to provide pension benefits (total pension liability) is larger than the value of the assets available in the plan to pay these benefits (fiduciary net position), there is a net pension liability which is reported in the accompanying financial statements as a component of Long-term Liabilities Due in More than One Year.

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

The following table provides participant information.

	VRS	SPORS	VaLORS	JRS
Retirees and Beneficiaries Receiving Benefits	54,034	1,242	4,066	504
Terminated Employees Entitled to Benefits but not Receiving Them	10,947	100	655	2
Total	64,981	1,342	4,721	506
Active Members:				
Vested	54,828	1,525	5,532	324
Non-Vested	22,823	422	3,615	94
Total	77,651	1,947	9,147	418

D. Funding Policy

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

The System's actuary, Cavanaugh MacDonald Consulting, LLC, computed the amount of contributions to be provided by state agency employers, state police and other Virginia law employers. The contribution rates for fiscal year 2016 were based on the actuary's valuation as of June 30, 2013. Employer contributions by the Commonwealth to VRS, SPORS, VaLORS, and JRS were 12.3 percent, 25.8 percent, 17.7 percent, and 49.6 percent, respectively in July 2015; 13.3 percent, 26.8 percent, 18.3 percent, and 49.8 percent, respectively in August 2015; and 14.2 percent, 27.8 percent, 19.0 percent, and 50.0 percent, respectively for the remainder of the fiscal

year. These rates were lower than the actuary's recommended rates to VRS, SPORS, VaLORS, and JRS of 15.8 percent, 30.8 percent, 21.1 percent, and 55.5 percent, respectively.

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

E. Changes in Net Pension Liability

The total pension liability was determined based on the actuarial valuation as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. The following tables (dollars in thousands) show the Commonwealth's total pension liability, plan fiduciary net position, and net pension liability for

the VRS, SPORS, JRS, and VaLORS for the current and prior year.

Primary Government

	VRS			SPORS		
	Increase (Decrease)			Increase (Decrease)		
	Plan			Plan		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 12,249,869	\$ 9,099,234	\$ 3,150,635	\$ 1,031,856	\$ 720,990	\$ 310,866
Changes for the year						
Service cost	125,726	-	125,726	18,847	-	18,847
Interest	496,994	-	496,994	70,350	-	70,350
Differences between actual and expected experience	20,082	-	20,082	(2,890)	-	(2,890)
Contributions - employer	-	9,301	(9,301)	-	28,427	(28,427)
Contributions - member	-	3,786	(3,786)	-	5,680	(5,680)
Net investment income	-	14,089	(14,089)	-	32,466	(32,466)
Benefit payments, including refunds	(390,042)	(22,522)	(367,520)	(53,713)	(53,713)	-
Administrative expense	-	(200)	200	-	(471)	471
Other changes	-	(2)	2	-	(27)	27
Net changes	252,760	4,452	248,308	32,594	12,362	20,232
Balances at June 30, 2016	\$ 12,502,629	\$ 9,103,686	\$ 3,398,943	\$ 1,064,450	\$ 733,352	\$ 331,098

	JRS			VaLORS		
	Increase (Decrease)			Increase (Decrease)		
	Plan			Plan		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 616,680	\$ 442,194	\$ 174,486	\$ 1,693,538	\$ 1,067,826	\$ 625,712
Changes for the year						
Service cost	23,254	-	23,254	40,230	-	40,230
Interest	41,759	-	41,759	105,444	-	105,444
Differences between actual and expected experience	(9,107)	-	(9,107)	(4,105)	-	(4,105)
Contributions - employer	-	31,503	(31,503)	-	51,602	(51,602)
Contributions - member	-	3,015	(3,015)	-	14,197	(14,197)
Net investment income	-	20,051	(20,051)	-	43,480	(43,480)
Benefit payments, including refunds	(40,205)	(40,205)	-	(75,996)	(74,629)	(1,367)
Administrative expense	-	(283)	283	-	(617)	617
Other changes	-	(17)	17	-	(37)	37
Net changes	15,701	14,064	1,637	65,573	33,996	31,577
Balances at June 30, 2016	\$ 632,381	\$ 456,258	\$ 176,123	\$ 1,759,111	\$ 1,101,822	\$ 657,289

Component Units

	VRS			VaLORS		
	Increase (Decrease)			Increase (Decrease)		
	Plan			Plan		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 9,517,064	\$ 7,069,300	\$ 2,447,764	\$ 131,039	\$ 82,624	\$ 48,415
Changes for the year						
Service cost	249,423	-	249,423	7,301	-	7,301
Interest	985,957	-	985,957	19,135	-	19,135
Differences between actual and expected experience	39,841	-	39,841	(744)	-	(744)
Contributions - employer	-	471,356	(471,356)	-	10,482	(10,482)
Contributions - member	-	191,796	(191,796)	-	2,884	(2,884)
Net investment income	-	713,994	(713,994)	-	8,832	(8,832)
Benefit payments, including refunds	(773,784)	(1,141,304)	367,520	(13,791)	(15,158)	1,367
Administrative expense	-	(10,101)	10,101	-	(126)	126
Other changes	-	(152)	152	-	(7)	7
Net changes	501,437	225,589	275,848	11,901	6,907	4,994
Balances at June 30, 2016	\$ 10,018,501	\$ 7,294,889	\$ 2,723,612	\$ 142,940	\$ 89,531	\$ 53,409

The amounts in the previous tables include governmental, business-type, and component unit activity for the Commonwealth's VRS State Plan. The table excludes the non-VRS State Plan net pension liability of \$44.3 million for all other component units and includes the fiduciary net pension liability of \$3.7 million.

The 2014 actuarial valuations were prepared using the entry age normal cost method. The actuarial assumptions included (a) 7.0 percent investment rate of return, per year compounded annually; (b) projected salary increases ranging from 3.5 percent to 6.0 percent, including a 2.5 percent inflation component and (c) COLA of 2.5 percent for Plan 1 and 2.3 percent for Plan 2. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

For more detailed actuarial information, refer to the Virginia Retirement System's financial statements, including mortality rates shown in the "Actuarial Assumptions and Methods – Pension Plans" schedule.

F. Changes to and Sensitivity of Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be based on the actuarially determined rates based on the Board's funding policy, which certifies the required rates under Title 51.1 of the *Code of Virginia* (1950), as amended. Based on those assumptions, the fiduciary net position was projected to be available to make all of the projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability. In accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the employers' net pension liability for each of the plans calculated using the discount rate of 7.0 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.0 percent lower (6.0 percent) or 1.0 percent higher (8.0 percent) than the current rate. The following table (dollars in thousands) shows the Commonwealth's changes in the discount rate.

Primary Government

VRS			SPORS		
Net Pension Liability			Net Pension Liability		
1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
\$ 4,881,905	\$ 3,398,943	\$ 2,155,357	\$ 458,781	\$ 331,098	\$ 224,093

JRS			VaLORS		
Net Pension Liability			Net Pension Liability		
1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
\$ 234,187	\$ 176,123	\$ 125,757	\$ 893,614	\$ 657,289	\$ 462,817

Component Units

VRS			VaLORS		
Net Pension Liability			Net Pension Liability		
1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
\$ 3,911,926	\$ 2,723,612	\$ 1,727,112	\$ 72,612	\$ 53,409	\$ 37,607

The long-term expected rate of return on the System's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocations are based on the Strategic Asset Allocation Implementation Schedule and Allowable Ranges document, which was approved by the VRS Board of Trustees on June 20, 2013. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation 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	19.5%	6.5%	1.3%
Developed Non U.S Equity	16.5%	6.3%	1.0%
Emerging Market Equity	6.0%	10.0%	0.6%
Fixed Income	15.0%	0.1%	0.0%
Emerging Debt	3.0%	3.5%	0.1%
Rate Sensitive Credit	4.5%	3.5%	0.2%
Non Rate Sensitive Credit	4.5%	5.0%	0.2%
Convertibles	3.0%	4.8%	0.1%
Public Real Estate	2.2%	6.1%	0.1%
Private Real Estate	12.8%	7.1%	0.9%
Private Equity	12.0%	10.4%	1.3%
Cash	1.0%	-1.5%	0.0%
Total	100.0%		5.8%
			2.5%
			8.3%

The allocation in the previous table provides a one-year expected return of 8.3 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the pension system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.4 percent, including expected inflation of 2.5 percent.

G. Pension Related Deferred Outflows and Deferred Inflows

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, requires certain pension related items to be reported as either deferred outflows or deferred inflows of resources. The following table (dollars in thousands) summarizes these amounts as of June 30, 2016.

Primary Government (1) (3)

	VRS		SPORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,466	\$ -	\$ -	\$ 2,405
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on plan investments	-	244,493	-	19,166
Changes in proportion and difference between employer contributions and proportionate share of contributions	69,779	105,656	-	-
Employer contributions subsequent to the Measurement Date	312,433	-	31,561	-
Total	<u>\$ 406,678</u>	<u>\$ 350,149</u>	<u>\$ 31,561</u>	<u>\$ 21,571</u>

	JRS		VaLORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,819	\$ -	\$ 3,195
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on plan investments	-	11,773	-	27,855
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	-	21,589	22,732
Employer contributions subsequent to the Measurement Date	33,291	-	60,887	-
Total	<u>\$ 33,291</u>	<u>\$ 17,592</u>	<u>\$ 82,476</u>	<u>\$ 53,782</u>

Component Units (2) (3)

	VRS		VaLORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,604	\$ -	\$ -	\$ 261
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on plan investments	-	195,915	-	2,261
Changes in proportion and difference between employer contributions and proportionate share of contributions	61,857	25,980	2,984	1,842
Employer contributions subsequent to the Measurement Date	244,034	-	4,904	-
Total	<u>\$ 325,495</u>	<u>\$ 221,895</u>	<u>\$ 7,888</u>	<u>\$ 4,364</u>

- (1) During fiscal year 2016, the primary government made an expedited payment of the deferred contribution from the 2010-2012 biennium of \$119,786 (dollars in thousands) to the System. This amount is reflected as a deferred outflow of resources for the primary government in the accompanying financial statements and is excluded from the above amounts.
- (2) The component unit amounts include deferred outflows of resources and deferred inflows of resources of \$17,121 (dollars in thousands) and \$13,240 (dollars in thousands), respectively, not related to the VRS State Plan.
- (3) Additionally, during fiscal year 2016, the Commonwealth recognized pension expense for the primary government and component units of \$315,272 (dollars in thousands) and \$198,885 (dollars in thousands), respectively.

Deferred Amounts to be Recognized in Fiscal Years Following Reporting Date

The following tables (dollars in thousands) provide the net estimated amount of the deferred inflows and deferred outflows of resources that will be recognized in the Commonwealth's pension expense for each of the next five fiscal years.

Primary Government

	VRS	SPORS	JRS	VaLORS
2017	\$ (86,994)	\$ (8,026)	\$ (7,924)	\$ (12,288)
2018	(86,994)	(8,026)	(7,167)	(12,288)
2019	(88,929)	(8,028)	(4,638)	(11,621)
2020	42,890	2,974	2,137	5,147
2021	-	(465)	-	-

Component Units

	VRS	VaLORS
2017	\$ (69,709)	\$ (998)
2018	(69,709)	(998)
2019	(71,261)	(944)
2020	34,368	418
2021	-	-

H. Defined Contribution Plan for Political Appointees

Officers appointed by the Governor, officers elected by popular vote or the General Assembly, and executive branch chief deputies and confidential assistants may participate in the deferred contribution plan for Political Appointees, rather than the VRS. This optional retirement plan is authorized by the *Code of Virginia* and offered through the ICMARC. This is a defined contribution plan where the retirement benefits are based upon the Commonwealth's 12.3 percent and the employee's (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year ended June 30, 2016, the total contributions to this plan were \$1.4 million.

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

I. Defined Contribution Plan for Public School Superintendents

The Public School Superintendent Plan is a defined contribution pension plan that provides optional postemployment benefits for school superintendents. This plan is authorized by the *Code of Virginia*. The Board of Trustees of the System manages the investments of the fund as custodian. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school board for credit to the member. At June 30, 2016, there were three

participants in this plan. Total contributions to the plan for fiscal year 2016 were \$40,117.

J. Virginia Supplemental Retirement Plan

The Public School Teacher Supplemental Retirement Plan is a defined contribution pension plan established by the Department of Education to provide an optional postemployment benefit plan for turnaround specialists in the public school system. This plan is utilized as an incentive to attract highly skilled teachers for participating public schools pursuant to the *Code of Virginia* by Title 51.1-617. The Board of Trustees of the System manages the investments of the fund as custodian. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school boards for credit to the members. At June 30, 2016, there were two participants in this plan. There were no contributions to the plan for fiscal year 2016.

K. Higher Education (Nonmajor Component Units)

The Commonwealth's colleges and universities participate in the retirement plans administered by VRS. In addition, full-time faculty and certain administrative staff of the Commonwealth's colleges and universities may participate in optional retirement plans as authorized by Section 51.1-126 of the *Code of Virginia* rather than the VRS retirement plans. These optional retirement plans are defined contribution plans offered through Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), and Fidelity Investments Tax-Exempt Services Company. There are two defined contribution plans. Plan 1 is for employees hired prior to July 1, 2010, and retirement benefits received are based upon the employer's 10.4 percent contributions, plus net investment gains. Plan 2 is for employees hired on or after July 1, 2010, and retirement benefits received are based upon the employer's 8.5 percent not to exceed 8.9 percent contribution and the employee's 5.0 percent contribution, plus net investment gains. For Plan 2, the employer contributions for fiscal year 2016 were 8.5 percent except the employer contributions for the University of Virginia (nonmajor) were 8.9 percent. Vesting is full and immediate for both employer and employee contributions. For fiscal year 2016, total pension expense recognized was \$143.5 million and contributions were calculated using the base salary amount of \$1.5 billion. As of June 30, 2016, the Commonwealth's colleges and universities had accrued \$9.5 million in employer liabilities related to these plans.

University of Virginia Medical Center (part of the University of Virginia – nonmajor) employees hired after July 1, 1999, cannot participate in Plan 1 or Plan 2 noted above but have the option of participating in the Medical Center's Optional Retirement Plan. For information regarding this

plan, see the institution's individually published financial statements.

Certain employees of Virginia Commonwealth University (nonmajor) are participating in The Select Plan, which is a 401(a) defined contribution plan. Participation is limited to executives by invitation. For information regarding this plan, see the University's individually published financial statements.

Prior to July 1, 1997, certain employees of the Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of Virginia Commonwealth University – nonmajor) were eligible to participate in the VRS defined benefit pension plan. Effective July 1, 1997, the Authority established the Virginia Commonwealth University Health System Authority Defined Contribution Plan (VCUHS 401(a) Plan) and the Virginia Commonwealth University Health System Authority Health Care Providers Defined Contribution Plan (HCP Plan). The Authority and component units, MCV Associated Physicians (MCVAP), VCU Community Memorial Hospital (CMH), and the Children's Hospital (Children's), participate in the VCUHS 401(a) as well as sponsor the VCUHS Savings Plan (VCUHS 457(b) Plan). Health care providers hired between July 1, 1993 and July 1, 1997, are eligible to participate in the HCP Plan. MCVAP also sponsors the MCVAP 401(a) Retirement Plan. VA Premier (a component of the Authority) adopted a 401(k) Plan. For information regarding these plans, see the Authority's individually published financial statements.

Effective January 1, 1997, James Madison University (nonmajor) established a Supplemental Retirement Plan for tenured faculty members. The plan is a qualified plan within the meaning of section 401(c) of the Internal Revenue Code of 1986 (the Code) and is a governmental plan within the meaning of section 414(d) of the Code. For information regarding this plan, see the University's individually published financial statements.

The Center for Innovative Technology (CIT) is a blended component unit of the Innovation and Entrepreneurship Investment Authority (nonmajor). The CIT has a defined contribution retirement plan covering substantially all employees. Under the plan, CIT makes contributions fixed at a percentage of each employee's compensation to pay premiums for individual retirement annuity contracts written by TIAA-CREF. For information regarding this plan, see the Authority's individually published financial statements.

L. Other Component Units

Note 1.B. outlines the component units included in the Commonwealth's reporting entity. The Virginia Public Building Authority (blended - primary government), the Virginia Public School Authority (major), the Virginia College Building Authority (major), the Virginia University Research

Partnership (nonmajor), and the Virginia School for the Deaf and Blind Foundation (nonmajor) have no employees. Virginia Resources Authority (major) and the following nonmajor component units participate in the retirement plans administered by VRS: the Virginia Economic Development Partnership, the Virginia Small Business Financing Authority, the Hampton Roads Sanitation District Commission, the Virginia Biotechnology Research Partnership Authority, the Virginia Tourism Authority, the Tobacco Region Revitalization Commission, the Virginia Foundation for Healthy Youth, and the Fort Monroe Authority.

The Virginia Housing Development Authority (major) has two defined contribution plans and incurs employment retirement savings expense under these plans equal to between 8.0 and 11.0 percent of full-time employees' compensation. For additional information regarding these plans, see the Authority's individually published financial statements.

The Virginia Outdoors Foundation (nonmajor) maintains a 401(k) contribution plan and provides an employer contribution to all eligible employees of 2.0 percent of their salary. Employees can contribute to the plan up to the IRS limit and the Foundation will match up to an additional 2.0 percent for a maximum of 4.0 percent of an employees' contribution. For information regarding this plan, see the Foundation's individually published financial statements.

The Virginia Commercial Space Flight Authority (nonmajor) maintains a 401(a) contribution plan and provides an employer contribution to all eligible employees of 11.0 percent of their base salary. For information regarding this plan, see the Authority's individually published financial statements.

The Virginia Port Authority (VPA) (nonmajor) maintains two defined benefit plans for its employees. Employees of record on July 1, 1997, had the option of continuing to maintain their benefit status as a State employee, and their benefits maintained under the VRS, or elect to be covered under a newly created pension plan (the VPA Defined Benefit Plan). The VPA Defined Benefit Plan covers all employees hired between July 1, 1997 and February 1, 2014. Employees hired after February 1, 2014 are eligible for a defined contribution plan only. The Virginia International Terminals (VIT) (a blended component unit of VPA – nonmajor) has a Virginia International Terminals, LLC Pension Plan that is a single employer, noncontributory defined benefit pension plan administered by VIT. VIT also sponsors noncontributory supplemental plans covering certain key employees. For information regarding these plans, see the Authority's individually published financial statements.

Employees of the Virginia Museum of Fine Arts Foundation (nonmajor) who are age 21 or older are eligible to participate in the Employee's Savings Plan, a 401(k) defined contribution profit sharing

plan. Also, the Foundation entered into a supplemental retirement agreement to pay a key employee of the Museum upon retirement the difference between the amount accrued under the VRS retirement plan, based on salary, and the amount based on the supplemental salary. For additional information regarding these plans, see the Foundation's individually published financial statements.

The Science Museum of Virginia Foundation (nonmajor) has a 403(b) defined contribution pension plan through the Teachers Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF) Retirement Plan for employees meeting age and service requirements. For additional information regarding this plan, see the Foundation's individually published financial statements.

16. OTHER EMPLOYMENT BENEFITS

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

Group Life Insurance

The Group Life Insurance Plan was established for Commonwealth employees, teachers, employees of political subdivisions participating in the VRS, state police officers, other state law enforcement and correctional officers, judges, and other qualifying employees. The program provides life insurance for natural death coverage equal to a member's annual compensation rounded to the next highest \$1,000 and then doubled. Accidental death coverage is double the natural death benefit. The program also provides coverage for accidental dismemberment and accidental blindness, a safety belt benefit, a repatriation benefit, a felonious assault benefit and an accelerated death benefit for terminal conditions. Approximately 359,679 members participate in the program at June 30, 2016.

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

An optional Group Life Insurance Fund was established for members covered under the group life program as a supplement to that plan. Members may purchase

optional life insurance coverage for themselves, their spouses and/or their dependent children. The optional program provides natural death coverage equal to one, two, three or four times the member's annual compensation rounded to the next highest \$1,000, up to a maximum of \$750,000. Spouse coverage is available for up to one-half of the member's optional insurance amount. Minor children who are at least 15 days old can be insured for \$10,000, \$20,000 or \$30,000, depending on the option chosen by the member. An additional accidental death and dismemberment benefit is payable for death or bodily injuries. Approximately 67,493 members were covered under this program at June 30, 2016.

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

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

Virginia Sickness and Disability Program

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

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

Full-time permanent salaried state employees, including state police officers and other Virginia law and correctional officers, are automatically enrolled in the VSDP. Part-time permanent salaried state employees who work at least 20 hours a week and accrue leave also are automatically enrolled. Teaching, administrative and research faculty of Virginia public colleges and universities who elect VRS as their retirement plan must make an irrevocable election to participate in either the VSDP or the institution's disability program. If there is no institution program, the faculty member is covered under VSDP.

Eligible state employees and state police officers employed before January 1, 1999, had the option to elect to participate in the VSDP or remain under the Commonwealth's existing sick leave program and retain their eligibility for disability retirement benefits under VRS and SPORS. (Members of VaLORS have been automatically enrolled in the VSDP since October 1, 1999, when VaLORS was created.) Eligible employees enrolled in the VSDP are not eligible for disability retirement benefits under VRS, SPORS, or VaLORS. Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work related short-term disability coverage and certain income replacement levels. Approximately 74,657 members were covered under the program at June 30, 2016.

Volunteer Firefighters' and Rescue Squad Workers' Fund

Volunteer firefighters and rescue squad workers may participate in an optional employment benefit plan. This optional plan is authorized by the *Code of Virginia*. The Board of Trustees of the System manages the investments of the fund as custodian. Members of the plan contribute \$30 per quarter. The Commonwealth will contribute an amount determined by the Board and appropriated by the General Assembly, if such funds are appropriated, for a period not to exceed 20 years. For fiscal year 2016, there were no monies appropriated for administration of the program. At June 30, 2016, there were 1,743 workers participating in the fund.

17. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Virginia Retirement System (The System) Administered Plans

The Governmental Accounting Standards Board (GASB) issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which requires additional reporting and disclosures for OPEB plans. The statement became effective for System-administered OPEB plans beginning with the fiscal year ended June 30, 2007. The assets and actuarial accrued liabilities for the following other postemployment benefits were determined through an actuarial valuation performed as of June 30, 2015, by Cavanaugh MacDonald Consulting, LLC, and are presented in the Required Supplemental Schedule of Funding Progress for Other Postemployment Benefit Plans. The significant

accounting policies for all five plans are the same as those described in Note 15 for pension plans and a separately issued report is available as previously discussed.

Group Life Insurance Benefits

Employees who retire or terminate from service after age 50 with at least ten years of service credit or at age 55 with at least five years of service credit (age 50 for vested state police officers, other state law enforcement and correctional officers and hazardous duty employees of participating political subdivisions), or who retire because of disability, are entitled to postemployment group life insurance benefits. Employees enrolled in JRS who retire or terminate from service after age 60 with at least 30 years of service credit or at age 65 with at least five years of service credit are entitled to postemployment group life insurance benefits. At retirement or termination, accidental death benefits cease and natural death coverage reduces at a rate equal to 25.0 percent on January 1 of the first full calendar year following retirement or termination and on January 1 of each year thereafter, until it reaches 25.0 percent of its original value. These group life insurance benefit provisions and requirements are established by Title 51.1 of the *Code of Virginia*. There were approximately 169,786 retirees in the Basic Group Life Insurance Program and 2,874 retirees were covered under the Optional Group Life Insurance Program in fiscal year 2016.

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

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

Retiree Health Insurance Credit Program

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

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

may receive a maximum credit of \$1.50 per month per year of service with a maximum monthly credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the *Code of Virginia*. The amount required to fund all credits is financed by the employers based on contribution rates determined by the System's actuary. Approximately 116,408 retired members were covered under this program at June 30, 2016. The Retiree Health Insurance Credit Program is an agent, multiple-employer defined benefit OPEB plan.

Disability Insurance Trust Fund

The Commonwealth provides OPEB disability insurance benefits, in accordance with state statutes, to eligible retired and terminated employees. State agencies are required by Title 51.1 of the *Code of Virginia* to contribute to the cost of providing long-term disability benefits and administering the program. There were approximately 2,844 former members receiving benefits from the program during fiscal year 2016. The Disability Insurance Trust Fund is a single-employer defined benefit OPEB plan.

Line of Duty Death and Disability

The Commonwealth provides death and health benefits to the beneficiaries of certain law enforcement and rescue personnel disabled or killed in the line of duty. A trust fund has been established to account for this activity. Benefit provisions and eligibility requirements are established by Title 9.1 Chapter 4 of the *Code of Virginia*. The significant accounting policies for this plan are the same as those described in Note 15 for pension plans. There were approximately 992 retirees and 936 other participants in the program in fiscal year 2016. The Line of Duty Death and Disability Program is a cost-sharing, multiple-employer defined benefit OPEB plan. The employer contribution rate was determined by the System's actuary using the anticipated costs and the number of covered individuals associated with all of the covered employers. Additionally, the Department of Accounts provides certain administrative support in claims administration.

Virginia Local Disability Program

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

leave program and the payment of short-term disability benefits.

During fiscal year 2016, the System collected contributions for eligible employees and continued implementation of the structure for administering the program going forward. At June 30, 2016, there were 9,699 participants in the program.

B. Pre-Medicare Retiree Healthcare

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

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

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. The significant accounting policies for this plan are the same as those described in Note 15 for pension plans. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan and is administered by the Department of Human Resource Management. There were approximately 6,387 retirees in the program in fiscal year 2016.

C. Annual OPEB Cost and Net OPEB Obligation

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which required additional reporting and disclosures for OPEB plans beginning with the fiscal year ending June 30, 2008. The Commonwealth calculated an OPEB liability as of June 30, 2016 for each of the five OPEB plans covering Commonwealth employees. The Retiree Health Insurance Credit Fund, Disability Insurance Trust Fund, and Pre-Medicare Retiree Healthcare OPEB liabilities were \$202.7 million, \$207.1 million, and \$1.3 billion, respectively. These amounts are reported in the accompanying financial statements as a component of Long-Term Liabilities Due in More than One Year. There is no liability for the Group Life Insurance Fund or Line of Duty Death and Disability.

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

	Group Life Insurance Fund			Retiree Health Insurance Credit Fund		
	2016	2015	2014	2016	2015	2014
Annual required contribution	\$ 65,735	\$ 63,778	\$ 63,250	\$ 84,832	\$ 81,253	\$ 72,322
Interest on net OPEB obligation	-	-	-	12,784	11,437	10,515
Adjustment to annual required contribution	-	-	-	(11,051)	(9,911)	(9,092)
Annual OPEB cost	65,735	63,778	63,250	86,565	82,779	73,745
Contributions made	(65,735)	(63,778)	(63,250)	(66,215)	(64,025)	(60,219)
Increase in net OPEB obligation	-	-	-	20,350	18,754	13,526
Net OPEB obligation, beginning of year	-	-	-	182,306	163,552	150,026
Net OPEB obligation, end of year	\$ -	\$ -	\$ -	\$ 202,656	\$ 182,306	\$ 163,552
Percentage of annual OPEB cost contributed	100.0%	100.0%	100.0%	76.5%	77.3%	81.7%

	Disability Insurance Trust Fund			Line of Duty Death and Disability		
	2016	2015	2014	2016 (3)	2015 (2)	2014 (1)
Annual required contribution	\$ 38,675	\$ 36,831	\$ 30,302	\$ 5,840	\$ 6,122	\$ 6,486
Interest on net OPEB obligation	13,406	12,315	11,262	-	-	-
Adjustment to annual required contribution	(11,586)	(10,681)	(9,763)	-	-	-
Annual OPEB cost	40,495	38,465	31,801	5,840	6,122	6,486
Contributions made	(24,495)	(23,642)	(16,644)	(5,840)	(6,122)	(6,486)
Increase in net OPEB obligation	16,000	14,823	15,157	-	-	-
Net OPEB obligation, beginning of year	191,096	176,273	161,116	-	-	-
Net OPEB obligation, end of year	\$ 207,096	\$ 191,096	\$ 176,273	\$ -	\$ -	\$ -
Percentage of annual OPEB cost contributed	60.5%	61.5%	52.3%	100.0%	100.0%	100.0%

	Pre-Medicare Retiree Healthcare		
	2016	2015	2014
Annual required contribution	\$ 213,660	\$ 206,590	\$ 198,451
Interest on net OPEB obligation	43,377	36,398	30,013
Adjustment to annual required contribution	(44,829)	(37,762)	(31,007)
Annual OPEB cost	212,208	205,226	197,457
Contributions made	(42,996)	(35,028)	(34,229)
Increase in net OPEB obligation	169,212	170,198	163,228
Net OPEB obligation, beginning of year	1,081,893	911,695	748,467
Net OPEB obligation, end of year	\$ 1,251,105	\$ 1,081,893	\$ 911,695
Percentage of annual OPEB cost contributed	20.3%	17.1%	17.3%

- (1) During fiscal year 2014, the required annual contributions of \$6.5 million were paid by the Commonwealth. Additionally, the loan decreased to \$8.3 million that will be repaid in future periods with contributions received.
- (2) During fiscal year 2015, the required annual contributions of \$6.1 million were paid by the Commonwealth.
- (3) During fiscal year 2016, the required annual contributions of \$5.8 million were paid by the Commonwealth.

The amounts in the previous table include Governmental and Component Unit activity for which the Commonwealth is considered the employer. It does not include the OPEB liability for the following nonmajor component units: the Virginia Economic Development Partnership, the Virginia Tourism Authority, the Fort Monroe Authority, and the Virginia Outdoors Foundation of \$2.2 million, \$1.2 million, \$368,220, and \$57,719, respectively. The table also excludes non-Commonwealth sponsored OPEB liabilities of \$57.1 million for all other component units and includes the fiduciary OPEB liability of \$669,523.

The annual required contributions for the current year were determined during the actuarial valuations conducted as of June 30, 2013, as that is the most recent report that reflects the current funding policies. Employer contributions by the Commonwealth for Group Life Insurance, Retiree Health Insurance Credit and Disability Insurance were 1.2 percent, 1.0 percent, and 0.7 percent, respectively, of covered payrolls for fiscal year 2016. The valuations were prepared using the entry age normal cost method for all plans except for the Disability Insurance trust fund and the Line of Duty Act trust fund for which the Projected Unit Credit actuarial cost method was used. The Pre-Medicare Retiree Healthcare plan uses a 4.0 percent investment rate of return, per year compounded annually, which approximates the projected rate of return on the State Treasurer's Portfolio. The Group Life Insurance, Retiree Health

Insurance Credit and Disability Insurance use a 7.0 percent investment rate of return, per year compounded annually. The Line of Duty Act trust fund uses a 4.8 percent rate of return compounded annually. The actuarial assumptions for all but the Pre-Medicare Retiree Healthcare plan included a projected salary increase of 3.0 percent, including a 2.5 percent inflation component. Valuation techniques were applied to smooth the effects of short-term volatility in the market value of investments over a five year period. The actuarial assumptions for the Pre-Medicare Retiree Healthcare plan as to current claim cost, projected increases in health insurance costs, mortality, turnover, retirement, disability and discount rate include (a) projected salary increases ranging from 3.8 percent to 5.6 percent, including a 2.5 percent inflation component; and, (b) assumption that there is no liability associated with those retirees eligible for Medicare, as costs for members aged 65 and older are not subsidized by the active population (no implicit subsidy), participants pay 100.0 percent of the costs, and the liability associated with the health insurance credit is measured and held by the Virginia Retirement System. Initial healthcare costs trend rates used were 10.0 percent, 11.0 percent, and 6.0 percent for medical, pharmacy, and dental benefits, respectively. The ultimate trend rates used were 5.0 percent, 5.0 percent, and 4.0 percent for medical, pharmacy, and dental benefits, respectively. The remaining open amortization period at June 30, 2013, was 30 years.

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015, per the most recent actuarial valuation, was as follows:

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
Group Life Insurance Fund						
2015	\$ 1,129	\$ 2,829	\$ 1,700	39.9%	\$ 17,814	9.5%
Retiree Health Insurance Credit Fund						
2015	\$ 174	\$ 2,380	\$ 2,206	7.3%	\$ 15,267	14.4%
Disability Insurance Trust Fund						
2015	\$ 398	\$ 235	\$ (163)	169.4%	\$ 3,627	(4.5%)
Line of Duty Death and Disability						
2015	\$ -	\$ 245	\$ 245	-	N/A	-
Pre-Medicare Retiree Healthcare						
2015	\$ -	\$ 1,309	\$ 1,309	-	\$ 4,034	32.4%

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

E. Higher Education (Nonmajor Component Unit)

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

F. Other Component Units

The Virginia Housing Development Authority (major) has a Retiree Health Care Plan, a single-employer defined benefit plan which is administered through the Virginia Housing Development Authority Retiree Health Care Plan Trust, an irrevocable trust to be used solely for providing benefits to eligible participants. Effective January 1, 2006, eligible retirees must be at least 55 years of age with 15 years of service or at least 55 years of age with 10 years of service if employed by the Authority prior to such date. For the year ended June 30, 2016, the Authority's Annual OPEB cost was \$406,132; the percentage of Annual OPEB Cost Contributed was 313.8 percent; and the ending Net OPEB asset was \$4.0 million.

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

the Commission. The current rate is 6.0 percent of annual covered payroll. For 2016, the Commission's annual OPEB cost was \$2.2 million; the percentage of annual OPEB cost contributed was 100.0 percent.

18. DEFERRED COMPENSATION PLANS

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The Virginia Retirement System (the System) administers the deferred compensation plan, pursuant to the Government Employees Deferred Compensation Plan Act, Section 51.1, Chapter 6 et seq. of the *Code of Virginia*. The System contracts with private corporations or institutions subject to the standards set forth in the *Code* to provide investment products as well as any other goods and services related to the administration of the deferred compensation plan. The Department of Accounts is responsible for the accounting, reconciliation, payment to the plan through payroll deductions, and timely transfer of withheld funds to the trustee designated by the System for investment. The plan provides a number of investment options and is designed so that each participant retains investment control of his/her individual account. The plan, available to all state employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of plan participants and their beneficiaries and is not available to employees until termination, retirement, death, unforeseeable emergency, or an in-service distribution at age 70 ½ or later. Since the System has no fiduciary relationship with plan participants, plan assets at June 30, 2016, of \$2.2 billion are not included in the financial statements.

In addition, the Commonwealth provides a cash match under Internal Revenue Code Section 401(a) for employees participating in the deferred compensation plan. The match amount for an employee was established at 50.0 percent of the voluntary contributions to the deferred compensation plan. During the current fiscal year, the maximum match was \$20 per pay period or \$40 per month. The fair value of assets in the cash match savings plan at June 30, 2016, was \$379.1 million, which is also excluded from the financial statements.

Most employees of the Commonwealth's colleges and universities may participate in the Commonwealth's deferred compensation plan in accordance with Internal Revenue Code Section 457(b) and/or the institution's deferred compensation plan in accordance with Internal Revenue Code Section 403(b). Under either plan, the institution's cash match under the Internal Revenue Code Section 401(a) during fiscal year 2016 was a maximum match up to \$20 per pay period or \$40 per month. This employer match is for either plan but not both plans. Employer contributions under these plans were approximately \$13.3 million for fiscal year 2016.

The deferred compensation plan for the University of Virginia Medical Center (part of the University of Virginia – nonmajor component unit) employees hired

on or after September 30, 2002, allows employee contributions up to 4.0 percent of their salary and the employer match is 50.0 percent of the 4.0 percent deferral not to exceed 2.0 percent of the employees' salary. Employer contributions under this plan were approximately \$3.5 million for fiscal year 2016.

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

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

The Virginia Port Authority (VPA) (nonmajor component unit) offers three deferred compensation plans and two matching savings plans under Internal Revenue Code Sections 457 and 401(a), respectively. For additional information, please refer to the VPA's individually published financial statements.

19. STATE NON-ARBITRAGE POOL

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

The SNAP fund is a class of the PFM Funds Prime Series, a money market mutual fund registered with the Securities and Exchange Commission. PFM Funds is a diversified, open-end management investment company organized as a Virginia business trust. Shares of the SNAP fund are solely available to investors participating in the SNAP program. The PFM Funds Board of Trustees has overall responsibility for supervising the SNAP fund's business and affairs, including the oversight of organizations providing investment advisory, administration, and distribution services to the SNAP fund. PFM Asset Management LLC serves as the investment adviser of the SNAP fund. The SNAP individual investment portfolios are the responsibility of the SNAP investment manager and the governments investing proceeds in the portfolios. These investments are held solely in the SNAP participants' names. Since the Commonwealth has no fiduciary relationship with local governmental entities participating in the plan, these assets of \$2.2 billion are not included in the financial statements.

20. COMMITMENTS

A. Construction Projects

Primary Government

Highway Projects

At June 30, 2016, the Department of Transportation had contractual commitments of approximately \$3.2 billion for construction of various highway projects. Funding for these expenditures is expected to be provided as follows: (1) federal funds – approximately 26.0 percent or \$832.0 million, (2) state funds – approximately 71.6 percent or \$2.3 billion, and (3) Proceeds from Bonds – approximately 2.4 percent or \$78.0 million.

Mass Transit Projects

At June 30, 2016, the Department of Rail and Public Transportation had contractual commitments of approximately \$293.1 million for various public transportation, rail preservation, and rail enhancement projects. Funding of the future expenditures is expected to be as follows: 1) State funds – approximately 77.3 percent or \$226.5 million, and 2) Federal funds – approximately 22.7 percent or \$66.6 million.

Wastewater Treatment Projects

At June 30, 2016, the Department of Environmental Quality was committed to grant contracts with localities to reimburse a portion of construction costs for nutrient reduction facilities at wastewater treatment plants totaling \$77.7 million provided by bond proceeds and the Water Quality Improvement Fund.

Other Construction Projects

At June 30, 2016, the Department of General Services had construction commitments of approximately \$18.2 million for design work related to capitol complex infrastructure projects.

At June 30, 2016, the Department of Forensic Science had contractual commitments of approximately \$13.5 million and non-contractual commitments of \$430,700 for construction projects.

At June 30, 2016, the Department of Corrections had construction commitments of \$11.8 million for operational and security upgrades.

At June 30, 2016, the Department of Military Affairs had construction commitments of approximately \$8.7 million.

At June 30, 2016, the Department of Conservation and Recreation had contractual commitments of approximately \$4.5 million and non-contractual commitments of \$60,861 for construction projects.

At June 30, 2016, the Wilson Workforce and Rehabilitation Center had construction commitments of approximately \$7.3 million.

Component Units

Port Projects

At June 30, 2016, the Virginia Port Authority (nonmajor) was committed to construction contracts totaling \$145.4 million.

Wallops Island Project

At June 30, 2016, the Virginia Commercial Space Flight Authority (nonmajor) was committed to construction programs totaling \$8.1 million.

Treatment Plant

At June 30, 2016, the Hampton Roads Sanitation District Commission (nonmajor) was committed to construction contracts totaling \$161.1 million.

Higher Education Institutions

Colleges and universities (nonmajor) had contractual commitments as of June 30, 2016, of approximately \$585.1 million primarily for construction contracts. Higher education foundations' commitments total approximately \$19.4 million and are primarily for construction contracts.

B. Operating Leases

The Commonwealth has entered into numerous agreements to lease land, buildings, and equipment. Most of the operating leases contain the provision that the Commonwealth may renew the operating leases at the expiration date of the lease on a month-to-month basis. In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases of a similar nature. Rental expense for the primary government under these operating leases for the year ended June 30, 2016, was \$69.4 million for governmental activities (including internal service funds) and \$26.5 million for business-type activities. Rental expense for the discrete component units (excluding foundations) for the year ended June 30, 2016, was \$148.6 million. The Commonwealth has, as of June 30, 2016, the following minimum rental payments due under the above leases (dollars in thousands):

	Primary Government		Component Units (1)
	Governmental Activities	Business-type Activities	
2017	\$ 62,868	\$ 22,478	\$ 141,879
2018	52,528	18,550	128,862
2019	41,342	14,571	111,217
2020	32,780	10,620	102,493
2021	26,202	7,090	97,211
2022-2026	65,301	13,174	486,231
2027-2031	3,320	-	430,325
2032-2036	1,190	-	2,329
2037-2041	23	-	823
2042-2046	42	-	823
2047-2051	-	-	521
Total	<u>\$ 285,596</u>	<u>\$ 86,483</u>	<u>\$ 1,502,714</u>

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

Foundations (2)

2017	\$ 5,950
2018	5,128
2019	2,918
2020	2,372
2021	2,071
Thereafter	<u>14,519</u>
Total	<u>\$ 32,958</u>

Note (2): Foundations represent FASB reporting entities defined in Note 1.B. Rental expense for the year ended June 30, 2016, was approximately \$6.3 million.

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

C. Investment Commitments – Virginia Retirement System

The Virginia Retirement System extends investment commitments in the normal course of business, which, at June 30, 2016, amounted to \$10.2 billion.

D. Virginia Transportation Infrastructure Bank

Section 33.2-1500 of the *Code of Virginia* states the Virginia Transportation Infrastructure Bank is intended to help alleviate a critical financing need for present and future highways within the Commonwealth. This includes toll facilities; mass transit; freight, passenger, and commuter rail; and port, airport and other transportation facilities. As of June 30, 2016, the Department of Transportation had \$135.1 million in outstanding loans to the City of Chesapeake for the Dominion Boulevard Project and Loudoun County for the Pacific Boulevard Project coordinated through the Virginia Resources Authority.

E. Tobacco Grants

The Tobacco Region Revitalization Commission (nonmajor component unit) had \$126.8 million in grant award commitments not reflected in the accompanying financial statements since eligibility requirements were not met as of June 30, 2016, in accordance with GASB Statement No. 33.

The Virginia Foundation for Healthy Youth (nonmajor component unit) had \$8.4 million in grant commitments and outstanding contracts not reflected in these statements since eligibility requirements were not met as of June 30, 2016, in accordance with GASB Statement No. 33.

F. Other Commitments

Primary Government

At June 30, 2016, the Department of Behavioral Health and Developmental Services had contractual commitments of approximately \$11.2 million.

At June 30, 2016, the Department of Corrections had contractual commitments of approximately \$267.5 million and non-contractual commitments of approximately \$531.8 million for detention services, medical care, and food services.

At June 30, 2016, the Virginia Department of Health had commitments of approximately \$34.3 million to localities, trauma centers, trainers, grants to rescue squads, and water supply assistance grants.

At June 30, 2016, the Department of Motor Vehicles had contractual commitments of approximately \$28.2 million for security technology services.

At June 30, 2016, the Virginia Employment Commission had contractual commitments of approximately \$12.5 million and non-contractual commitments of approximately \$7.5 million for information systems modernization projects. The agency also had \$6.5 million in other contractual commitments.

At June 30, 2016, the Department of Environmental Quality had commitments of approximately \$16.3 million for reimbursement claims for cleanup of leaking underground storage tanks.

The Enterprise Applications (internal service fund) began an upgrade of the Cardinal Financial System in May 2016. At June 30, 2016, the upgrade had contractually obligated commitments of \$9.0 million.

The Virginia College Savings Plan (major enterprise fund) administers the Virginia529 prePAID Program. At June 30, 2016, the Program had \$157.3 million in private equity commitments.

The Virginia Wireless E-911 (nonmajor enterprise fund) had \$6.0 million in outstanding grants

awarded but not yet disbursed to localities as of June 30, 2016, since all of the eligibility criteria have not been met in accordance with GASB Statement No. 33.

Component Units

The Virginia Housing Development Authority (major) had \$703.5 million in commitments to fund new loans as of June 30, 2016, since all of the eligibility criteria have not been met in accordance with GASB Statement No. 33.

The Virginia Resources Authority (major) was obligated to disburse \$126.6 million in loan commitments to various localities and other governmental entities in the Commonwealth of Virginia as of June 30, 2016, since all of the eligibility criteria have not been met in accordance with GASB Statement No. 33.

The Virginia Small Business Financing Authority (nonmajor) had \$1.2 million in loan commitments to banks and borrowers as of June 30, 2016, since all of the eligibility criteria have not been met in accordance with GASB Statement No. 33.

21. ACCRUED LIABILITY FOR COMPENSATED ABSENCES

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

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

In conformance with Section C60 of the GASB Codification, the monetary value of accumulated vacation, compensatory, overtime, recognition, and sick leave payable upon termination is included in the

accompanying financial statements and is reported as Compensated Absences. In the government-wide statements, proprietary fund statements, and discrete component unit fund statements, compensated absence amounts are segregated into two components – the amount due within one year and the amount due in more than one year. Compensated absences due within one year consist of an estimate of the amount that will be used by active employees for paid time off and/or paid upon termination, plus the actual amount paid after June 30 for employees terminating on or before June 30. In the governmental fund statements, amounts to be paid from expendable resources are recognized as fund liabilities in the applicable governmental fund types as long-term liabilities and represent payments to employees for separations that occurred on or before June 30. Amounts not payable from expendable resources are reflected in the governmental activities column in the Government-wide Statement of Net Position (see Note 26). All amounts related to the fiduciary funds are recognized in those funds.

The liability at June 30, 2016, was computed using salary rates effective at that date, and represents vacation, compensatory, overtime, recognition, and sick leave earned, or disability credits held by employees, up to the allowable ceilings.

22. POLLUTION REMEDIATION OBLIGATIONS

The Commonwealth has pollution remediation obligations of \$11.3 million, of which \$2.0 million is due within one year. With the exception of the Department of Environmental Quality (DEQ), agencies estimated future obligations based on professional consultant estimates and/or historical project expenses of similar projects; however, there is the potential for change in estimates due to price increases or reductions, technology, or applicable laws and regulations. Remediations for DEQ are not estimates but contractual obligations between the Commonwealth and the U.S. Environmental Protection Agency (EPA), and any change due to a reconciliation of incurred costs requires mutual consent and contract amendment.

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

Agencies involved in remediation include:

- Department of Corrections (DOC)
- Department of Emergency Management (VDEM)
- Department of Environmental Quality (DEQ)
- Department of Juvenile Justice (DJJ)
- Department of Transportation (VDOT)

A Facility Lead Agreement was signed between the EPA and VDOT to resolve an issue concerning the storage of lab wastewater in an outdoor lined surface impoundment that operated between 1979 and 1983 for which contamination is present in soil and groundwater. DOC was fined by the EPA in September/October 2003. DOC proposed to conduct a Supplemental Environmental Project (SEP) which included the formation of the Pollution Prevention Section of the Environmental Services Unit, disclosure of all environmental deficiencies to both the EPA and DEQ and corrections of those deficiencies.

The following pollution remediation outlays could not reasonably be estimated as of June 30, 2016:

- VDEM relating to cleanup of an emergency fuel storage facility
- DEQ relating to groundwater treatment and landfill clean-up
- DJJ relating to petroleum storage tank removal
- VDOT relating to groundwater contamination

23. INSURANCE

A. Self-Insurance

The Commonwealth maintains two types of self-insurance plans. The first type of self-insurance is a health care plan administered by the Department of Human Resource Management for Commonwealth employees. The plan is accounted for in the Health Care Internal Service Fund. Interfund premiums are accounted for as internal activity receipts from other funds. At June 30, 2016, \$123.4 million is reported as the estimated claims payable for this fund, which is undiscounted as nearly all health care claims are current in nature. The estimated liability is based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported as described in Note 1.U. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	Balance July 1,	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, (1)
2015-2016	\$ 118,005	\$ 1,314,073	\$ (1,308,693)	\$ 123,385
2014-2015	\$ 124,890	\$ 1,215,569	\$ (1,222,454)	\$ 118,005

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

The second type of plan, Risk Management, is administered by the Department of the Treasury, Division of Risk Management and the Department of Human Resource Management, Worker's Compensation Program. These plans are accounted for in the Risk Management Internal Service Fund. The Department of the Treasury

administers risk management programs providing property, general (tort) liability, medical malpractice, automobile and surety bond exposures for the Commonwealth of Virginia as provided in Sections 2.2-1834 through 1838 and Section 2.2-1840 of the *Code of Virginia*. Established subject to the approval of the Governor, risk management plans provide state agencies with protection through purchased insurance, self-insurance or a combination thereof. Interfund premiums for the fund are accounted for as internal activity receipts from other funds. The claims payable is an estimated liability based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported. At June 30, 2016, \$835.3 million is reported as the estimated claims payable for the risk management plan. This amount is discounted to present value at a rate of 1.4 percent. Undiscounted claims payable at June 30, 2016, is \$1.0 billion. The estimated losses are based upon actual claims that have been submitted, as well as claims incurred but not reported. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	Balance July 1,	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, (1)
2015-2016	\$ 651,421	\$ 260,020	\$ (76,158)	\$ 835,283
2014-2015	\$ 624,543	\$ 98,941	\$ (72,063)	\$ 651,421

- (1) Of the balance shown above, \$75.0 million is due within one year.

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

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

At June 30, 2016, the Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – nonmajor component unit) reports the following claims payable amounts: estimated workers' compensation claims of \$21.5 million and estimated losses on malpractice claims of \$3.4 million. MCV Associated Physicians (component unit of the Authority) reports claims payable of \$22.2 million for estimated losses on malpractice claims. Virginia Premier Health Plan (component unit of the Authority) reports claims payable of \$84.5 million for estimated medical claims payable. Additional information on claims

payable can be found in the Authority's individually published financial statements.

Virginia International Terminals, LLC (VIT) (a blended component unit of the Virginia Port Authority – nonmajor) is partially self-insured for certain workers' compensation claims. The Authority maintains insurance coverage of \$5.0 million per claim, but is obligated to pay the first \$1.0 million of any individual's claims per incident. The Authority bears some self-insurance risk for claims cost in excess of employee premiums/contributions received. Pursuant to a joint arrangement with the Virginia Port Authority, (VPA) (nonmajor) the entity carries stop loss insurance to mitigate exposure to significant claims. The stop loss policy is on a calendar year basis, with renewals effective each January 1. During the calendar years of 2015 and 2016, the individual claim cost limit (deductible) under the policy for the Authority was \$125,000. The aggregate deductible for VIT and VPA combined claims in excess of the \$125,000 individual limit was \$7.0 million for calendar year 2016 and \$6.8 million for calendar year 2015. As of June 30, 2016, the Authority had accrued \$373,830 for claims incurred but not reported (IBNR).

B. Public Entity Risk Pools

The Commonwealth administers two types of public entity risk pools for the benefit of local governmental units: health care and risk management insurance. The Local Choice Health Care plan was established to make comprehensive health care insurance available to localities and political subdivisions at affordable rates and with stable premiums. During the fiscal year, there were 335 local government units participating in the pool. This includes 40 school districts, 40 counties, 125 cities/towns, and 130 other subdivisions. This program is accounted for in the Local Choice Health Care Enterprise Fund (nonmajor).

The Department of Human Resource Management, under Section 2.2-1204 of the *Code of Virginia*, has the authority to design, set rates, and administer the Local Choice Health Care fund. The pool's standard contract period is one year. However, a member group may withdraw on the last day of any month with three month's written notice. Contributions are based on the current necessary contribution and the amortization of experience adjustments in the pool. At June 30, 2016, \$36.3 million is reported as the actuarially determined estimated claims payable for this fund based on claims incurred but not reported.

The actuarial liability is determined for the membership pool in total and then adjusted for each locality based on individual historic and demographic data. If the pool's assets were to be exhausted, the program participants would share the responsibility for any liabilities or deficits.

The Department of the Treasury, Division of Risk Management administers the VARisk and VARisk2 risk management programs for political subdivisions, constitutional officers and others in accordance with Section 2.2-1839 of the *Code of Virginia*. These pools were established to provide an economical, low-cost alternative to the commercial insurance market for the Commonwealth's political subdivisions. These risk programs are accounted for in the Risk Management Enterprise Fund (nonmajor). The pool is established subject to approval by the Governor. It may be insurance, self-insurance, or any combination thereof, and must provide protection and legal defense against liability. Participation is voluntary and open to those identified in Section 2.2-1839, *Code of Virginia*. As of June 30, 2016, there were 518 units of local government in the pool, including 1 city, 22 towns, and 28 counties. The remaining 467 units include a large variety of boards, commissions, authorities, and special districts.

The VARisk program is comprised of constitutional officers and regional jails, and participation is not mandated by the *Code of Virginia*. However, the Compensation Board (part of the primary government) requires participation by all constitutional officers.

The VARisk2 program is comprised of local governments and has a minimum membership period of one year. However, a member group can cancel membership and withdraw from the plan on their coverage anniversary date or at the end of the fiscal year with 30 days' notice.

No excess insurance or reinsurance is provided. The risk assumed by the VARisk and VARisk2 pool for liability is \$1.0 million per occurrence, with the exception of sheriffs and their deputies, which is \$1.5 million per occurrence.

At June 30, 2016, \$31.5 million and \$4.6 million is reported as estimated claims payable for the VARisk and the VARisk2 programs, respectively. These figures are actuarially determined for the funds in total and are reported at gross. They do not reflect possible reimbursements for insurance recoveries.

The following schedule (dollars in thousands) shows the changes in claims liabilities for the past two fiscal years.

	Local Choice Health Care		Risk Management	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year (4)	\$ 31,839	\$ 33,028	\$ 29,272	\$ 31,440
Incurred Claims and Claim Adjustment Expenses:				
Provision for Insured Events of the Current Fiscal Year (4)	383,850	327,910	11,799	8,875
Changes in Provision for Insured Events of Prior Fiscal Years (4)	-	-	(94)	(307)
Total Incurred Claims and Adjustment Expenses	383,850	327,910	11,705	8,568
Payments:				
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year (4)	379,376	329,099	1,206	922
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Fiscal Year (4)	-	-	4,786	9,186
Total Payments	379,376	329,099	5,992	10,108
Change in Provision for Discounts	-	-	1,078	(628)
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Discounted) (1) (2) (3)	\$ 36,313	\$ 31,839	\$ 36,063	\$ 29,272
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Undiscounted)	\$ 36,313	\$ 31,839	\$ 37,261	\$ 31,551

Note (1): The entire balance for Local Choice Health Care, \$36,313 (dollars in thousands) is due within one year.

Note (2): Of the balance shown above for Risk Management, \$10,245 (dollars in thousands) is due within one year.

Note (3): The interest rate used for discounting is 1.4 percent.

Note (4): Fiscal year 2015 balances for Risk Management have been modified to agree to their actuary schedule.

24. ACCOUNTS PAYABLE

The following table (dollars in thousands) summarizes Accounts Payable as of June 30, 2016.

	Vendor	Salary/ Wage	Retainage	Other	Foundations (1)	Total
Primary Government:						
General	\$ 166,869	\$ 102,254	\$ 56	\$ -	\$ -	\$ 269,179
Major Special Revenue Funds:						
Commonwealth Transportation	320,079	32,916	3,791	-	-	356,786
Federal Trust	54,926	17,254	3,116	-	-	75,296
Literary	2	-	-	-	-	2
Nonmajor Governmental Funds	33,616	18,061	4,947	445	-	57,069
Major Enterprise Funds:						
Virginia Lottery (2)	10,534	1,623	-	5,253	-	17,410
Virginia College Savings Plan (2)	312	479	-	26	-	817
Unemployment Compensation	104	-	-	-	-	104
Nonmajor Enterprise Funds	62,853	5,844	-	-	-	68,697
Internal Service Funds	98,841	2,915	273	-	-	102,029
Private Purpose Trust Funds	161	167	-	1,754	-	2,082
Pension and Other Employee Benefit Trust Funds (3)	1,044	2,422	-	41,255	-	44,721
Agency Funds	2,222	-	-	4,678	-	6,900
Total Primary Government (4)	\$ 751,563	\$ 183,935	\$ 12,183	\$ 53,411	\$ -	\$ 1,001,092
Discrete Component Units:						
Virginia Housing Development Authority	\$ 2,353	\$ 2,621	\$ -	\$ 35,330	\$ -	\$ 40,304
Virginia Public School Authority	305	-	-	-	-	305
Virginia Resources Authority	315	7	-	-	-	322
Nonmajor Component Units	503,319	457,958	43,610	31,505	104,492	1,140,884
Total Component Units	\$ 506,292	\$ 460,586	\$ 43,610	\$ 66,835	\$ 104,492	\$ 1,181,815

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

Note (2): Other Accounts Payable for the Virginia Lottery represents administrative costs payable. Other Accounts Payable for the Virginia College Savings Plan represents program distributions payable.

Note (3): Other Accounts Payable for the Pension and Other Employee Benefit Trust Fund consists of \$24,955 (dollars in thousands) in investment management fees and \$16,300 (dollars in thousands) in program benefit liabilities.

Note (4): Fiduciary liabilities of \$53,703 (dollars in thousands) are not included in the Government-wide Statement of Net Position. In addition, governmental fund liabilities of \$125,673 (dollars in thousands) are included in the Government-wide Statement of Net Position, but excluded from the above amounts.

25. OTHER LIABILITIES

The following table (dollars in thousands) summarizes Other Liabilities as of June 30, 2016.

	Primary Government				
	General	Commonwealth Transportation (1)	Federal Trust	Nonmajor Governmental Funds	Virginia Lottery
Lottery Prizes Payable	\$ -	\$ -	\$ -	\$ -	\$ 74,955
Due to Program Participants, Escrows, and Providers	-	-	-	-	-
Medicaid Payable	367,440	-	358,676	-	-
Family Access to Medical Insurance Security Payable	1,345	-	9,879	-	-
Tax Refunds Payable	439,657	-	-	-	-
Insurance Carrier Surety Deposit	-	-	-	-	-
Deposits Pending Distribution	5,222	1,317	-	4,537	-
Car Tax Payable	263,025	-	-	-	-
Other Liabilities	575	4,366	-	368	-
Total Other Liabilities	<u>\$ 1,077,264</u>	<u>\$ 5,683</u>	<u>\$ 368,555</u>	<u>\$ 4,905</u>	<u>\$ 74,955</u>

	Primary Government				
	Virginia College Savings Plan (2)	Unemployment Compensation	Nonmajor Enterprise Funds	Internal Service Funds	Private Purpose Trust Funds
Lottery Prizes Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Program Participants, Escrows, and Providers	754	35,079	-	-	4,656
Medicaid Payable	-	-	-	-	-
Family Access to Medical Insurance Security Payable	-	-	-	-	-
Tax Refunds Payable	-	-	-	-	-
Insurance Carrier Surety Deposit	-	-	-	-	-
Deposits Pending Distribution	-	-	178	433	-
Car Tax Refund Payable	-	-	-	-	-
Other Liabilities	13,805	-	95	-	-
Total Other Liabilities	<u>\$ 14,559</u>	<u>\$ 35,079</u>	<u>\$ 273</u>	<u>\$ 433</u>	<u>\$ 4,656</u>

	Primary Government		
	Pension and Other Employee Benefit Trust Funds (3)	Agency Funds	Total Primary Government (4)
Lottery Prizes Payable	\$ -	\$ -	\$ 74,955
Due to Program Participants, Escrows, and Providers	-	42,571	83,060
Medicaid Payable	-	-	726,116
Family Access to Medical Insurance Security Payable	-	-	11,224
Tax Refunds Payable	-	-	439,657
Insurance Carrier Surety Deposit	-	454,210	454,210
Deposits Pending Distribution	-	78,627	90,314
Car Tax Refund Payable	-	-	263,025
Other Liabilities	385,398	1,903	406,510
Total Other Liabilities	<u>\$ 385,398</u>	<u>\$ 577,311</u>	<u>\$ 2,549,071</u>

Note (1): Other Liabilities of \$4,366 (dollars in thousands) reported by the Commonwealth Transportation Fund (major special revenue) is primarily related to the remaining balance of managing the construction of the Unmanned Aircraft Systems (UAS) runway project for the Virginia Commercial Space Flight Authority (nonmajor component unit).

Note (2): Other Liabilities of \$13,805 (dollars in thousands) reported by the Virginia College Savings Plan represent amounts associated with pending investment trades.

Note (3): Other Liabilities of \$385,398 (dollars in thousands) reported in Pension and Other Employee Benefit Trust Funds are made up of \$35,226 (dollars in thousands) in funds held for the Commonwealth Health Research Fund; \$18,793 (dollars in thousands) in funds held for the Commonwealth's Attorneys Training Fund; \$34,488 (dollars in thousands) in other funds managed by the System; \$276,992 (dollars in thousands) in pending investment transactions, including \$275,613 (dollars in thousands) in hedge fund funding and margin collateral, and \$1,379 (dollars in thousands) in other investment payables; \$16,718 (dollars in thousands) in other payables related to the System benefit plans; \$2,362 (dollars in thousands) in foreign taxes payables related to the System benefit plans, and \$819 (dollars in thousands) in dividends payable related to the System benefit plans.

Note (4): Fiduciary liabilities of \$967,365 (dollars in thousands) are not included in the Government-wide Statement of Net Position. Governmental fund liabilities of \$82,052 (dollars in thousands) are included in the Government-wide Statement of Net Position, but excluded from the above amounts.

	Component Units					
	Virginia Housing Development Authority	Virginia Public School Authority	Virginia Resources Authority	Virginia College Building Authority	Nonmajor Component Units	Total Component Units
Accrued Interest Payable	\$ 48,278	\$ 55,802	\$ 26,642	\$ 85,719	\$ 74,789	\$ 291,230
Other Liabilities	5,089	-	15,367	-	227,905	248,361
Deposits Pending Distribution	-	-	-	2,769	414,035	416,804
Short-term Debt	444,600	-	-	-	192,670	637,270
Grants Payable	-	-	-	-	4,025	4,025
Total Other Liabilities	<u>\$ 497,967</u>	<u>\$ 55,802</u>	<u>\$ 42,009</u>	<u>\$ 88,488</u>	<u>\$ 913,424</u>	<u>\$ 1,597,690</u>

Medicaid Payable

Medicaid Payable represents services rendered but not billed by providers and potential liability resulting from cost reports not settled as of year-end. Providers subject to cost settlement are paid in the interim based on established per diem or diagnosis related group rates for services.

The Department of Medical Assistance Services (DMAS) estimates, based on past experience, the total amount of Medicaid claims that will be paid from the Medicaid program in the future which relate to services provided before year-end. At June 30, 2016, the estimated liability related to Medicaid claims totaled \$726.1 million. Of this amount, \$367.4 million is reflected in the General Fund (major governmental) and \$358.7 million in the Federal Trust Special Revenue Fund (major governmental).

Family Access to Medical Insurance Security Payable

DMAS estimates the total amount of claims that will be paid from the Family Access to Medical Insurance Security program in the future which relate to services provided before year-end. At June 30, 2016, the estimated liability related to claims totaled \$11.2 million. Of this amount, \$1.3 million is reflected in the General Fund (major governmental) and \$9.9 million in the Federal Trust Special Revenue Fund (major governmental).

Tax Refunds Payable

Tax refunds payable represent refunds due on individual tax returns filed for the calendar year ended on or before December 31, 2015, and on business tax returns filed for corporate fiscal years ending on or before June 30, 2016. The individual tax return filing deadline is May 1 of each year for the preceding calendar year. The corporate tax return filing deadline is the 15th day of the fourth month following the close of the corporate fiscal year.

Car Tax Refund Payable

During the year ended June 30, 1998, the General Assembly passed the Personal Property Tax Relief Act. Under the terms of this legislation, the Commonwealth assumed financial responsibility for a portion, ranging from 12.5 percent to 70.0 percent, of the personal property taxes assessed by localities.

During 2004, the General Assembly modified this legislation. Chapter 1 of Special Session 1 (2004) established a \$950.0 million limit on the amount the Commonwealth would appropriate for personal property tax relief, beginning in tax year 2006. It further established that each county, city, and town would receive a fixed percentage of the \$950.0 million, with payments to begin on or after July 1, 2006 (fiscal year 2007). The accrued liability amount of \$263.0 million reflects payments owed to localities as of June 30 and paid in July.

Termination Benefits

During fiscal year 2016, the Commonwealth laid off 272 employees. The affected employees had the option of volunteering for enhanced retirement benefits or severance benefits. The enhanced retirement benefits option was elected by 32 employees, and the remaining 240 employees elected severance benefits. The severance benefits include salary payments based on years of service and insurance premium payments for health and life insurance. All severance benefits were initiated during fiscal year 2016 and will end no later than June 30, 2017. The benefit cost expended and the outstanding liability as of June 30, 2016 for governmental funds, are \$3.5 million and \$1.4 million, respectively. Since the severance benefits last for a maximum of 12 months, discounting of future cash flows is unnecessary. Additionally, the estimated payments are calculated using the Department of Human Resources' Termination Benefits Calculator and actual costs.

Short-term Debt

Short-term debt results from borrowings from anticipation notes, lines of credit, and similar loans with parties external to the primary government. The primary government's policy is to disclose activity related to short-term borrowings occurring during the fiscal year. For fiscal year 2016, the primary government's agencies did not participate in short-term borrowings with external parties.

Various higher education institutions and foundations (nonmajor component units) have short-term debt totaling \$192.6 million. Of this amount, \$167.1 million is primarily to provide bridge financing for capital projects. The remaining short-term debt is primarily for working capital, property acquisition, and operations. The Virginia Housing Development Authority (major component unit) has borrowing from lines of credit in the amount of \$444.6 million. The Library of Virginia Foundation (nonmajor component unit) has a \$30,000 note with a related party.

The balance of Other Liabilities is spread among various other funds.

26. LONG-TERM LIABILITIES

Commonwealth bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. Section 9(a) bonds have been issued to redeem previous debt obligations. Section 9(b) bonds have been authorized by the citizens of Virginia through bond referenda to finance capital projects. These bonds are retired through the use of state appropriations. Section 9(c) bonds are issued to finance capital projects which, when completed, will generate revenue to repay the debt. Section 9(a), 9(b), and 9(c) bonds are tax-supported general obligation bonds and are backed by the full faith and credit of the Commonwealth. No other long-term debt obligations are backed by the full faith and credit of the Commonwealth.

Section 9(d) bonds are revenue bonds that are not backed by the full faith and credit of the Commonwealth. These bonds are not general obligation bonds and are not deemed to constitute a legal liability of the Commonwealth. However, this debt may be supported by state appropriations in whole or in part, as in the case of certain debt of the Virginia Port Authority (nonmajor component unit) and the Commonwealth Transportation Board (primary government). Other 9(d) revenue bonds are payable from general revenues of the component units, or from revenues of specific revenue-producing capital projects such as the teaching hospitals, dormitories, student centers, and dining halls at the various colleges and universities (nonmajor component units).

Certain 9(d) bonds are considered, with 9(a), 9(b), and 9(c) bonds, to be tax-supported debt of the Commonwealth. Tax-supported debt includes all bonds and short-term debt for which debt service payments are made or are ultimately pledged to be made from tax revenues (net of sinking fund requirements).

Other 9(d) revenue bonds are considered debt not supported by taxes. For this debt, the Commonwealth has no direct or indirect pledge of tax revenues. In certain limited cases, the Commonwealth has made a moral obligation pledge. A government's moral obligation pledge provides a deficiency make-up for bondholders in the event pledged revenues prove to be insufficient. If a revenue deficiency exists, monies held in a debt service reserve fund are used to pay bondholders. The issuer then requests that the legislative body provide an appropriation to replenish the reserve fund before subsequent debt service is due. The legislative body may, but is not legally required to, replenish the reserve fund.

The following schedule presents the total long-term liabilities of the Commonwealth, and the portion of these amounts which are due within one year, as reported on the Government-wide Statement of Net Position.

Total Long-term Liabilities		
June 30, 2016		
	Balance At June 30	Amount Due Within One Year
<i>(Dollars in Thousands)</i>		
Primary Government:		
Governmental Activities: (1)		
General Obligation Bonds: (2)		
9(b) Public Facilities (3)	\$ 571,915	\$ 53,110
9(c) Parking Facilities (3)	15,155	890
9(c) Transportation Facilities (3)	14,562	2,620
Total General Obligation Bonds	601,632	56,620
Nongeneral Obligation Bonds - 9(d):		
Transportation Debt (3) (4)	3,385,385	167,190
Virginia Public Building Authority (3)	2,441,413	177,020
Total Nongeneral Obligation Bonds	5,826,798	344,210
Other Long-term Obligations:		
Net Pension Liability (9)	4,419,257	-
OPEB Liability (11)	734,064	-
Compensated Absences	317,053	167,612
Capital Lease Obligations	46,524	7,024
Pollution Remediation Obligations	11,308	2,012
Notes Payable	114	114
Installment Purchase Obligations	108,877	12,096
Economic Development Authority Obligations (3)	44,712	5,870
Other Liabilities	47,657	8,355
Total Other Long-term Obligations	5,729,566	203,083
Total Governmental Activities (3)	12,157,996	603,913
Business-type Activities: (1) (5)		
Other Long-term Obligations:		
Net Pension Liability	140,522	-
OPEB Liability	25,113	-
Compensated Absences	10,003	5,915
Capital Lease Obligations	5,359	334
Tuition Benefits Payable	2,035,608	250,472
Lottery Prizes Payable	129,895	13,422
Total Other Long-term Obligations	2,346,500	270,143
Total Business-type Activities	2,346,500	270,143
Total Primary Government	14,504,496	874,056

Total Long-term Liabilities

June 30, 2016

	Balance At June 30	Amount Due Within One Year
<i>(Dollars in Thousands)</i>		
Component Units:		
General Obligation Bonds: (2)		
Higher Education Fund - 9(c) Bonds (3)	877,118	52,115
Nongeneral Obligation Bonds:		
Higher Education Institutions - 9(d) (3) (5)	2,081,823	22,457
Virginia College Building Authority (3)	4,049,060	255,895
Virginia Port Authority (3) (6)	527,887	17,070
Virginia Housing Development Authority (3) (5)	4,320,935	456,903
Virginia Resources Authority (3) (7)	3,611,530	175,652
Virginia Public School Authority (3) (5)	3,655,914	237,348
Hampton Roads Sanitation District Commission (3) (5)	879,294	76,477
Virginia Biotechnology Research Partnership Authority (3)	26,743	3,665
Foundations (5) (8)	966,746	47,681
Total Nongeneral Obligation Bonds	<u>20,119,932</u>	<u>1,293,148</u>
Other Long-term Obligations:		
Net Pension Liability (10)	2,821,359	-
OPEB Liability (12)	961,908	-
Compensated Absences	293,026	220,315
Capital Lease Obligations	71,403	4,066
Notes Payable (5)	2,041,726	166,471
Installment Purchase Obligations	50,825	11,825
Trust and Annuity Obligations (5) (13)	39,726	-
Other Liabilities (5)	282,010	41,655
Total Other Long-term Obligations (Excluding Foundations)	<u>6,561,983</u>	<u>444,332</u>
Other Long-term Obligations (Foundations): (5) (8)		
Compensated Absences	15,855	11,732
Capital Lease Obligations	95	64
Notes Payable	304,389	10,312
Trust and Annuity Obligations (13)	74,703	3,022
Other Liabilities	352,960	20,026
Total Other Long-term Obligations - Foundations	<u>748,002</u>	<u>45,156</u>
Total Other Long-term Obligations	<u>7,309,985</u>	<u>489,488</u>
Total Component Units	<u>28,307,035</u>	<u>1,834,751</u>
Total Long-term Liabilities	<u>\$ 42,811,531</u>	<u>\$ 2,708,807</u>

- Pursuant to GASB Statement No. 34, governmental activities include internal service funds. Business-type activities are considered enterprise funds.
- Total general obligation debt of the Commonwealth is \$1.5 billion.
- Amounts are net of any unamortized discounts and premiums.
- This debt includes \$663.1 million that is not supported by taxes.
- This debt is not supported by taxes.
- This debt includes \$252.6 million that is not supported by taxes.
- This debt is not supported by taxes; however, \$907.2 million is considered moral obligation debt.
- Foundations represent FASB reporting entities defined in Note 1.B.
- This does not include net pension liabilities from fiduciary funds of \$3.7 million.
- This includes net pension liabilities that do not relate to the Virginia Retirement System's State Plan from the Hampton Roads Sanitation District Commission and the Virginia Port Authority of \$26.1 million and \$18.2 million, respectively. This debt is not supported by taxes.
- This does not include OPEB obligations from fiduciary funds of \$668,523.
- This includes OPEB obligations that do not relate to the Virginia Retirement System from University of Virginia of \$55.7 million and Virginia Port Authority of \$1.3 million.
- These generally represent split-interest agreements that represent donor contributed assets with the requirement that an annual distribution be made to the donor or specified beneficiary. The annual distributions are usually for a fixed dollar amount or a fixed percentage of the trust's fair market value. The present value of these commitments is reported as Trust and Annuity Obligations.

Primary Government

Transportation Facilities Debt

Transportation Facilities Bonds include \$14.6 million of Section 9(c) general obligation bonds and \$3.4 billion of Transportation Facilities Section 9(d) debt. The Section 9(d) debt includes \$2.7 billion of Section 9(d) revenue bonds and \$663.1 million of Grant Anticipation Revenue Vehicles (GARVEES) in addition to the outstanding Section 9(d) revenue bonds. 9(c) principal and interest requirements for the current year totaled \$3.2 million. 9(d) principal and interest requirements for the current year totaled \$321.6 million. The Section 9(c) Transportation Facilities Bonds were issued to fund the construction and improvement of the George P. Coleman Bridge. The Section 9(d) Transportation Facilities Bonds were issued to fund the construction of State Route 28, U.S. Route 58, the Northern Virginia Transportation District Program, the Oak Grove Connector (Chesapeake), and costs of certain transportation projects in the Commonwealth. The GARVEES were issued to finance various Federal Aid Transportation projects throughout the Commonwealth. The interest rates for these bonds range from 1.0 percent to 5.0 percent and the issuance dates range from March 15, 2012 to November 21, 2013.

On February 24, 2016, the Commonwealth Transportation Board issued \$75.9 million of Series 2016A Refunding, 2016B Refunding, and 2016C Refunding Revenue Bonds. Series 2016A, 2016B, and 2016C Refunding Revenue Bonds will be maturing in annual installments on May 15 in the years 2017 to 2026 and interest is payable on May 15 and November 15 at rates varying from 2.0 to 5.0 percent. The 2015A, 2016B, and 2016C Series bonds were issued to advance refund outstanding Series 2006A, 2006B and 2006C revenue bonds, respectively.

On May 17, 2016, the Commonwealth Transportation Board issued \$273.7 million of Commonwealth of Virginia Capital Projects Transportation Revenue Bonds, Series 2016. Series 2016 will be maturing in annual installments on May 15 in the years 2017 to 2041 and interest is payable on May 15 and November 15 at rates varying from 3.0 to 5.0 percent. The net proceeds of the Series 2016 bonds will be used to pay for the costs of certain transportation projects in the Commonwealth and certain costs related to the issuance of the 2016 bonds.

The following schedules detail the annual funding requirements necessary to amortize Transportation Facilities 9(c) bonds and 9(d) debt. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of \$93.7 million for Build America Bonds (BABs) issued. The BABs are applicable to Commonwealth of Virginia Transportation Series 2010A Capital Project Revenue Bonds and Series 2009A Northern Virginia Transportation District Revenue Bonds.

9(c) TRANSPORTATION FACILITIES BONDS Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2017	\$ 2,620,000	\$ 568,200	\$ 3,188,200
2018	2,730,000	463,400	3,193,400
2019	2,840,000	354,200	3,194,200
2020	2,950,000	240,600	3,190,600
2021	3,065,000	122,600	3,187,600
Add:			
Unamortized Premium	356,810	-	356,810
Total	<u>\$ 14,561,810</u>	<u>\$ 1,749,000</u>	<u>\$ 16,310,810</u>

9(d) TRANSPORTATION FACILITIES DEBT Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2017	\$ 167,190,000	\$ 140,863,057	\$ 308,053,057
2018	174,120,000	132,938,044	307,058,044
2019	172,925,483	125,082,626	298,008,109
2020	155,598,337	116,854,146	272,452,483
2021	156,765,956	109,440,871	266,206,827
2022-2026	791,044,196	436,063,589	1,227,107,785
2027-2031	661,831,299	254,840,213	916,671,512
2032-2036	618,380,000	109,790,939	728,170,939
2037-2041	166,235,000	12,708,400	178,943,400
Less:			
Unamortized Discount	(90,804)	-	(90,804)
Add:			
Accretion on Capital Appreciation Bonds	25,634,032	-	25,634,032
Unamortized Premium	295,751,410	-	295,751,410
Total	<u>\$ 3,385,384,909</u>	<u>\$ 1,438,581,885</u>	<u>\$ 4,823,966,794</u>

Fairfax Economic Development Authority Obligations

In fiscal year 2006, the Fairfax County Economic Development Authority (EDA) issued Section 9(d) revenue bonds to pay for the Commonwealth's (VDOT) costs of the planning, design and construction of a transportation infrastructure and related public safety operations complex to be developed on the contiguous sites in the county commonly referred to as "Camp 30" for the joint use of VDOT and the county. In fiscal year 2014, Fairfax County EDA issued a series of revenue refunding bonds, which partially refunded Series 2006 revenue bonds. The Commonwealth's obligation is set out in a payment agreement between Fairfax County EDA and the Commonwealth of Virginia, Department of Transportation, in which the Commonwealth agrees to make payments equal to the debt service from amounts appropriated by the General Assembly. The interest rates for these bonds range from 1.0 percent to 5.0 percent and the issue date was March 26, 2014. The principal and interest requirements for the current year totaled \$7.8 million. The following schedule details the annual funding requirements necessary to repay these bonds.

FAIRFAX COUNTY ECONOMIC DEVELOPMENT AUTHORITY
Debt Service Requirements to Maturity

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2017	\$ 5,870,000	\$ 1,957,500	\$ 7,827,500
2018	6,165,000	1,664,000	7,829,000
2019	6,470,000	1,355,750	7,825,750
2020	6,795,000	1,032,250	7,827,250
2021	7,135,000	692,500	7,827,500
2022-2026	6,715,000	335,750	7,050,750
Add:			
Unamortized Premium	5,562,360	-	5,562,360
Total	<u>\$ 44,712,360</u>	<u>\$ 7,037,750</u>	<u>\$ 51,750,110</u>

Public Facilities Bonds

Section 9(b) general obligation bonds consist of Public Facilities Bonds, Series 2007A, Series 2007B, Series 2008A, Series 2008B, Series 2009A, Series 2009D Refunding, Series 2009E, Series 2012A Refunding, Series 2013B Refunding, Series 2014B Refunding, and Series 2015B Refunding. Bonds were issued to fund construction projects for higher educational institutions, behavioral health, and/or park facilities. The Series 2009D bonds were issued to advance refund outstanding Series 2004A, Series 2005A, and Series 2006B bonds. The Series 2012A bonds were issued to advance refund outstanding Series 2002, Series 2003A, Series 2004A, and Series 2005A bonds. The Series 2013B bonds were issued to advance refund outstanding Series 2005A, Series 2006B, Series 2007A, and Series 2007B. The Series 2014B bonds were issued to advance refund outstanding Series 2004B Refunding. The Series 2015B bonds were issued to advance refund certain maturities of outstanding Series 2007B, Series 2008A, and Series 2008B bonds. Principal and interest requirements for the current year totaled \$87.2 million. The interest rates for all bonds range from 3.4 percent to 5.0 percent and the issuance dates range from June 20, 2007, to May 6, 2015. The following schedule details the annual funding requirements necessary to repay these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of \$3.5 million for Build America Bonds (BABs) issued. The BABs are applicable to Series 2009E Public Facilities Revenue Bonds.

9(b) PUBLIC FACILITIES BONDS
Debt Service Requirements to Maturity

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2017	\$ 53,110,000	\$ 23,565,345	\$ 76,675,345
2018	49,120,000	20,974,502	70,094,502
2019	48,220,000	18,718,148	66,938,148
2020	48,280,000	16,426,345	64,706,345
2021	48,285,000	14,127,445	62,412,445
2022-2026	211,790,000	37,544,375	249,334,375
2027-2031	47,720,000	3,544,200	51,264,200
Add:			
Unamortized Premium	65,389,990	-	65,389,990
Total	<u>\$ 571,914,990</u>	<u>\$ 134,900,360</u>	<u>\$ 706,815,350</u>

Parking Facilities Bonds

Section 9(c) general obligation bonds consist of Parking Facilities Bonds, Series 2009B and 2009D Refunding, and 2012A Refunding. The Series 2009B bonds were issued to fund the construction of a new 1,000 vehicle parking structure at 7th and Franklin Streets. The Series 2009D Refunding bonds were issued to advance refund outstanding Series 2004A bonds. The Series 2012A Refunding bonds were issued to advance refund outstanding Series 2002 Refunding and Series 2004A bonds. The interest rate for these bonds is 5.0 percent, and the issuance dates range from October 21, 2009, to March 7, 2012. Current year principal and interest requirements totaled \$1.4 million. The following schedule details the annual funding requirements necessary to repay these bonds.

9(c) PARKING FACILITIES BONDS
Debt Service Requirements to Maturity

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2017	\$ 890,000	\$ 667,611	\$ 1,557,611
2018	940,000	623,111	1,563,111
2019	985,000	576,110	1,561,110
2020	1,035,000	526,860	1,561,860
2021	1,085,000	475,110	1,560,110
2022-2026	5,409,045	1,544,202	6,953,247
2027-2031	3,090,000	314,000	3,404,000
Add:			
Unamortized Premium	1,721,040	-	1,721,040
Total	<u>\$ 15,155,085</u>	<u>\$ 4,727,004</u>	<u>\$ 19,882,089</u>

Virginia Public Building Authority

Virginia Public Building Authority Section 9(d) bonds consist of 2005D, 2006A, 2006B, 2007A, 2008B, 2009A, 2009B, 2009C, 2009D Refunding, 2010A, 2010B-1, 2010B-2, 2010B-3 Refunding, 2011A, 2011B, 2012A Refunding, 2013A, 2013B Refunding, 2014A, 2014B, 2014C Refunding, 2015A, and 2015B Refunding. All bonds were issued for the purpose of constructing, improving, furnishing, maintaining, and acquiring public buildings for the use of the Commonwealth and also to reimburse localities, regional jail authorities or other combination of localities under the Regional Jail Financing Program. The Series 2009D bonds were issued to advance refund outstanding series 2001A and 2002A Revenue bonds. The Series 2010B-3 bonds were issued to advance refund outstanding series 2002A and 2004B Revenue bonds. The Series 2012A bonds were issued to advance refund outstanding series 2004B and 2005C Revenue bonds. The Series 2013B bonds were issued to advance refund 2006A and 2006B revenue bonds. The Series 2014C bonds were issued to advance refund outstanding Series 2004A Refunding, 2004B, 2004C Refunding, and 2004D Refunding bonds, and certain maturities of the 2005C, 2006A, 2006B, and 2007A bonds. The interest rates range from 0.4 percent to 5.9 percent and the issuance dates range from December 7, 2005, to June 9, 2015. The Series 2005D bonds are variable rate bonds and the rates are reset weekly by the remarketing agent. Current year principal and interest requirements totaled \$262.0 million. The following schedule details the

annual funding requirements necessary to repay these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of \$73.1 million for Build America Bonds (BABs) issued. The BABs are applicable to Series 2010 Revenue Bonds.

9(d) VIRGINIA PUBLIC BUILDING AUTHORITY BONDS Debt Service Requirements to Maturity				
<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
2017	\$ 177,020,000	\$ 99,496,360	\$ 276,516,360	
2018	160,770,000	91,320,746	252,090,746	
2019	145,340,000	83,950,314	229,290,314	
2020	146,580,000	77,056,112	223,636,112	
2021	140,990,000	70,266,508	211,256,508	
2022-2026	729,375,000	251,867,088	981,242,088	
2027-2031	582,900,000	96,788,538	679,688,538	
2032-2036	174,015,000	13,557,250	187,572,250	
Add:				
Unamortized Premium	184,423,129	-	184,423,129	
Total	<u>\$ 2,441,413,129</u>	<u>\$ 784,302,916</u>	<u>\$ 3,225,716,045</u>	

Component Units

Higher Education Institution Bonds

Higher Education Institution Bonds are comprised of both 9(c) general obligation bonds and 9(d) revenue bonds. Section 9(d) bonds are from several sources as shown on the following schedule (dollars in thousands).

College and university bonds backed by pledge of general revenue or revenue from specific revenue-producing capital projects	\$ 1,579,951
College and university debt backed exclusively by pledged revenues of an institution	501,872
Total Higher Education Institution 9(d) debt	<u>\$ 2,081,823</u>

The interest rates for these bonds range from 0.4 percent to 6.2 percent and the issuance dates range from March 15, 2006, to June 1, 2016. The Virginia College Building Authority Series 2006B and 2006C bonds, the Virginia Commonwealth University Series 2012A and 2012B bonds, and the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – nonmajor) Series 2013A and 2013B bonds are variable rate bonds and the rates are reset weekly by the remarketing agent.

The following schedules detail the annual funding requirements necessary to amortize Higher Education Institution 9(c) and 9(d) bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of \$303.2 million for Build America Bonds (BABs) issued. The BABs are applicable to General Obligation Series 2010A Bonds, Series 2009F and 2010B 21st Century Virginia College Building Authority Education Facilities Bonds, and the

University of Virginia's Series 2009 and 2010 General Revenue Bonds.

9(c) HIGHER EDUCATION INSTITUTION BONDS Debt Service Requirements to Maturity				
<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
2017	\$ 52,115,000	\$ 34,782,191	\$ 86,897,191	
2018	49,200,000	32,406,271	81,606,271	
2019	49,400,000	30,206,921	79,606,921	
2020	49,120,000	28,005,901	77,125,901	
2021	51,085,000	25,864,783	76,949,783	
2022-2026	255,160,955	95,655,042	350,815,997	
2027-2031	204,605,000	42,399,986	247,004,986	
2032-2036	83,390,000	9,994,709	93,384,709	
2037-2041	7,085,000	821,435	7,906,435	
Add:				
Unamortized Premium	75,956,775	-	75,956,775	
Total	<u>\$ 877,117,730</u>	<u>\$ 300,137,239</u>	<u>\$ 1,177,254,969</u>	

9(d) HIGHER EDUCATION INSTITUTION BONDS Debt Service Requirements to Maturity				
<i>Maturity</i>	<i>Principal</i>	<i>Interest (1)</i>	<i>Total</i>	
2017	\$ 22,456,606	\$ 86,689,159	\$ 109,145,765	
2018	23,257,056	86,129,917	109,386,973	
2019	23,748,580	85,512,904	109,261,484	
2020	24,736,209	84,783,134	109,519,343	
2021	24,909,971	84,040,745	108,950,716	
2022-2026	274,071,338	382,069,191	656,140,529	
2027-2031	161,569,554	355,215,072	516,784,626	
2032-2036	207,726,959	331,793,716	539,520,675	
2037-2041	782,050,000	243,835,759	1,025,885,759	
2042-2046	449,015,000	61,239,250	510,254,250	
Add:				
Unamortized Premium	88,281,245	-	88,281,245	
Total	<u>\$ 2,081,822,518</u>	<u>\$ 1,801,308,847</u>	<u>\$ 3,883,131,365</u>	

Note (1): The future interest requirements exclude any net payments associated with hedging derivative instruments. See Note 14 for more details on hedging derivative instruments.

9(d) VIRGINIA COLLEGE BUILDING AUTHORITY BONDS Debt Service Requirements to Maturity				
<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
2017	\$ 255,895,000	\$ 153,561,566	\$ 409,456,566	
2018	240,100,000	148,179,789	388,279,789	
2019	236,355,000	137,346,070	373,701,070	
2020	228,540,000	126,593,911	355,133,911	
2021	237,340,000	116,296,788	353,636,788	
2022-2026	1,074,025,000	434,100,093	1,508,125,093	
2027-2031	989,705,000	212,669,792	1,202,374,792	
2032-2036	478,950,000	41,252,094	520,202,094	
Add:				
Unamortized Premium	308,149,825	-	308,149,825	
Total	<u>\$ 4,049,059,825</u>	<u>\$ 1,370,000,103</u>	<u>\$ 5,419,059,928</u>	

Various higher education institutions' foundations (component units) and a museum foundation (component unit) have bonds outstanding as of year-end. The purpose of a majority of these bonds is for construction, property acquisition, and defeasance of prior debt. The following schedule details the future principal payments.

FOUNDATIONS' BONDS (1)			
Debt Service Requirements to Maturity			
<i>Maturity</i>	<i>Principal</i>		
2017	\$	46,949,224	(2)
2018		53,422,465	
2019		104,207,399	
2020		28,350,177	
2021		44,680,949	
Thereafter		689,135,328	
Total	\$	966,745,542	

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

Note (2): This amount excludes \$732,000 for demand bonds subject to remarketing agreements and classified as "due within one year" in the accompanying financial statements by a higher education institution foundation.

Virginia Port Authority

The Virginia Port Authority (VPA) (nonmajor) has issued Section 9(d) revenue bonds and notes pursuant to powers provided to its Board of Commissioners by the *Code of Virginia*. The interest rates for these bonds range from 0.7 percent to 5.5 percent, and the issuance dates range from April 6, 2006, to June 23, 2015. Series 2006A bonds were issued to advance refund \$22.9 million of outstanding Series 1996 bonds. Series 2010 bonds were issued to currently refund in full the outstanding principal amount of the Authority's Series 2009 Bond Anticipation Note. Series 2012 bonds were issued to currently refund in full the outstanding principal amount of the Authority's Commonwealth Port Fund Revenue Bonds and to pay all or a portion of the expenses incurred with respect to the issuance of the Series 2012 Bonds and the refunding of the Series 2002 Bonds. Series 2012B and 2012C bonds were issued to pay the cost of refunding all or a portion of the Series 2005A and 2005B bonds, and to pay costs of issuance of the 2012B and 2012C bonds. Series 2013 bonds were issued to pay the costs of refunding all or a portion of Series 2003 and 2006 bonds and series 2013 issuance costs. Series 2015A bonds were issued to pay the costs of refunding all of the remaining Series 2003 and 2006 bonds, and to pay costs of issuance of the Series 2015A bonds. Series 2015B bonds were issued to pay the costs of refunding a portion of the remaining Series 2007 bonds, and to pay costs of issuance of the Series 2015B bonds. The following schedule details the annual funding requirements necessary to amortize VPA bonds.

9(d) VIRGINIA PORT AUTHORITY DEBT			
Debt Service Requirements to Maturity			
<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2017	\$ 17,070,000	\$ 19,990,624	\$ 37,060,624
2018	17,605,000	19,583,500	37,188,500
2019	17,965,000	19,216,774	37,181,774
2020	18,350,000	18,786,266	37,136,266
2021	18,815,000	18,295,315	37,110,315
2022-2026	102,795,000	82,384,665	185,179,665
2027-2031	121,330,000	62,179,961	183,509,961
2032-2036	117,765,000	33,218,875	150,983,875
2037-2041	74,650,000	8,150,250	82,800,250
Add:			
Unamortized Premium	21,542,431	-	21,542,431
Total	\$ 527,887,431	\$ 281,806,230	\$ 809,693,661

Virginia Housing Development Authority

The Virginia Housing Development Authority (VHDA) (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 2.1 percent to 6.8 percent and the origination dates range from March 20, 2002, to June 9, 2016. The following schedule details the annual funding requirements necessary to amortize these bonds.

9(d) VIRGINIA HOUSING DEVELOPMENT AUTHORITY BONDS			
Debt Service Requirements to Maturity			
<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2017	\$ 456,902,903	\$ 172,794,166	\$ 629,697,069
2018	168,950,000	156,039,081	324,989,081
2019	188,115,000	149,924,488	338,039,488
2020	196,540,000	142,909,339	339,449,339
2021	163,365,000	135,864,949	299,229,949
2022-2026	581,430,000	608,499,474	1,189,929,474
2027-2031	488,883,096	502,554,624	991,437,720
2032-2036	557,409,842	393,721,757	951,131,599
2037-2041	573,010,491	254,740,002	827,750,493
2042-2046	943,928,652	63,339,235	1,007,267,887
2047-2051	2,495,000	207,461	2,702,461
Less:			
Unamortized Discount	(1,953,454)	-	(1,953,454)
Add:			
Unamortized Premium	1,858,788	-	1,858,788
Total	\$ 4,320,935,318	\$ 2,580,594,576	\$ 6,901,529,894

Virginia Resources Authority

The Virginia Resources Authority (VRA) (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 0.2 percent to 6.3 percent and the origination dates range from March 1, 2000, to June 30, 2016. The following schedule details the annual funding requirements necessary to amortize these bonds.

9(d) VIRGINIA RESOURCES AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2017	\$ 175,651,581	\$ 141,081,225	\$ 316,732,806
2018	186,754,941	134,285,290	321,040,231
2019	170,551,440	126,324,203	296,875,643
2020	175,166,941	118,630,246	293,797,187
2021	179,278,442	110,598,557	289,876,999
2022-2026	867,409,771	433,307,615	1,300,717,386
2027-2031	786,113,478	246,524,185	1,032,637,663
2032-2036	465,710,000	115,570,718	581,280,718
2037-2041	234,928,000	44,897,234	279,825,234
2042-2046	91,690,000	7,806,217	99,496,217
Less:			
Unaccreted Capital			
Appreciation			
Bonds	(32,490,681)	-	(32,490,681)
Add:			
Unamortized Premium	310,765,995	-	310,765,995
Total	\$ 3,611,529,908	\$ 1,479,025,490	\$ 5,090,555,398

Virginia Public School Authority

The Virginia Public School Authority (VPSA) (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 0.0 percent to 5.5 percent, and the origination dates range from December 31, 2002, to May 17, 2016. The following schedule details the annual funding requirements necessary to amortize these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of \$171.8 million for Qualified School Construction Bonds (QSCBs) issued. The QSCBs are applicable to Series 2010-1, 2011-1, 2011-2, and 2012-1 Revenue Bonds.

9(d) VIRGINIA PUBLIC SCHOOL AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2017	\$ 237,348,003	\$ 143,098,093	\$ 380,446,096
2018	242,405,000	134,089,692	376,494,692
2019	233,195,000	122,659,413	355,854,413
2020	229,765,000	111,819,031	341,584,031
2021	219,855,000	101,292,097	321,147,097
2022-2026	962,611,000	360,848,714	1,323,459,714
2027-2031	954,730,000	148,789,001	1,103,519,001
2032-2036	299,790,000	31,323,713	331,113,713
2037-2041	44,075,000	3,302,547	47,377,547
2042-2046	3,330,000	224,697	3,554,697
Add:			
Unamortized Premium	228,810,080	-	228,810,080
Total	\$ 3,655,914,083	\$ 1,157,446,998	\$ 4,813,361,081

Hampton Roads Sanitation District Commission

The Hampton Roads Sanitation District Commission (nonmajor) issued bonds under a Master Trust Indenture and a Trust Agreement dated December 1, 1993 and March 1, 2008. The interest cost for these bonds range from 0.3 percent to 5.9 percent. The following schedule details the annual funding requirements necessary to amortize these bonds. The fiscal year 2017 principal amount excludes \$50.0 million for demand bonds, which are classified as "due within one year" in the accompanying financial statements. The schedule below reflects the debt service on these bonds at their stated maturities.

HAMPTON ROADS SANITATION DISTRICT COMMISSION
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2017	\$ 26,477,000	\$ 31,295,000	\$ 57,772,000
2018	25,798,000	31,729,000	57,527,000
2019	26,485,000	30,674,000	57,159,000
2020	27,485,000	29,637,000	57,122,000
2021	27,821,000	28,555,000	56,376,000
2022-2026	153,967,000	124,456,000	278,423,000
2027-2031	172,273,000	90,556,000	262,829,000
2032-2036	164,389,000	52,091,000	216,480,000
2037-2041	119,565,000	18,425,000	137,990,000
2042-2046	53,565,000	3,157,000	56,722,000
2047-2051	8,255,000	-	8,255,000
Add:			
Unamortized Premium	73,214,000	-	73,214,000
Total	\$ 879,294,000	\$ 440,575,000	\$ 1,319,869,000

**Virginia Biotechnology Research Partnership
Authority**

The Virginia Biotechnology Research Partnership Authority (nonmajor) consists of Series 2009 Commonwealth of Virginia Lease Revenue bonds. Coupon interest rates range from 3.0 percent to 5.0 percent.

VIRGINIA BIOTECH RESEARCH PARTNERSHIP AUTHORITY				
Debt Service Requirements to Maturity				
<i>Maturity</i>		<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2017	\$	3,665,000	\$ 1,088,150	\$ 4,753,150
2018		3,815,000	938,550	4,753,550
2019		3,990,000	762,500	4,752,500
2020		4,200,000	557,750	4,757,750
2021		4,415,000	342,375	4,757,375
2022-2026		4,640,000	116,000	4,756,000
Add:				
Unamortized Premium		2,017,767	-	2,017,767
Total	\$	<u>26,742,767</u>	<u>\$ 3,805,325</u>	<u>\$ 30,548,092</u>

Total principal outstanding at June 30, 2016, on all component unit bonds amounted to \$21.0 billion.

The following schedule summarizes the changes in long-term liabilities:

Schedule of Changes in Long-term Debt and Obligations (1) (2)

(Dollars in Thousands)

	Balance July 1	Issuances and Other Increases	Retirements and Other Decreases	Subtotal June 30
Primary Government				
Governmental Activities:				
Long-term Debt Bearing the Pledge of the				
Full Faith and Credit of the Commonwealth:				
General Obligation Bonds - 9(b) and 9(c):				
Public Facilities Bonds	\$ 567,320	\$ -	\$ (60,795)	\$ 506,525
Parking Facilities Bonds	14,156	-	(722)	13,434
Transportation Facilities Bonds	16,725	-	(2,520)	14,205
Add: Unamortized Premium	77,170	-	(9,702)	67,468
Total General Obligation Bonds	675,371	-	(73,739)	601,632
Long-term Debt/Obligations Not Bearing the Pledge				
of the Full Faith and Credit of the Commonwealth:				
Transportation Facilities Bonds	2,989,510	349,565	(274,985)	3,064,090
Virginia Public Building Authority Bonds	2,417,460	-	(160,470)	2,256,990
Economic Development Authority Obligations	44,740	-	(5,590)	39,150
Add: Unamortized Premium	488,264	45,270	(47,797)	485,737
Accretion on Capital Appreciation Bonds	23,139	2,495	-	25,634
Less: Unamortized Discount	(96)	5	-	(91)
Installment Purchase Obligations	113,373	13,245	(17,741)	108,877
Notes Payable - Aviation	307	-	(193)	114
Compensated Absences	311,406	184,228	(178,581)	317,053
Capital Lease Obligations	57,948	967	(12,391)	46,524
Net Pension Liability	4,133,117	286,140	-	4,419,257
OPEB Liability	654,173	80,396	(505)	734,064
Pollution Remediation Liability	11,954	210	(856)	11,308
Other	33,155	18,346	(3,844)	47,657
Total Long-term Debt/Obligations Not Bearing the Pledge	11,278,450	980,867	(702,953)	11,556,364
Total Governmental Activities	11,953,821	980,867	(776,692)	12,157,996
Business-type Activities:				
Long-term Debt/Obligations Not Bearing the Pledge				
of the Full Faith and Credit of the Commonwealth:				
Debt:				
Non-General Obligation Bonds - 9(d)				
Route 460 Funding Corporation of Virginia Bonds	445,865	-	(445,865)	-
Add: Unamortized Premium	18,590	-	(18,590)	-
Less: Unaccreted Capital Appreciation Bonds	(144,345)	144,345	-	-
Capital Lease Obligations	5,708	-	(349)	5,359
Compensated Absences	10,123	3,188	(3,308)	10,003
Net Pension Liability	125,294	15,228	-	140,522
OPEB Liability	22,051	3,073	(11)	25,113
Lottery Prizes Payable	136,222	6,128	(12,455)	129,895
Tuition Benefits Payable	2,116,769	81,957	(163,118)	2,035,608
Total Business-type Activities	2,736,277	253,919	(643,696)	2,346,500
Total Primary Government	\$ 14,690,098	\$ 1,234,786	\$ (1,420,388)	\$ 14,504,496

<u>Foundations (3)</u>	<u>Balance June 30</u>	<u>Due Within One Year</u>
\$ -	\$ 506,525	\$ 53,110
-	13,434	890
-	14,205	2,620
-	67,468	-
-	601,632	56,620
-	3,064,090	167,190
-	2,256,990	177,020
-	39,150	5,870
-	485,737	-
-	25,634	-
-	(91)	-
-	108,877	12,096
-	114	114
-	317,053	167,612
-	46,524	7,024
-	4,419,257	-
-	734,064	-
-	11,308	2,012
-	47,657	8,355
-	11,556,364	547,293
-	12,157,996	603,913
-	-	-
-	-	-
-	-	-
-	5,359	334
-	10,003	5,915
-	140,522	-
-	25,113	-
-	129,895	13,422
-	2,035,608	250,472
-	2,346,500	270,143
\$ -	\$ 14,504,496	\$ 874,056

Continued on next page

Schedule of Changes in Long-term Debt and Obligations (1) (2)

(continued)

(Dollars in Thousands)

	Balance July 1 as restated (4)	Issuances and Other Increases	Retirements and Other Decreases	Subtotal June 30
Component Units				
Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
General Obligation Bonds - Higher Education 9(c) (5)	\$ 936,857	\$ -	\$ (59,739)	\$ 877,118
Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Bonds (5)	18,442,527	2,752,258	(2,041,599)	19,153,186
Installment Purchase Obligations	63,812	19	(13,006)	50,825
Capital Lease Obligations	77,456	19,985	(26,038)	71,403
Notes Payable	2,083,619	300,537	(342,430)	2,041,726
Compensated Absences	288,320	321,764	(317,058)	293,026
Net Pension Liability	2,537,695	299,508	(15,844)	2,821,359
OPEB Liability	830,507	131,949	(548)	961,908
Trust and Annuity Obligations	41,348	124	(1,746)	39,726
Other	293,098	763,048	(774,136)	282,010
Total Component Units	\$ 25,595,239	\$ 4,589,192	\$ (3,592,144)	\$ 26,592,287

Note (1) Pursuant to GASB Statement No. 34, governmental activities include internal service funds. Business-type activities are considered enterprise funds.

Note (2) Payments on bonded debt that pertain to the Commonwealth's governmental activities are made through the debt service funds. Payments for installment purchases, compensated absences, capital leases, pension, and other obligations that pertain to the Commonwealth's governmental activities are made through the general and all special revenue funds, excluding the Literary Fund (major). Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the total for governmental activities. Enterprise funds, or business-type activities, are self-supporting funds. Accordingly, long-term liabilities are paid from each respective fund.

Note (3) Foundations represent FASB reporting entities defined in Note 1.B.

Note (4) Trust and Annuity Obligations have been restated by \$39,596 (dollars in thousands) for a nonmajor component unit for the liability to beneficiaries related to irrevocable split-interest agreements. Other Liabilities have been restated by \$6,862 (dollars in thousands) for the Virginia Housing Development Authority (major) to remove third party escrow balances.

Note (5) Amounts are net of any unamortized discounts and premiums.

Foundations (3)	Balance June 30	Due Within One Year
\$ -	\$ 877,118	\$ 52,115
966,746	20,119,932	1,293,148
-	50,825	11,825
95	71,498	4,130
304,389	2,346,115	176,783
15,855	308,881	232,047
-	2,821,359	-
-	961,908	-
74,703	114,429	3,022
352,960	634,970	61,681
<u>\$ 1,714,748</u>	<u>\$ 28,307,035</u>	<u>\$ 1,834,751</u>

Bond and Note Defeasance

Primary Government

In February 2016, the Commonwealth Transportation Board of the Commonwealth of Virginia issued \$10.1 million in Transportation Revenue Refunding Bonds Series 2016A, \$13.9 million in Transportation Revenue Refunding Bonds Series 2016B, and \$51.9 million in Transportation Revenue Refunding Bonds Series 2016C. Series 2016A and 2016C have an interest rate of 5.0 percent and 2016B has a varying interest rate of 2.0 to 5.0 percent. The bonds that were refunded include \$11.3 million of Series 2006A, \$16.3 million of Series 2006B, and \$63.5 million of Series 2006C. The net proceeds from the sale of the Refunding Bonds of \$93.6 million (after payment of underwriter's fees and other issuance costs) were deposited into an irrevocable trust with an escrow agent to provide future debt service payments on the Refunded Bonds and to pay the costs related to issuance and refunding. As a result, the Refunded Bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$2.2 million. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt or the new debt, whichever is shorter. Total debt service payments will be reduced by \$22.6 million resulting in an economic gain of \$20.7 million.

Component Units

Higher education institutions (nonmajor) participate in the Virginia College Building Authority Pooled Bond Program. In December 2015, the Virginia College Building Authority (VCBA) (major) issued \$153.9 million of Series 2015B Pooled Bond Program refunding bonds. The bonds were issued to refund \$159.1 million

of its 2009A bonds. The net proceeds from the sale of the refunding bonds of \$177.2 million were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the defeased bonds. This defeasance resulted in an accounting loss of \$13.0 million. Total debt service payments over the next 24 years will be reduced by \$20.7 million resulting in a present value savings of \$15.8 million discounted at the rate of 2.7 percent.

In June 2016, VCBA issued \$49.3 million of Series 2016B 21st Century Program refunding bonds. The bonds were issued to refund \$7.1 million of its 2008A bonds and \$43.7 million of its 2009A bonds. The net proceeds from the sale of the refunding bonds of \$56.7 million were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the defeased bonds. This defeasance resulted in an accounting loss of \$3.9 million. Total debt service payments over the next 13 years will be reduced by \$8.4 million resulting in a present value savings of \$7.3 million discounted at the rate of 2.2 percent.

The Virginia Polytechnic Institute and State University (nonmajor) issued \$2.6 million of Series 2015E bonds to refund \$2.7 million of Series 2004A bonds. For additional information regarding this refunding, see the institution's individually published financial statements.

GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of June 30, 2016, there were \$564.9 million in bonds from the primary government that have been refunded and defeased in-substance from the governmental activities column by placing existing assets and the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments. In addition, there were \$2.2 billion in bonds and notes outstanding considered defeased from the component units.

Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt calculate and rebate arbitrage earnings to the federal government. The U.S. Treasury has issued regulations on calculating the rebate amount and complying with the provisions of the Tax Reform Act of 1986. Governmental issuers must comply with the rebate regulations in order for their bonds to maintain tax-exempt status. The regulations require the excess of the aggregate amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, to be rebated to the federal government. Income earned on excess earnings is also subject to rebate. Rebate liability, if any, must be paid every five years over the life of the bonds. Governmental issuers may elect to pay a penalty in lieu of rebate. Some bonds may be exempt from the rebate requirements if they qualify for certain regulatory exceptions. If the issuer meets one of the exceptions, the issuer retains any arbitrage earnings. Rebate and penalty payments are calculated and paid

as required by law on bond issues that do not qualify for an exception.

Rebate liability on bonds of the VPSA (major component unit) is payable from earnings on related bond funds and from local issuers whose local school bonds were purchased by the VPSA. During fiscal year 2016, an arbitrage rebate calculation for VPSA's School Financing Bonds (1997 Resolution), Series 2006A identified a rebate liability of \$18,985 due to the Federal government in fiscal year 2017. The liability was paid in July 2016 and a subsequent rebate report, following final redemption of the Series 2006A bonds, identified that no additional rebate payments were due.

Although rebatable arbitrage need only be calculated for tax purposes every fifth year that debt is outstanding, and consistent with modified accrual basis of accounting, is not recognized as a liability in governmental funds until amounts actually become due and payable, a liability is recognized in accrual basis government-wide statements as soon as the underlying event has occurred. Accordingly, as of June 30, 2016, the Virginia Resources Authority (major component unit) has recognized a liability of \$391,873.

Amounts remitted to the federal government for rebate liability are generally paid from earnings derived from the issue. However, if all proceeds (including earnings) have been expended and depending on the type of issue, it may be necessary to use project revenues or general or nongeneral fund appropriations to satisfy any rebate liability. During fiscal year 2016, no rebate payments were owed on the Commonwealth's General Obligation Bonds, Virginia Public Building Authority, Commonwealth Transportation Board, the Virginia College Building Authority 21st Century or Pooled Bond Programs, or the Virginia Port Authority.

Capital Leases

The Commonwealth leases buildings and equipment under various agreements that are accounted for as capital leases. The lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

Gross minimum lease payments, together with the present value of the net minimum lease payments as of June 30, 2016, are shown in the following table (dollars in thousands).

	Governmental Activities	Business-Type Activities	Component Units (1)
2017	\$ 10,779	\$ 574	\$ 6,790
2018	9,570	589	6,903
2019	7,363	603	6,377
2020	6,758	619	6,361
2021	6,669	634	5,573
2022-2026	13,402	3,417	26,144
2027-2031	5,600	3,866	25,867
2032-2036	2,180	4,374	8,613
2037-2041	2,305	4,948	708
2042-2046	464	1,075	650
2047-2051	-	-	1,176
Total Gross Minimum Lease Payments	65,090	20,699	95,162
Less: Amount Representing Executory Costs	(6,353)	-	-
Net Minimum Lease Payments	58,737	20,699	95,162
Less: Amount Representing Interest	(12,213)	(15,340)	(23,759)
Present Value of Net Minimum Lease Payments	\$ 46,524	\$ 5,359	\$ 71,403

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

	Foundations (2)
2017	\$ 67
2018	25
2019	7
Net Minimum Lease Payments	99
Less: Amount Representing Interest	(4)
Present Value of Net Minimum Lease Payments	\$ 95

Note (2): Foundations represent FASB reporting entities defined in Note 1.B.

At June 30, 2016, assets purchased under capital leases were included in depreciable capital assets as follows (dollars in thousands). The amounts are net of accumulated depreciation where applicable. For a portion of these assets, ownership will pass to the Commonwealth at the end of the lease term.

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Governmental Activities:			
Gross Capital Assets	\$ 176,141	\$ 4,309	\$ 180,450
Less: Accumulated Depreciation	(77,802)	(2,968)	(80,770)
Total Governmental Activities	<u>\$ 98,339</u>	<u>\$ 1,341</u>	<u>\$ 99,680</u>
Business-Type Activities:			
Gross Capital Assets	\$ 8,800	\$ -	\$ 8,800
Less: Accumulated Depreciation	(1,178)	-	(1,178)
Total Business-Type Activities	<u>\$ 7,622</u>	<u>\$ -</u>	<u>\$ 7,622</u>
Component Units:			
Gross Capital Assets	\$ 131,592	\$ 3,757	\$ 135,349
Less: Accumulated Depreciation	(48,026)	(2,283)	(50,309)
Subtotal (excluding Foundations)	<u>83,566</u>	<u>1,474</u>	<u>85,040</u>
Foundations:			
Gross Capital Assets	-	733	733
Less: Accumulated Depreciation	-	(551)	(551)
Subtotal Foundations	<u>-</u>	<u>182</u>	<u>182</u>
Total Component Units (3)	<u>\$ 83,566</u>	<u>\$ 1,656</u>	<u>\$ 85,222</u>

Note (3): In addition to the above, land purchased under capital leases by the University of Virginia (nonmajor) is \$8,095 (dollars in thousands).

Notes Payable

Notes Payable consist of several items as shown in the following schedule (dollars in thousands):

Primary Government	
Aviation Note	\$ 114
Installment Notes	108,877
Total Primary Government	<u>108,991</u>
Component Units	
Virginia Public School Authority	193,865
Virginia Resources Authority	105
Nonmajor Component Units	1,847,756
Installment Notes	50,825
Subtotal (excluding Foundations)	<u>2,092,551</u>
Foundations:	
Notes Payable	304,389
Subtotal - Foundations	<u>304,389</u>
Total Component Units	<u>2,396,940</u>
Total Notes Payable	<u>\$ 2,505,931</u>

The Department of Aviation (primary government) Note represents a loan agreement with the Virginia Resources Authority (major component unit) with an outstanding balance of \$114,381. The purpose of the loan was to finance and refinance grants-in-aid made to the Peninsula Airport Commission to provide funding for capital improvements at the Newport News/Williamsburg International Airport. The principal amount shall be paid semi-annually with the final payment due in 2017.

The Virginia Public School Authority (major component unit) notes of \$193.9 million are for the School Equipment Financing Notes Educational Technology program. The note proceeds were used to make grants to school divisions for the purchase of educational technology equipment. The notes will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund (major special revenue).

The Virginia Resources Authority (major component unit) notes of \$104,562 are Equipment and Term Financing loans.

An additional amount of \$1.8 billion is comprised primarily of higher education institutions' (nonmajor component units) promissory notes with the Virginia College Building Authority (VCBA) (major component unit) to finance the construction of various higher education facilities pursuant to the Pooled Bond Program. Interest rates range from 2.0 percent to 5.6 percent and shall be paid semi-annually and the planned interest payments total \$611.3 million. Additionally, in accordance with the American Recovery and Reinvestment Act, the Commonwealth expects to receive a Build America Bonds (BABs) interest subsidy to reimburse interest payments of \$31.8 million. The final principal payment is due in 2045.

The following higher education institutions (nonmajor component units) reported notes payables primarily for construction: Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – nonmajor component unit) \$23.7 million, which includes \$11.7 million reported by the University Health Services (a component unit of the Authority); Virginia State University \$940,068; and Norfolk State University \$15,824.

Various foundations (component units) have notes outstanding as of year-end. The purpose of a majority of these notes is for property acquisition, working capital, and construction. Future principal payments as of June 30, 2016, are shown in the following table (dollars in thousands).

Foundations' Notes Payable (Component Units) (1)		
Maturity		Principal
2017	\$	10,312
2018		90,735
2019		48,379
2020		31,449
2021		7,021
Thereafter		<u>116,493</u>
Total	\$	<u>304,389</u>

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

Installment purchase obligations have been entered into by agencies and institutions of the Commonwealth. These agreements, other than those in the component units and certain institutions of higher education, contain nonappropriation clauses indicating that continuation of the installment purchase obligations is subject to funding by the General Assembly. Installment purchase obligations represent \$159.7 million of the total outstanding debt of the Commonwealth. Presented in the following tables are repayment schedules for installment purchase obligations as of June 30, 2016.

Installment Purchase Obligations - Governmental Funds
June 30, 2016

Maturity	Principal	Interest	Total
2017	\$ 12,096,135	\$ 2,992,190	\$ 15,088,325
2018	12,272,971	2,683,832	14,956,803
2019	12,577,813	2,354,239	14,932,052
2020	12,878,233	2,014,707	14,892,940
2021	11,444,501	1,668,893	13,113,394
2022-2026	37,468,275	4,356,401	41,824,676
2027-2031	10,128,547	554,455	10,683,002
2032-2036	10,952	19	10,971
Total	\$ 108,877,427	\$ 16,624,736	\$ 125,502,163

Installment Purchase Obligations - Component Units
June 30, 2016

Maturity	Principal	Interest	Total
2017	\$ 11,825,349	\$ 1,001,737	\$ 12,827,086
2018	11,839,003	827,682	12,666,685
2019	9,466,948	575,791	10,042,739
2020	5,046,240	389,662	5,435,902
2021	4,257,202	286,999	4,544,201
2022-2026	7,778,877	569,689	8,348,566
2027-2031	611,672	26,710	638,382
Total	\$ 50,825,291	\$ 3,678,270	\$ 54,503,561

The foundations (component units) had no installment purchase obligations as of June 30, 2016.

On May 23, 2016, the Virginia Department of Transportation (VDOT) (primary government) and Chesterfield County (County) signed a memorandum of understanding concerning payment of interest relating to the County's contribution to VDOT for the construction of the Powhite Parkway Extension Project. The parties agreed that the interest to be paid by VDOT on the County's contribution to the construction of the Powhite Parkway Extension is \$18.5 million. The interest requirement paid during fiscal year 2016 totaled \$10.3 million. The outstanding interest amount of \$8.2 million is payable in annual installments on September 1 in the years 2016 to 2022. This interest is applicable to a note payable that VDOT repaid to the County in fiscal year 2014.

Lottery Prizes Payable

Lottery prizes are paid in 20, 25, 26, or 30 installments. The first installment is paid on the day the prize is claimed. The subsequent annual payments are funded with U.S. Treasury STRIPS purchased by the Virginia Lottery. For Life prizes payable represent estimated prizes payable monthly, quarterly or annually for the life of the winner based on life expectancy tables from the Virginia Bureau of Insurance, and funded with a pool of U.S. Treasury STRIPS.

Lottery prizes payable represent the future annual prize payments valued at cost plus accrued interest (present value of securities held to maturity) of the investment securities funding the payments.

Lottery prizes payable for the fiscal year ended June 30, 2016, are shown in the following table:

	Jackpot	Win For Life	Total
Due within one year	\$ 8,339,546	\$ 5,082,776	\$ 13,422,322
Due in subsequent years	51,599,365	64,873,461	116,472,826
Total (present value)	59,938,911	69,956,237	129,895,148
Add:			
Interest to Maturity	23,199,089	35,263,763	58,462,852
Lottery Prizes Payable at Maturity	<u>\$ 83,138,000</u>	<u>\$ 105,220,000</u>	<u>\$ 188,358,000</u>

Tuition Benefits Payable

The Virginia College Savings Plan administers the Virginia529 prePAID program. Virginia529 prePAID offers contracts at actuarially determined amounts that provide for future tuition and mandatory fee payments at state higher education institutions. The contract provisions also allow the benefits to be used for private or out-of-state institutions at differing amounts.

At June 30, 2016, tuition benefits payable of \$2.0 billion have been recorded for the Virginia529 prePAID program on the statement of net position for the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for the Virginia529 prePAID program. In addition, a receivable in the amount of \$198.8 million has been recorded to reflect the actuarially determined present value of future payments anticipated from contract holders.

27. OTHER REVENUE

The following table (dollars in thousands) summarizes Other Revenue for the fiscal year ended June 30, 2016.

	Assessments and Receipts for Support of Special Services	Fines, Forfeitures, Court Fees, Penalties, and Escheats	Receipts from Cities, Counties, and Towns	Private Gifts, Grants, and Contracts	Sales of Property
Primary Government:					
General	\$ 3,484	\$ 221,400	\$ 16,951	\$ 361	\$ 41,486
Major Special Revenue Funds:					
Commonwealth Transportation	15,172	13,830	130,990	21,121	1,381
Federal Trust	-	527	-	-	-
Literary	-	58,280	-	-	-
Nonmajor Governmental Funds	117,953	53,020	67,243	6,342	13,605
Major Enterprise Funds:					
Virginia College Savings Plan	-	-	-	-	-
Unemployment Compensation	-	475	-	-	-
Nonmajor Enterprise Funds	-	14,122	-	-	-
Internal Service Funds	-	-	-	-	-
Private Purpose Trust Funds	-	-	-	-	-
Pension and Other Employee Benefit Trust Funds	-	-	-	-	-
Total Primary Government	<u>\$ 136,609</u>	<u>\$ 361,654</u>	<u>\$ 215,184</u>	<u>\$ 27,824</u>	<u>\$ 56,472</u>

	Tobacco Master Settlement	Taxes	E-Z Pass	Other (1)	Total Other Revenue
Primary Government:					
General	\$ 47,664	\$ -	\$ -	\$ 223,104	\$ 554,450
Major Special Revenue Funds:					
Commonwealth Transportation	-	-	21,392	668	204,554
Federal Trust	-	-	-	185,311	185,838
Literary	-	-	-	100,550	158,830
Nonmajor Governmental Funds	-	-	-	173,430	431,593
Major Enterprise Funds:					
Virginia College Savings Plan	-	-	-	6	6
Unemployment Compensation	-	-	-	-	475
Nonmajor Enterprise Funds	-	4,321	-	1,089	19,532
Internal Service Funds	-	-	-	43	43
Private Purpose Trust Funds	-	-	-	19	19
Pension and Other Employee Benefit Trust Funds	-	-	-	2,458	2,458
Total Primary Government	<u>\$ 47,664</u>	<u>\$ 4,321</u>	<u>\$ 21,392</u>	<u>\$ 686,678</u>	<u>\$ 1,557,798</u>

Note (1): \$183,520 (dollars in thousands) is related to prior year expenditures refunded in the current fiscal year for the General Fund. \$129,683 (dollars in thousands) is related to prior year expenditures refunded in the current fiscal year in the Federal Trust Fund. \$100,300 (dollars in thousands) of the total amount recorded for the Literary Fund is related to unclaimed property. \$36,579 (dollars in thousands) is related to indirect costs and court collection fees in the Other Special Revenue Fund, and the remaining \$136,851 (dollars in thousands) is related to other miscellaneous charges and fees in the nonmajor governmental funds.

28. PRIZES AND CLAIMS

The following table summarizes Prizes and Claims Expense for the fiscal year ended June 30, 2016.

(Dollars in Thousands)

	Insurance Claims	Lottery Prize Expense	Total Prizes and Claims
Proprietary Funds:			
Major Enterprise Funds:			
Virginia Lottery	\$ -	\$ 1,202,455	\$ 1,202,455
Unemployment Compensation	390,441	-	390,441
Nonmajor Enterprise Funds	399,236	-	399,236
Total Enterprise Funds	<u>\$ 789,677</u>	<u>\$ 1,202,455</u>	<u>\$ 1,992,132</u>
Internal Service Funds	<u>\$ 1,581,252</u>	<u>\$ -</u>	<u>\$ 1,581,252</u>

29. OTHER EXPENSES

The following table summarizes Other Expenses for the fiscal year ended June 30, 2016.

(Dollars in Thousands)

	Grants and Distributions To Localities	Expendable Equipment/ Improvements	Other (1)	Total Other Expenses
Proprietary Funds:				
Major Enterprise Funds:				
Virginia College Savings Plan	\$ -	\$ 266	\$ 61	\$ 327
Nonmajor Enterprise Funds	91	3,190	3,423	6,704
Total Enterprise Funds	<u>\$ 91</u>	<u>\$ 3,456</u>	<u>\$ 3,484</u>	<u>\$ 7,031</u>
Internal Service Funds	<u>\$ 1,781</u>	<u>\$ 952</u>	<u>\$ 15,293</u>	<u>\$ 18,026</u>
Pension and Other Employee Benefit Trust Funds (2)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,031</u>	<u>\$ 4,031</u>

Note (1): \$7,827 (dollars in thousands) can be attributed to expenses related to cyber insurance in the Risk Management internal service fund and \$7,315 (dollars in thousands) can be attributed to Affordable Care Act related fees in the Health Care Fund internal service fund. \$61 (dollars in thousands) can be attributed to the Virginia529 prePAID Program for promotional scholarships.

Note (2): Fiduciary expenses of \$4,031 (dollars in thousands) are not included in the Government-wide Statement of Activities.

30. OTHER NON-OPERATING REVENUE/EXPENSES

The following table summarizes Other Non-Operating Revenue/Expenses for the fiscal year ended June 30, 2016.

(Dollars in Thousands)

	Gain/ (Loss) on Sale of Capital Assets	Expenses for Securities Lending Transactions	Interest Expense	Federal Unemployment Tax Act	Other (1)	Total Other Non- Operating Revenue/ (Expenses)
Proprietary Funds:						
Major Enterprise Funds:						
Virginia Lottery	\$ -	\$ (36)	\$ -	\$ -	\$ 287	\$ 251
Virginia College Savings Plan	-	-	(212)	-	-	(212)
Unemployment Compensation	-	-	-	(16)	-	(16)
Nonmajor Enterprise Funds	(129)	(11)	(621)	-	8,774	8,013
Total Enterprise Funds	<u>\$ (129)</u>	<u>\$ (47)</u>	<u>\$ (833)</u>	<u>\$ (16)</u>	<u>\$ 9,061</u>	<u>\$ 8,036</u>
Internal Service Funds	<u>\$ 800</u>	<u>\$ (23)</u>	<u>\$ (2,830)</u>	<u>\$ -</u>	<u>\$ 726</u>	<u>\$ (1,327)</u>

Note (1): Other Non-Operating Revenue/Expenses of the nonmajor enterprise funds are primarily comprised of \$9,165 (dollars in thousands) reported by the Department of Alcoholic Beverage Control offset by \$407 (dollars in thousands) of expenses reported by the Route 460 Funding Corporation of Virginia.

31. TRANSFERS

The following table summarizes Transfers In and Transfers Out for the fiscal year ended June 30, 2016 (dollars in thousands).

Transfers In (Reported In):					
Transfers Out (Reported In):	General	Commonwealth Transportation	Federal Trust	Literary	Nonmajor Governmental Funds
Primary Government					
General	\$ -	\$ 91,912	\$ -	\$ -	\$ 372,323
Major Special Revenue Funds:					
Commonwealth Transportation	23,763	-	169	-	315,708
Federal Trust	35	17,103	-	-	10,430
Nonmajor Governmental Funds	46,776	-	2,511	-	2,071
Major Enterprise Funds:					
Virginia Lottery	588,187	-	-	5,898	-
Virginia College Savings Plan	415	-	-	-	-
Unemployment Compensation	-	-	4,185	-	-
Nonmajor Enterprise Funds	174,031	-	150	4	14,892
Internal Service Funds	1,750	-	-	-	886
Total Primary Government	\$ 834,957	\$ 109,015	\$ 7,015	\$ 5,902	\$ 716,310

Transfers are used to (1) move revenues from the fund that the *Code of Virginia* or budget requires to collect them to the fund that the *Code of Virginia* or budget requires to expend them; (2) move receipts restricted for debt service from the funds holding the resources to the debt service fund as principal and interest payments become due; and (3) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During the fiscal year, the following significant transfers were made that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer.

Various nongeneral funds transferred approximately \$3.8 million to the General Fund as required by Chapter 732, 2016 Virginia Acts of Assembly.

Nonmajor Enterprise Funds	Internal Service Funds	Total Primary Government
\$ 250	\$ 74	\$ 464,559
-	388	340,028
98	-	27,666
-	162	51,520
-	-	594,085
-	-	415
-	-	4,185
-	-	189,077
-	-	2,636
<u>\$ 348</u>	<u>\$ 624</u>	<u>\$ 1,674,171</u>

32. ON-BEHALF PAYMENTS

Higher education institutions (nonmajor component units) received various on-behalf payments from foundations primarily for salary supplements and stipends during fiscal year 2016. Since the foundations are included as part of the higher education entity, most on-behalf payments were considered intrafund and were eliminated from the financial statements. On-behalf payments not eliminated for fiscal year 2016 totaled \$75,844 and were recorded as program revenue – charges for services with corresponding expenses.

33. ENDOWMENTS

Donor restricted endowments reside primarily within the higher education institutions. The net appreciation available for expenditure is \$1.3 billion as of June 30, 2016. Of this amount, \$1.0 million is reported as unrestricted net position and the remainder is reported as restricted net position. The *Code of Virginia* authorizes acceptance of donations. The governing boards of these entities and the donor agreements determine whether net appreciation can be spent and the accepted spending rate. These policies are entity specific and vary with each institution.

34. CASH FLOWS – ADDITIONAL DETAILED INFORMATION

The following table (dollars in thousands) summarizes specific cash flows for the fiscal year ended June 30, 2016.

	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation
Cash Flows Resulting from:			
Payments for Prizes, Claims, and Loss Control:			
Lottery Prizes	\$ (1,209,781)	\$ -	\$ -
Claims and Loss Control	-	-	(407,866)
Total	<u>\$ (1,209,781)</u>	<u>\$ -</u>	<u>\$ (407,866)</u>
Other Operating Revenue:			
Receipts from Interest, Dividends, and Rents	\$ -	\$ -	\$ -
Other Operating Revenue	-	-	92
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92</u>
Other Operating Expense:			
Other Operating Expenses (1)	\$ -	\$ (55)	\$ -
Total	<u>\$ -</u>	<u>\$ (55)</u>	<u>\$ -</u>
Other Noncapital Financing Receipt Activities:			
Advances/Contributions from the Commonwealth	\$ -	\$ -	\$ -
Receipts from Taxes	-	-	-
Other Noncapital Financing Receipt Activities	310	-	40
Total	<u>\$ 310</u>	<u>\$ -</u>	<u>\$ 40</u>
Other Noncapital Financing Disbursement Activities:			
Repayments of Advances/Contributions from the Commonwealth	\$ -	\$ -	\$ -
Other Noncapital Financing Disbursement Activities	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Capital and Related Financing Receipt Activities:			
Receipts from Contract Termination	\$ -	\$ -	\$ -
Other Capital and Related Financing Receipt Activities	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Capital and Related Financing Disbursement Activities:			
Disbursement of Residual Cash Balances	\$ -	\$ -	\$ -
Other Capital and Related Financing Disbursement Activities	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note (1): \$55,373 can be attributed to disbursements related to the Virginia529 prePAID Program for promotional scholarships. Also, \$7,827 (dollars in thousands) can be attributed to expenses related to cyber insurance in the Risk Management internal service fund and \$7,315 (dollars in thousands) can be attributed to Affordable Care Act related fees in the Health Care Fund internal service fund.

35. TOBACCO SETTLEMENT AND SECURITIZATION

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ -	\$ (1,209,781)	\$ -
(385,364)	(793,230)	(1,384,904)
<u>\$ (385,364)</u>	<u>\$ (2,003,011)</u>	<u>\$ (1,384,904)</u>
\$ -	\$ -	\$ -
5,721	5,813	-
<u>\$ 5,721</u>	<u>\$ 5,813</u>	<u>\$ -</u>
\$ (4,510)	\$ (4,565)	\$ (17,383)
<u>\$ (4,510)</u>	<u>\$ (4,565)</u>	<u>\$ (17,383)</u>
\$ 23,749	\$ 23,749	\$ 10,000
225,364	225,364	-
32	382	3,405
<u>\$ 249,145</u>	<u>\$ 249,495</u>	<u>\$ 13,405</u>
\$ (31,065)	\$ (31,065)	\$ (1,901)
(224)	(224)	-
<u>\$ (31,289)</u>	<u>\$ (31,289)</u>	<u>\$ (1,901)</u>
\$ 165,794	\$ 165,794	\$ -
68	68	-
<u>\$ 165,862</u>	<u>\$ 165,862</u>	<u>\$ -</u>
\$ (727)	\$ (727)	\$ -
(3)	(3)	(633)
<u>\$ (730)</u>	<u>\$ (730)</u>	<u>\$ (633)</u>

On November 23, 1998, 46 states' Attorneys General and the major tobacco companies signed a proposed settlement that reimburses states for smoking-related medical expenses paid through Medicaid and other health care programs. At the time of the settlement, it was estimated that the Commonwealth could receive approximately \$4.1 billion over the duration of the settlement. The settlement was approved in a Consent Decree in December 1998. On March 29, 1999, the General Assembly enacted a law approving the establishment of the Tobacco Region Revitalization Commission (formerly the Tobacco Indemnification and Community Revitalization Commission) (Commission) (nonmajor component unit), in compliance with the Consent Decree, to help communities in Virginia hurt by the decline of tobacco.

The Commission was established for the purposes of determining the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund. The monies are to be used to provide payments to tobacco farmers as compensation for the tobacco equipment and barns and lost tobacco production opportunities associated with a decline in quota. The monies are also to be used to revitalize tobacco dependent communities.

The General Assembly also created the Virginia Foundation for Healthy Youth (Foundation) (nonmajor component unit). The purpose of the Foundation is to determine the appropriate recipients of monies in the Virginia Tobacco Settlement Fund. The Foundation will also be responsible for distributing monies for the purposes provided in the legislation. Disbursements can be made to assist in financing efforts to restrict the use of tobacco products by minors, through educational and awareness programs describing the health effects of tobacco use on minors, and laws restricting the distribution of tobacco products to minors.

Additionally, the General Assembly created two special non-reverting funds. The Tobacco Settlement monies were accounted for in these funds and in the General Fund. Of the Settlement monies, 50.0 percent was deposited into the Tobacco Indemnification and Community Revitalization Fund at the Commission and 10.0 percent continues to be deposited into the Virginia Tobacco Settlement Fund at the Foundation. The remaining 40.0 percent continues to be reported in the General Fund.

Pursuant to Purchase and Sale Agreements executed in 2005 and 2007, the Commonwealth, acting as an agent on behalf of the Commission, sold the Commission's future right, title and interest in the Tobacco Settlement Revenues (TSRs) to the Tobacco Settlement Financing Corporation (Corporation) (related organization).

Consideration paid by the Corporation to the Commission for TSRs consisted of a cash amount deposited into an endowment to fund the long-term spending plan approved by the Commission. Bonds issued by the Corporation to finance the purchase price are asset-backed instruments secured solely by the Corporation's right to receive TSRs. At the time of issuance these revenues were expected to produce sufficient funds to repay the bond obligations issued by the Corporation.

The Commission is a nonmajor component unit of the Commonwealth, and the Corporation is disclosed as a related organization.

36. SERVICE CONCESSION ARRANGEMENTS

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, describes the criteria for when an arrangement is classified as a Service Concession Arrangement (SCA). The basic criteria are: the operator of the capital asset owned by the transferor has the right to provide services in exchange for significant consideration; the operator's revenue must come from a third party; the transferor must retain some level of control over the asset; and the transferor must receive significant residual interest at the conclusion of the arrangement.

Primary Government

The Commonwealth of Virginia has four SCAs as of June 30, 2016: Pocahontas 895, the 495 Express Lanes, Elizabeth River – Midtown Tunnel, and the 95 Express Lanes. They are all related to highway construction and operation and were established per the Public-Private Transportation Act of 1995, as amended (PPTA). PPTA project goals are to provide highway projects to the public in a timely and cost effective manner with private funding and support.

Pocahontas 895

On June 21, 2006, the Pocahontas Parkway Association (Association – previously reported as a blended component unit of the Virginia Department of Transportation (VDOT), part of primary government) signed an agreement with Transurban (895) LLC (Transurban). Under the terms of the agreement, all assets and rights of the Association under the Comprehensive Agreement with VDOT were transferred to Transurban. In exchange for the existing toll road and other assets, Transurban transferred sufficient funds and securities to pay or defease all outstanding bonds of the Association and pay all other outstanding obligations owed to VDOT. Additionally, Transurban agreed to construct an enhancement to the original toll road, and this enhancement was completed and placed in service in 2011.

During the 99-year agreement term, VDOT will have fee title or good and valid interest in the asset. VDOT retains the right of inspection of the asset and has outlined maximum toll charges and increases in the terms of the agreement. Capital assets of \$337.2 million and deferred inflow balances of \$512.2 million are included in the government-wide financial statements. No contractual liabilities exist for this arrangement as of June 30.

During fiscal year 2014, the Transurban Board approved the transfer of Pocahontas 895 to the lenders of the asset due to lower revenues than anticipated. On May 15, 2014, DBi Services assumed control of Pocahontas 895.

495 Express Lanes

On December 19, 2007, VDOT signed an 80-year public-private partnership agreement with Capital Beltway Express, LLC. The purpose of this agreement is to build new express lanes to provide users with a faster and more reliable travel option. The construction of the express lanes was completed in November 2012.

During the 80-year agreement, VDOT maintains regulatory control and jurisdiction of the express lanes. VDOT will have fee title or good and valid interest in the express lanes. The lanes will remain open for the public as long as the applicable tolls are paid. Capital assets of \$924.1 million and deferred inflows of \$1.0 billion are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement.

Elizabeth River – Midtown Tunnel

On December 5, 2011, VDOT signed a 58-year public private partnership agreement with Elizabeth River Crossings OPCO, LLC. The purposes of this agreement are to build and operate a new tunnel that will be adjacent to the existing Midtown Tunnel for crossing the Elizabeth River, provide improvements to the existing Midtown Tunnel and the Downtown Tunnel, and to provide various extensions and improvements of the MLK Freeway and I-264.

During the agreement, Elizabeth River Crossings OPCO, LLC will operate and maintain the road. The revenue source for the concessionaire will be toll collections, excluding the MLK Freeway, which will be used for maintenance, operating and return on investment for constructing the project. At the end of the 58-year term, control of and the rights to operate the facilities will revert back to VDOT. Since assets related to this project will not be operational until fiscal year 2017, no capital assets, liabilities, or deferred inflows of resources have been included in the financial statements.

95 Express Lanes

On July 31, 2012, VDOT signed a 73-year public private partnership agreement with 95 Express Lanes, LLC. This project will create approximately 29 miles of Express Lanes on I-95 in Northern Virginia. The project will also add capacity to the existing HOV Lanes. The construction of the express lanes was completed in December 2014.

During the agreement, 95 Express Lanes LLC will operate and maintain the road. The revenue source for the concessionaire will be toll collections which will be used for maintenance, operating and return on investment for constructing the project. At the end of the 73-year term, control of and the rights to operate the facilities will revert back to VDOT. The lanes will remain open for the public as long as the applicable tolls are paid. Capital assets of \$599.9 million and deferred inflows of \$619.5 million are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement.

During fiscal year 2016, the Commonwealth Transportation Board awarded a contract to design and construct a reversible extension of the 95 Express Lanes at the southern terminus in Stafford County. The approximately 2.5 mile extension will carry traffic beyond the location where the 95 Express Lanes currently end. The construction will begin in fiscal year 2017 with final completion scheduled for summer 2018.

In addition, plans were announced by VDOT during fiscal year 2016, to extend the 95 Express Lanes north to I-395. This involves expanding and converting two high occupancy vehicle (HOV) lanes to three express lanes near the Pentagon. Construction on this eight-mile extension is expected to begin in spring 2017 with completion scheduled for Summer 2019.

Component Units

Aramark – Dining Services

During the year ended June 30, 2015, the University of Virginia (nonmajor) entered into an agreement with Aramark Educational Services, LLC (Aramark) for Aramark to provide dining services to the University. In return for use of University facilities, Aramark is required to make certain payments to the University and the University is required to provide certain repair and maintenance services related to the facilities during the term of the agreement. As of June 30, 2016, the University has accrued a \$18.5 million receivable, a \$13.7 million liability and a \$70.2 million deferred inflow of resources related to the service concession arrangement.

37. INFORMATION TECHNOLOGY INFRASTRUCTURE PARTNERSHIP – NORTHROP GRUMMAN

The Comprehensive Infrastructure Agreement (CIA) is a contract, executed on November 13, 2005, between the Commonwealth of Virginia (Commonwealth) acting through the Virginia Information Technologies Agency (VITA) and Northrop Grumman Systems Corporation (NG). The Commonwealth's primary goal was to significantly improve the Commonwealth's IT infrastructure and the manner in which such infrastructure was operated, supported, and maintained for the following service towers: Cross-Functional Services, Desktop Computing Services, Data Network Services, Voice and Video Telecom Services, Mainframe and Server Services, Help Desk Services, Messaging Services, Security Services, Internal Application Services, and Data Center facilities.

On March 31, 2010, contract revisions to the CIA were completed between the Commonwealth and Northrop Grumman. As a result of the contract changes, the Commonwealth renewed the contract for an additional three years, the parties established the products and services covered in the contractual cap including the baseline quantities to be billed and the prices at which those quantities will be billed, a shortened formula for contract year ten cost of living adjustment, and increased resolution and disentanglement fees. These contract changes were intended to provide improved performance to the VITA customer agencies, provide greater accountability and operational efficiencies for the services provided, and resolve outstanding financial issues. Additional contract revisions to the CIA have been completed between the Commonwealth and Northrop Grumman in the years since 2010. The contract term expires June 30, 2019.

The CIA provides various termination scenarios. The Commonwealth can terminate the CIA due to a variety of reasons including the Commonwealth's convenience; a significant change of control in the equity interests in NG; NG's failure to implement satisfactory improvements; or, NG's failure to prevent service interruption of 15 days or more. In these instances, the Commonwealth would be required to pay exit and resolution fees as outlined in the CIA. Additional causes for termination that do not require the payment of exit or resolution fees include NG's default on the CIA terms, the Commonwealth's lack of funds, or NG's incurrence of liabilities equal to or more than 75.0 percent of the direct damages cap. On the other hand, NG can terminate the CIA only if the Commonwealth owes an aggregate amount in excess of \$100.0 million that is more than 30 days past due and not being disputed in good faith. The Commonwealth might be required to pay exit and resolution fees, as outlined in the CIA. Fees resulting from the termination of the agreement are expected to be significant to the Commonwealth; however, exit fees are subject to the appropriation, allocation and availability of Commonwealth funds. Further, if the Commonwealth and NG terminate all or a portion of the business relationship on or before the conclusion of the CIA term, the Commonwealth will incur significant costs to obtain and transition the IT

infrastructure necessary to continue the Commonwealth's operations.

In 2015, in anticipation of contract expiration in 2019, and with recognition of the complexity of the change in such a large shared services environment, VITA engaged a consulting firm to help develop sourcing strategies to better align with current best practices and future customer requirements. After evaluating options and engaging numerous Commonwealth stakeholders, VITA determined that it should start disentangling services from the CIA and transition services in waves to a new, multi-supplier model. The transition has begun with the messaging tower and a contract signed with Tempus Nova, along with an accompanying termination of messaging services from NG. Other transitions and accompanying terminations of services, on a tower-by-tower basis, are in progress or are planned, all with a goal of complete disentanglement from the CIA by June 30, 2019. These terminations may result in payment of exit and resolution fees, the amount of which is being determined as part of a negotiated disentanglement process.

Expenses associated with the CIA in fiscal year 2016 are \$307.4 million, including payments to Northrop Grumman of \$263.3 million. The Commonwealth expects to spend an additional \$650.0 million over the next three fiscal years, either with NG or new providers.

38. CONTINGENCIES

A. Grants and Contracts

The Commonwealth has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Commonwealth.

Institutions of higher education (component units) and other state agencies are required to comply with various federal regulations issued by the Office of Management and Budget, if such agencies are recipients of federal grants, contracts, or other sponsored agreements. Failure to comply with certain requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. It is believed that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the Commonwealth.

The U.S. Department of Health and Human Services (DHHS) Office of the Inspector General conducted a review and indicated that the Commonwealth's Statewide Indirect Cost Allocation Plan rates have allowed over-recoveries and transfers in the internal service funds and portions

of selected rebates. The Commonwealth has paid the amount it believes is owed for fiscal years 2009-2014, and is currently appealing a DHHS determination letter indicating that an additional amount may be owed for this time period.

Additionally, the DHHS has received the 2016 payback schedule which is based on fiscal year 2015 data. The Commonwealth has computed a liability of \$4.7 million representing the amounts owed to the federal government for internal service fund over-recoveries and transfers, as well as the federal share of various rebates received. This amount has been reflected in the accompanying financial statements.

The SNAP error rate may have been inconsistently reported, and there is a reasonable possibility that the Commonwealth may owe an amount not expected to exceed \$5.1 million.

The Virginia Tourism Authority (nonmajor component unit) had unclaimed awards totaling \$1.8 million payable to awardees upon submission of proper claims for reimbursement for the Marketing Leverage Program. Additionally, the Authority had unclaimed awards totaling \$50,201 payable to awardees upon submission of proper claims for reimbursement for the Sesquicentennial Marketing Program. In addition, the program has \$46,358 in funding that had not been awarded to specific grantees.

B. Litigation

The Commonwealth is named as a party in legal proceedings and investigations that occur in the normal course of governmental operations, some involving substantial amounts. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the Commonwealth in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits or investigations will not have a material, adverse effect on the financial condition of the Commonwealth.

C. Subject to Appropriation

Both the primary government and the discretely presented component units enter into agreements and issue debt secured solely by future appropriations from the General Fund of the Commonwealth. The primary government has leases and other agreements of such debt of \$2.5 billion. The discretely presented component units have such debt of \$4.1 billion.

D. Bailment Inventory

The Department of Alcoholic Beverage Control (ABC) houses and controls bailment inventory in the warehouse and is therefore responsible for the exercise of reasonable care to preserve the inventory until it is purchased by ABC or returned to

the supplier. ABC uses the bailment system for payment of merchandise for resale. ABC initiates payments to the vendors based on shipments from the ABC warehouse to the retail stores, rather than receipt of invoice from the vendor. At June 30, 2016, the bailment inventory was valued at \$40.6 million.

E. Loan Guarantees

The Virginia Small Business Financing Authority (VSBFA) (nonmajor component unit) has a loan guaranty program which provides guarantees up to the lesser of \$500,000, or 75.0 percent, of a bank loan for lines of credit and short-term working capital loans for small businesses authorized by Section 2.2-2285 of the *Code of Virginia*. The relationship of the Commonwealth to the issuer or issuers of the obligations are private banks that contact VSBFA to obtain guarantees if they deem it necessary to approve the loan. The VSBFA staff underwrites the request for guarantees, and the Board of Directors makes the credit decision to approve or decline the loan. The Board has given VSBFA staff delegated authority to approve requests up to, and including, \$500,000. The Board reviews all loan packages and ratifies all decisions. The length of time for the guarantees is up to five years for lines of credit and seven years for term loans. Upon a default or event of default under the loan documents and payment by VSBFA under the Guaranty Agreement, the borrower and the guarantor(s), jointly and severally, acknowledge and agree that VSBFA may set off, collect and retain any payments or monies due or owing the borrower or any guarantor from the Commonwealth of Virginia, and/or any governmental authority or agency of the Commonwealth. VSBFA submits collections to the Office of the Attorney General, Division of Debt Collection for legal action and collection of debt. As of June 30, 2016, the loan guaranty program has guarantees outstanding of \$6.7 million and restricted assets pledged as collateral of \$13.7 million.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, requires that certain information be disclosed regarding selected nonexchange financial guarantees. As of June 30, 2016, the VSBFA recognized a nonexchange financial guarantee liability of \$135,527. This is a reduction of \$12,365 from the beginning balance of \$147,892. There were no required payments made during fiscal year 2016. Additionally, there have been no cumulative amounts paid on these outstanding loan guarantees nor are there any expected recoveries.

The Assistive Technology Loan Fund Authority (nonmajor component unit) has an alternative financing program which provides guarantees of loans made and serviced by its banking partner. As of June 30, 2016, there was approximately \$46,346 of guaranteed loans held by the Authority's banking partner.

F. Regional Wet Weather Management Plan

Hampton Roads Sanitation District (HRSD) (nonmajor component unit) is party to a federal consent decree with the federal and state governments (the Consent Decree), which requires the HRSD to evaluate the wet weather capacity of the regional sewer system, including collection systems owned by 13 of the localities which the HRSD serves in the Hampton Roads area. Based upon that evaluation, the HRSD, in consultation with the localities, is required to develop a regional wet weather management plan (RWWMP) for submittal to the federal and state environmental agencies for their approval.

The HRSD and the localities believe that addressing wet weather capacity issues from a regional perspective will result in the most affordable and cost-effective approach for rate payers throughout the region. Toward that end, the HRSD and the localities entered into a legally binding Memorandum of Agreement in March of 2014 (the MOA). The MOA commits HRSD to (1) develop the RWWMP in consultation with the localities, (2) fund the approved plan through a regional rate imposed on all regional ratepayers, (3) design and construct the necessary improvements, and (4) assume responsibility for wet weather capacity throughout the region in each area once the RWWMP is implemented. In exchange, the localities have agreed to (1) cooperate with the HRSD, (2) facilitate the construction of and accept ownership of any improvements which the HRSD may need to construct in the localities' systems, and (3) maintain the integrity of their systems to industry standards. The Consent Decree and MOA also contemplate that the localities' obligation to maintain the integrity of their sewer systems to industry standards was embodied in a State administrative order. While the HRSD is preparing the RWWMP, the Consent Decree also requires the HRSD to implement approximately \$200.0 million in priority capital system upgrade projects over a 9-year period, which is included in the capital improvement and expansion program. The HRSD is on schedule to complete these projects. The HRSD has a major capital improvement and expansion program funded through the issuance of debt and its own resources. As of June 30, 2016, the HRSD has outstanding commitments for contracts in progress of approximately \$161.1 million.

39. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT

The GASB has issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Both statements will significantly impact the Commonwealth's reporting disclosures and accrued other postemployment benefit liability amounts. The Virginia Retirement System and the Department of Human Resource Management will implement GASB Statement No. 74 in fiscal year 2017. The Commonwealth will implement GASB Statement No. 75 in fiscal year 2018.

40. SUBSEQUENT EVENTS

Primary Government

Debt

On October 5, 2016, the Virginia Public Building Authority (VPBA) (nonmajor special revenue) issued \$206.4 million of Public Facilities Revenue Bonds, Series 2016A; \$179.0 million of Public Facilities Revenue Refunding Bonds, Series 2016B; \$147.4 million of Public Facilities Revenue Bonds, Series 2016C (AMT) and \$13.8 million of Public Facilities Revenue Bonds, Series 2016D (Taxable). The Bonds will provide funding for authorized VPBA projects, reimbursement of the Commonwealth's share of regional and local jail costs and refund portions of VPBA's Series 2009B and 2011A Bonds.

On November 9, 2016, the Commonwealth Transportation Board issued \$316.9 million of Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes (GARVEEs) to fund the construction of several highway projects.

On November 10, 2016, the Commonwealth of Virginia issued \$71.2 million of General Obligation Bonds, Series 2016A and \$117.1 million of General Obligation Refunding Bonds, Series 2016B. The Bonds will provide funding for authorized 9(c) projects and refund certain maturities of prior General Obligation Bonds, Series 2006A, 2009A and 2009B.

Component Units

Debt

On July 12, 2016, the Virginia College Building Authority (VCBA) (major) issued \$231.9 million of Educational Facilities Revenue Refunding Bonds (Public Higher Education Financing Program), Series 2016A. The VCBA used the proceeds to acquire Institutional Notes from participating public institutions of higher education. The Bonds refunded portions of VCBA's 2006A, 2007A and 2009B Bonds.

On July 19, 2016, the Virginia Housing Development Authority (major) issued \$5.0 million of Rental Housing Bonds.

On July 27, 2016, the Virginia Resources Authority (VRA) (major) issued bonds in the amount of \$52.5 million. The interest rates range from 0.5 percent to 2.9 percent with a final maturity date of November 1, 2036.

On November 10, 2016, the Virginia Public School Authority (VPSA) (major) issued \$64.6 million of Special Obligation School Refunding Bonds, Montgomery County Series 2016B to purchase certain general obligation local school bonds from Montgomery County to refund certain VPSA Bonds previously issued for Montgomery County.

On November 17, 2016, VPSA issued \$90.1 million of School Financing and Refunding Bonds (1997 Resolution), Series 2016B to purchase certain general obligation local school bonds to finance capital projects for schools and to refund certain previously issued VPSA Bonds.

On November 30, 2016, VPSA issued \$2.4 million of School Tax Credit Bonds (Qualified Zone Academy Bonds) Series 2016-1 to purchase certain general obligation local school bonds to finance capital projects for schools.

Other

The University of Virginia Medical Center (part of the University of Virginia – nonmajor component unit) entered into a real estate purchase agreement with the University of Virginia Physicians Group (component unit of the University) to purchase the Northridge Medical Office building. The purchase price is \$18.4 million. The Medical Center made an earnest money deposit of \$9.0 million on July 29, 2016. An estimated closing date of April 2017 is expected. The Medical Center purchased from Grove Street Properties, LLC seven parcels of land situated in the City of Charlottesville. The purchase price was \$8.7 million and closed on August 26, 2016. The Medical Center entered into a membership interest purchase agreement with Mary Washington Hospital, Inc., where Mary Washington Hospital agreed to purchase the Medical Center's 20 units of ownership for \$268,254. The Medical Center received payment on August 11, 2016.

In September 2016, the University of Mary Washington (nonmajor) approved a 2.5 percent salary increase for all full-time teaching faculty, and a \$1,000 recognition bonus for all A/P faculty and classified staff who attained a satisfactory performance evaluation in the most recent cycle. Wage employees who worked more than 100 hours total during fiscal year 2016 will receive a \$500 bonus. Wage employees who worked less than 100 hours total during fiscal year 2016 will receive a \$100 bonus.

On September 6, 2016, the U.S. Bankruptcy Court in Newark, New Jersey, granted Hanjin Shipping's request to have its rehabilitation filed in Korean Bankruptcy Court recognized in the United States. Hanjin is, based on capacity, the seventh largest ship line in the world, and is a customer of Virginia International Terminals, LLC (VIT) (a blended component unit of the Virginia Port Authority (VPA) – nonmajor). VIT has taken measures to mitigate exposure to the bankruptcy including, but not limited to, requiring cash deposits and advance payments, affirming guarantees from third parties, and securing collateralized property on the terminal grounds. While the outcome of the proceedings and absolute effect on VIT is uncertain at this time, based on available information and management's assessment of the matter, the bankruptcy is not expected to have a material adverse effect on VIT's consolidated net position.

On September 21, 2016, VPA announced an agreement for the extension and restatement of the lease with Virginia International Gateway, Inc., (VIG) from its current expiration date of July 1, 2030, to December 31, 2065. The restated lease will provide for, among other things, the development of 60 acres (designated as Phase II) of the terminal property, expansion of the existing wharf by 650 feet, provision of an additional 10,000 feet of on-dock rail, and the effective doubling of the capacity of the VIG terminal. Detailed information regarding the terms of the lease can be found in the Authority's individually published financial statements.

On October 31, 2016, VPA's contract with the current operator of Richmond Marine Terminal (RMT) expired. On November 1, 2016, VIT became the operator of RMT.



Required Supplementary Information

**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –
General and Major Special Revenue Funds**

Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	General Fund			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes:				
Individual and Fiduciary Income	\$ 12,219,700	\$ 12,823,000	\$ 12,555,624	\$ (267,376)
Sales and Use	3,686,000	3,734,400	3,651,400	(83,000)
Corporation Income	820,700	722,800	764,948	42,148
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Communications Sales and Use	425,000	419,000	406,707	(12,293)
Deeds, Contracts, Wills, and Suits	328,300	389,506	377,699	(11,807)
Premiums of Insurance Companies	326,800	322,700	339,081	16,381
Alcoholic Beverage Sales	207,900	207,900	217,594	9,694
Tobacco Products	177,032	181,100	178,741	(2,359)
Estate	-	-	222	222
Public Service Corporations	96,800	98,900	92,586	(6,314)
Other Taxes	25,512	29,972	32,107	2,135
Rights and Privileges	87,967	85,179	84,628	(551)
Sales of Property and Commodities	33,352	1,819	42,671	40,852
Assessments and Receipts for Support of Special Services	900	2,450	3,539	1,089
Institutional Revenue	42,409	46,422	36,819	(9,603)
Interest, Dividends, and Rents	66,233	47,089	57,680	10,591
Fines, Forfeitures, Court Fees, Penalties, and Escheats	203,624	221,405	222,039	634
Federal Grants and Contracts	3,868	3,868	3,868	-
Receipts from Cities, Counties, and Towns	10,032	15,682	16,951	1,269
Private Donations, Gifts and Contracts	475	239	364	125
Tobacco Master Settlement	53,166	47,962	47,664	(298)
Other	186,357	208,007	225,342	17,335
Total Revenues	19,002,127	19,609,400	19,358,274	(251,126)
Expenditures:				
Current:				
General Government	2,571,224	2,571,068	2,497,121	73,947
Education	8,070,533	8,142,706	8,095,292	47,414
Transportation	-	363	328	35
Resources and Economic Development	426,942	475,598	413,406	62,192
Individual and Family Services	5,998,805	6,291,377	6,238,651	52,726
Administration of Justice	2,584,339	2,700,068	2,678,980	21,088
Capital Outlay	27,692	110,556	26,010	84,546
Total Expenditures	19,679,535	20,291,736	19,949,788	341,948
Revenues Over (Under) Expenditures	(677,408)	(682,336)	(591,514)	90,822
Other Financing Sources (Uses):				
Transfers:				
Transfers In	749,323	762,600	775,363	12,763
Transfers Out	(471,368)	(460,976)	(464,559)	(3,583)
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Total Other Financing Sources (Uses)	277,955	301,624	310,804	9,180
Revenues and Other Sources Over (Under)	(399,453)	(380,712)	(280,710)	100,002
Expenditures and Other Uses	(399,453)	(380,712)	(280,710)	100,002
Fund Balance, July 1, as restated	1,759,155	1,759,155	1,759,155	-
Fund Balance, June 30	\$ 1,359,702	\$ 1,378,443	\$ 1,478,445	\$ 100,002

See notes on page 183 in this section.

Commonwealth Transportation Fund			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -
1,370,849	1,253,200	1,339,591	86,391
-	-	-	-
1,035,602	1,024,405	944,823	(79,582)
840,000	893,800	909,532	15,732
-	-	-	-
78,400	88,700	92,255	3,555
150,346	150,346	150,346	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
65,120	69,900	72,585	2,685
483,652	483,651	570,625	86,974
556	-	8,122	8,122
19,181	20,127	15,179	(4,948)
-	-	-	-
12,595	15,657	19,389	3,732
10,132	5,754	13,504	7,750
1,014,746	1,472,689	1,240,635	(232,054)
215,039	249,426	103,700	(145,726)
25	25	12,331	12,306
-	-	-	-
23,348	28,591	20,823	(7,768)
5,319,591	5,756,271	5,513,440	(242,831)
104,930	84,569	53,149	31,420
1,048	1,048	1,036	12
5,513,869	6,623,584	5,761,549	862,035
14,032	14,668	11,899	2,769
-	-	-	-
9,767	9,767	9,767	-
64,666	86,221	28,202	58,019
5,708,312	6,819,857	5,865,602	954,255
(388,721)	(1,063,586)	(352,162)	711,424
89,311	89,311	109,015	19,704
(406,681)	(420,435)	(340,028)	80,407
273,740	273,740	273,740	-
27,236	27,236	27,236	-
(16,394)	(30,148)	69,963	100,111
(405,115)	(1,093,734)	(282,199)	811,535
2,242,500	2,242,500	2,242,500	-
\$ 1,837,385	\$ 1,148,766	\$ 1,960,301	\$ 811,535

Continued on next page

**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –
General and Major Special Revenue Funds** (Continued from previous page)

Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Federal Trust			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes:				
Individual and Fiduciary Income	\$ -	\$ -	\$ -	\$ -
Sales and Use	-	-	-	-
Corporation Income	-	-	-	-
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Communications Sales and Use	-	-	-	-
Deeds, Contracts, Wills, and Suits	-	-	-	-
Premiums of Insurance Companies	-	-	-	-
Alcoholic Beverage Sales	-	-	-	-
Tobacco Products	-	-	-	-
Estate	-	-	-	-
Public Service Corporations	-	-	-	-
Other Taxes	-	-	-	-
Rights and Privileges	-	-	-	-
Sales of Property and Commodities	517	517	-	(517)
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	535	9,417	587	(8,830)
Fines, Forfeitures, Court Fees, Penalties, and Escheats	2,357	2,912	526	(2,386)
Federal Grants and Contracts	7,573,286	7,917,148	8,546,210	629,062
Receipts from Cities, Counties, and Towns	-	-	-	-
Private Donations, Gifts and Contracts	-	1,200	-	(1,200)
Tobacco Master Settlement	-	-	-	-
Other	161,277	167,402	169,124	1,722
Total Revenues	7,737,972	8,098,596	8,716,447	617,851
Expenditures:				
Current:				
General Government	152,165	143,457	119,505	23,952
Education	949,227	987,075	1,004,108	(17,033)
Transportation	35,091	31,769	14,833	16,936
Resources and Economic Development	185,898	188,792	152,606	36,186
Individual and Family Services	6,336,570	6,630,422	7,353,965	(723,543)
Administration of Justice	57,444	75,682	41,231	34,451
Capital Outlay	18,474	38,296	14,860	23,436
Total Expenditures	7,734,869	8,095,493	8,701,108	(605,615)
Revenues Over (Under) Expenditures	3,103	3,103	15,339	12,236
Other Financing Sources (Uses):				
Transfers:				
Transfers In	171	171	7,366	7,195
Transfers Out	(8,493)	(8,493)	(27,924)	(19,431)
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Total Other Financing Sources (Uses)	(8,322)	(8,322)	(20,558)	(12,236)
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	(5,219)	(5,219)	(5,219)	-
Fund Balance, July 1, as restated	5,219	5,219	5,219	-
Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

See notes on page 183 in this section.

Notes for Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds

1. Basis of Budgeting vs. Modified Accrual Basis Fund Balance (1)

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2016, to the fund balance on a modified accrual basis follows.

Fund Balance Comparison			
Budgetary Basis to GAAP Basis			
<i>(Dollars in Thousands)</i>			
	General Fund	Commonwealth Transportation Fund	Federal Trust Fund
Fund Balance, Basis of Budgeting	\$ 1,478,445	\$ 1,960,301	\$ -
Adjustments from Budget to Modified Accrual:			
Accrued Revenues:			
Taxes	635,762	138,037	-
Tax Refunds	(439,657)	-	-
Other Revenue/Other Sources	147,070	99,296	677,581
Medicaid Payable	(367,440)	-	(360,495)
Accrued Expenditures/Other Uses	(743,891)	(269,218)	(188,098)
Fund Balance, Modified Accrual Basis	<u>\$ 710,289</u>	<u>\$ 1,928,416</u>	<u>\$ 128,988</u>

1. As discussed in Note 1.E., the Literary Fund has no approved budget.

2. Appropriations

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the General Fund and Major Special Revenue Funds, at June 30, 2016, except the Literary Fund which has no approved budget.

	General Fund (10)	Commonwealth Transportation Fund	Federal Trust Fund (11)
<i>(Dollars in Thousands)</i>			
Appropriations (1)	\$ 19,679,535	\$ 5,708,312	\$ 7,734,869
Supplemental Appropriations:			
Reappropriations (2)	129,169	73,684	17,674
Subsequent Executive (3)	124,322	758,756	187,921
Subsequent Legislative (4)	353,024	356,916	169,366
Capital Outlay and Operating Reversions (5)	(8,566)	-	(1,476)
Deficit (6)	1,424	-	-
Transfers (7)	(7,274)	(5,481)	1,580
Capital Outlay Adjustment (8)	20,102	(58,593)	(14,441)
Debt Service Adjustment (9)	-	(13,737)	-
Appropriations, as adjusted	<u>\$ 20,291,736</u>	<u>\$ 6,819,857</u>	<u>\$ 8,095,493</u>

1. Represents the budget appropriated through Chapter 665, 2015 Acts of Assembly, as amended by Chapter 732, 2016 Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to carry forward any prior year unexpended balances, sum sufficient authority, and year 2 to year 1 reductions (General Fund) and actions taken to appropriate any additional revenues collected so that they can be legally spent (Special Revenue Funds).
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay and operating balances.
6. Represents additional appropriations authorized subsequent to the 2016 General Assembly Session for legal expenses.
7. Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately \$1.6 billion (General Fund) and \$20.8 million (Commonwealth Transportation Fund) for transfers to component units and fiduciary funds that have been reclassified as expenditures in accordance with GASB Statement No. 34.
8. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.
9. The Commonwealth Transportation Fund appropriations have been adjusted for debt service.
10. Budgetary reductions totaling \$4.7 million are excluded since they were not available for disbursement during the current fiscal year.
11. Appropriations do not include food stamp issuances of \$1.2 billion since this is a noncash item; however, this amount is included in actual expenditures.

Schedule of Changes in Employers' Net Pension Liability (1) (2)

Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

Change in the Net Pension Liability	VRS State			VRS Teacher		
	2017	2016	2015	2017	2016	2015
Total pension liability:						
Service cost	\$ 369,779	\$ 375,149	\$ 369,120	\$ 828,856	\$ 828,901	\$ 831,501
Interest	1,533,764	1,482,951	1,436,064	2,931,065	2,834,138	2,722,788
Benefit changes	-	-	-	-	-	-
Difference between actual and expected experience	(245,642)	59,923	-	(391,881)	(212,089)	-
Assumption changes	-	-	-	-	-	-
Benefit payments	(1,195,198)	(1,136,102)	(1,081,866)	(2,081,069)	(1,980,353)	(1,874,636)
Refunds of contributions	(25,240)	(27,724)	(25,036)	(35,067)	(36,058)	(36,103)
Net change in total pension liability	437,463	754,197	698,282	1,251,904	1,434,539	1,643,550
Total pension liability - beginning	22,521,130	21,766,933	21,068,651	42,930,422	41,495,883	39,852,333
Total pension liability - ending (a)	\$ 22,958,593	\$ 22,521,130	\$ 21,766,933	\$ 44,182,326	\$ 42,930,422	\$ 41,495,883
Plan fiduciary net position:						
Contributions - employer	\$ 722,617	\$ 480,657	\$ 343,259	\$ 1,062,338	\$ 1,267,250	\$ 853,634
Contributions - member	200,184	195,582	198,035	380,314	373,525	371,241
Net investment income	277,166	728,083	2,243,999	516,704	1,327,047	4,042,441
Benefit payments	(1,195,198)	(1,136,102)	(1,081,866)	(2,081,069)	(1,980,353)	(1,874,636)
Refunds of contributions	(25,240)	(27,724)	(25,036)	(35,067)	(36,058)	(36,103)
Administrative expense	(10,140)	(10,302)	(12,341)	(18,859)	(18,238)	(22,036)
Other	(122)	(154)	123	(222)	(284)	217
Net change in plan fiduciary net position	(30,733)	230,040	1,666,173	(175,861)	932,889	3,334,758
Plan fiduciary net position - beginning	16,398,575	16,168,535	14,502,362	30,344,072	29,411,183	26,076,425
Plan fiduciary net position - ending (b)	\$ 16,367,842	\$ 16,398,575	\$ 16,168,535	\$ 30,168,211	\$ 30,344,072	\$ 29,411,183
Net pension liability - ending (a-b)	\$ 6,590,751	\$ 6,122,555	\$ 5,598,398	\$ 14,014,115	\$ 12,586,350	\$ 12,084,700
Plan fiduciary net position as a percentage of the total pension liability (b/a)	71.3%	72.8%	74.3%	68.3%	70.7%	70.9%
Covered payroll (c)	\$ 3,977,759	\$ 3,878,632	\$ 3,861,712	\$ 7,624,612	\$ 7,434,932	\$ 7,313,025
Net pension liability as a percentage of covered payroll ((a-b)/c)	165.7%	157.9%	145.0%	183.8%	169.3%	165.2%

(1) The Commonwealth implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective for the fiscal year ended June 30, 2015, therefore, ten years of data is unavailable.

(2) The Commonwealth's fiscal year 2016 net pension measurement date is June 30, 2015, as reported in Note 15.

See notes on page 190 in this section.

VRS Political Subdivisions			SPORS		
2017	2016	2015	2017	2016	2015
\$ 535,322	\$ 530,945	\$ 524,758	\$ 18,700	\$ 18,847	\$ 18,341
1,362,892	1,309,484	1,243,386	72,618	70,350	67,978
2,053	1,135	-	-	-	-
(87,268)	(185,419)	-	(14,711)	(2,890)	-
-	-	-	-	-	-
(893,585)	(819,201)	(754,706)	(53,515)	(53,338)	(50,467)
(37,380)	(36,898)	(36,876)	(584)	(375)	(685)
882,034	800,046	976,562	22,508	32,594	35,167
19,935,054	19,135,008	18,158,446	1,064,450	1,031,856	996,689
<u>\$ 20,817,088</u>	<u>\$ 19,935,054</u>	<u>\$ 19,135,008</u>	<u>\$ 1,086,958</u>	<u>\$ 1,064,450</u>	<u>\$ 1,031,856</u>
\$ 543,947	\$ 533,877	\$ 539,366	\$ 33,655	\$ 28,427	\$ 42,683
231,934	227,060	225,555	5,759	5,680	5,646
300,995	761,164	2,272,284	12,634	32,466	98,682
(893,585)	(819,201)	(754,706)	(53,515)	(53,338)	(50,467)
(37,380)	(36,898)	(36,876)	(584)	(375)	(685)
(10,696)	(10,358)	(12,153)	(590)	(471)	(431)
(130)	(162)	120	(23)	(27)	-
135,085	655,482	2,233,590	(2,664)	12,362	95,428
17,283,021	16,627,539	14,393,949	733,352	720,990	625,562
<u>\$ 17,418,106</u>	<u>\$ 17,283,021</u>	<u>\$ 16,627,539</u>	<u>\$ 730,688</u>	<u>\$ 733,352</u>	<u>\$ 720,990</u>
<u>\$ 3,398,982</u>	<u>\$ 2,652,033</u>	<u>\$ 2,507,469</u>	<u>\$ 356,270</u>	<u>\$ 331,098</u>	<u>\$ 310,866</u>
83.7%	86.7%	86.9%	67.2%	68.9%	69.9%
\$ 4,628,806	\$ 4,513,335	\$ 4,434,764	\$ 114,395	\$ 110,059	\$ 112,010
73.4%	58.8%	56.5%	311.4%	300.8%	277.5%

Continued on next page

Schedule of Changes in Employers' Net Pension Liability (1) (2) (Continued from previous page)

Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

Change in the Net Pension Liability	VaLORS			JRS		
	2017	2016	2015	2017	2016	2015
Total pension liability:						
Service cost	\$ 45,608	\$ 47,531	\$ 46,504	\$ 21,978	\$ 23,254	\$ 24,024
Interest	129,756	124,579	119,040	42,820	41,759	40,013
Benefit changes	-	-	-	(15,552)	-	-
Difference between actual and expected experience	4,997	(4,849)	-	(18,681)	(9,107)	-
Assumption changes	-	-	-	-	-	-
Benefit payments	(92,270)	(84,990)	(78,412)	(41,341)	(40,205)	(37,984)
Refunds of contributions	(4,524)	(4,797)	(4,665)	-	-	-
Net change in total pension liability	83,567	77,474	82,467	(10,776)	15,701	26,053
Total pension liability - beginning	1,902,051	1,824,577	1,742,110	632,381	616,680	590,627
Total pension liability - ending (a)	\$ 1,985,618	\$ 1,902,051	\$ 1,824,577	\$ 621,605	\$ 632,381	\$ 616,680
Plan fiduciary net position:						
Contributions - employer	\$ 79,392	\$ 62,084	\$ 67,483	\$ 41,502	\$ 31,503	\$ 27,727
Contributions - member	17,574	17,081	17,908	3,236	3,015	3,051
Net investment income	20,899	52,312	156,786	8,112	20,051	60,833
Benefit payments	(92,270)	(84,990)	(78,412)	(41,341)	(40,205)	(37,984)
Refunds of contributions	(4,524)	(4,797)	(4,665)	-	-	-
Administrative expense	(940)	(743)	(681)	(363)	(283)	(268)
Other	(38)	(44)	-	(15)	(17)	-
Net change in plan fiduciary net position	20,093	40,903	158,419	11,131	14,064	53,359
Plan fiduciary net position - beginning	1,191,353	1,150,450	992,031	456,258	442,194	388,835
Plan fiduciary net position - ending (b)	\$ 1,211,446	\$ 1,191,353	\$ 1,150,450	\$ 467,389	\$ 456,258	\$ 442,194
Net pension liability - ending (a-b)	\$ 774,172	\$ 710,698	\$ 674,127	\$ 154,216	\$ 176,123	\$ 174,486
Plan fiduciary net position as a percentage of the total pension liability (b/a)	61.0%	62.6%	63.1%	75.2%	72.1%	71.7%
Covered payroll (c)	\$ 345,504	\$ 338,562	\$ 352,492	\$ 66,621	\$ 61,092	\$ 61,020
Net pension liability as a percentage of covered payroll ((a-b)/c)	224.1%	209.9%	191.2%	231.5%	288.3%	285.9%



Schedule of Employer Contributions – Pension Plans (1)

(Dollars in Thousands)

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contributions Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
VIRGINIA RETIREMENT SYSTEM (VRS) – STATE					
2016	\$ 628,486	\$ 557,160	\$ 71,326	\$ 3,977,759	14.01%
2015	612,824	478,235	134,589	3,878,632	12.33%
2014	504,726	338,286	166,440	3,861,712	8.76%
2013	485,577	325,452	160,125	3,715,205	8.76%
2012	309,930	117,696	192,234	3,663,475	3.21%
2011	294,363	74,113	220,250	3,479,484	2.13%
2010	285,209	176,751	108,458	3,556,222	4.97%
2009	290,653	225,782	64,871	3,624,109	6.23%
2008	260,965	218,954	42,011	3,560,228	6.15%
2007	246,458	192,997	53,461	3,362,317	5.74%
VIRGINIA RETIREMENT SYSTEM (VRS) – TEACHER					
2016	\$ 1,344,981	\$ 1,072,020	\$ 272,961	\$ 7,624,612	14.06%
2015	1,353,158	1,078,065	275,093	7,434,932	14.50%
2014	1,226,394	852,699	373,695	7,313,025	11.66%
2013	1,203,856	837,028	366,828	7,178,629	11.66%
2012	903,655	443,078	460,577	6,999,653	6.33%
2011	891,237	271,306	619,931	6,903,465	3.93%
2010	839,550	450,218	389,332	7,090,791	6.35%
2009	845,999	629,497	216,502	7,145,260	8.81%
2008	766,559	706,222	60,337	6,856,523	10.30%
2007	733,633	603,705	129,928	6,562,008	9.20%
VIRGINIA RETIREMENT SYSTEM (VRS) – POLITICAL SUBDIVISIONS					
2016	\$ 554,335	\$ 549,408	\$ 4,927	\$ 4,628,806	11.87%
2015	540,859	535,919	4,940	4,513,335	11.87%
2014	551,822	539,131	12,691	4,434,764	12.16%
2013	537,657	525,385	12,272	4,321,565	12.16%
2012	400,879	400,879	-	4,142,150	9.68%
2011	391,531	391,531	-	4,078,580	9.60%
2010	363,982	363,982	-	4,125,087	8.82%
2009	364,366	364,366	-	4,144,638	8.79%
2008	351,469	351,469	-	3,960,566	8.87%
2007	319,516	319,516	-	3,699,629	8.64%

(1) Contributions made by employers were not in all cases in accordance with the actuarially determined Annual Required Contribution (ARC), but they did meet statutory requirements.

See notes on page 190 in this section.

<u>Year Ended June 30</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contributions Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
STATE POLICE OFFICERS' RETIREMENT SYSTEM (SPORS)					
2016	\$ 35,211	\$ 31,561	\$ 3,650	\$ 114,395	27.59%
2015	33,876	28,417	5,459	110,059	25.82%
2014	36,538	27,711	8,827	112,010	24.74%
2013	34,535	26,193	8,342	105,872	24.74%
2012	26,250	11,441	14,809	102,701	11.14%
2011	24,570	7,460	17,110	96,128	7.76%
2010	23,791	15,714	8,077	98,757	15.91%
2009	24,241	20,175	4,066	100,626	20.05%
2008	22,941	20,989	1,952	101,106	20.76%
2007	19,402	16,358	3,044	97,892	16.71%
VIRGINIA LAW OFFICERS' RETIREMENT SYSTEM (VaLORS)					
2016	\$ 72,763	\$ 65,101	\$ 7,662	\$ 345,504	18.84%
2015	71,301	59,824	11,477	338,562	17.67%
2014	68,806	52,169	16,637	352,492	14.80%
2013	66,463	50,392	16,071	340,489	14.80%
2012	55,306	24,481	30,825	347,181	7.05%
2011	53,686	17,255	36,431	337,010	5.12%
2010	57,894	39,027	18,867	345,020	11.31%
2009	60,059	50,932	9,127	357,922	14.23%
2008	61,325	55,929	5,396	352,643	15.86%
2007	56,190	48,338	7,852	323,115	14.96%
JUDICIAL RETIREMENT SYSTEM (JRS)					
2016	\$ 37,008	\$ 33,291	\$ 3,717	\$ 66,621	49.97%
2015	35,336	31,560	3,776	61,092	51.66%
2014	33,018	27,728	5,290	61,020	45.44%
2013	32,185	27,028	5,157	59,481	45.44%
2012	27,631	18,907	8,724	59,053	32.02%
2011	28,101	17,303	10,798	60,058	28.81%
2010	23,638	17,065	6,573	62,139	27.46%
2009	23,148	21,000	2,148	60,853	34.51%
2008	23,600	22,386	1,214	58,896	38.01%
2007	22,557	20,530	2,027	56,293	36.47%

Notes for Pension Schedules

	VRS			SPORS	VaLORS	JRS
	State	Teacher	Political Subdivisions			
Valuation Date	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:						
Investment Rate of Return*	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Projected Salary Increases:*						
State Employees/Teachers	3.50% to 5.35%	3.50% to 5.95%	N/A	3.50% to 4.75%	3.50% to 4.75%	4.50%
Political Subdivision – Non-Hazardous Duty Employees	N/A	N/A	3.50% to 5.35%	N/A	N/A	N/A
Political Subdivision – Hazardous Duty Employees	N/A	N/A	3.50% to 4.75%	N/A	N/A	N/A
Post-Retirement Benefits Increases**						
Plan 1	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Plan 2	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

* Includes inflation at 2.50%.

** Compounded annually.

As discussed in Note 15, contact the Virginia Retirement System to obtain a copy of the individually published financial statements.



Schedule of Funding Progress for Other Postemployment Benefit Plans

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
Group Life Insurance Fund						
2015	\$ 1,129	\$ 2,829	\$ 1,700	39.9%	\$ 17,814	9.5%
2014	992	2,701	1,709	36.7%	17,559	9.7%
2013	837	2,572	1,735	32.5%	17,132	10.1%
2012	756	2,458	1,702	30.7%	16,697	10.2%
2011	852	2,359	1,507	36.1%	16,543	9.1%
2010	929	2,245	1,316	41.4%	16,526	8.0%
2009	967	1,995	1,028	48.5%	16,728	6.1%
2008	975	1,772	797	55.0%	16,267	4.9%
2007	880	1,552	672	56.7%	14,822	4.5%
2006 (1)	751	1,436	685	52.3%	13,923	4.9%
Retiree Health Insurance Credit Fund (2)						
2015	\$ 174	\$ 2,380	\$ 2,206	7.3%	\$ 15,267	14.4%
2014	162	2,334	2,172	6.9%	14,956	14.5%
2013	139	2,273	2,134	6.1%	14,688	14.5%
2012	130	2,258	2,128	5.8%	14,211	15.0%
2011	213	2,195	1,982	9.7%	14,111	14.0%
2010 (2)	281	2,162	1,881	13.0%	14,220	13.2%
2009 (2)	296	2,007	1,711	14.8%	14,339	11.9%
2008 (2)	264	1,943	1,679	13.6%	13,686	12.3%
2007 (2)	207	1,883	1,676	11.0%	11,935	14.0%
Disability Insurance Trust Fund						
2015	\$ 398	\$ 235	\$ (163)	169.4%	\$ 3,627	(4.5%)
2014	380	239	(141)	159.0%	3,585	(3.9%)
2013	359	228	(131)	157.4%	3,473	(3.8%)
2012	344	303	(41)	113.7%	3,433	(1.2%)
2011	369	296	(73)	124.6%	3,372	(2.2%)
2010 (3)	336	311	(25)	108.0%	3,168	(0.8%)
2009 (3)	290	291	1	99.7%	4,080	-
2008 (3)	314	392	78	79.9%	4,111	1.9%
2007	264	451	187	58.5%	3,909	4.8%
2006 (1)	192	423	231	45.4%	3,716	6.2%
Virginia Local Disability Program (6)						
2015	\$ -	\$ -	\$ -	-	\$ 192	-
2014	-	-	-	-	34	-

(1) 2006 was the first actuarial valuation prepared using the required parameters of GASB Statement No. 43.

(2) Data for 2007-2010 has been restated to include the state-funded Retiree Health Insurance Credit benefit for local employees. Similar information for 2006 was not available so that year has been excluded.

(3) Data for 2008-2010 has been restated to include state-funded Long-term Care program. Prior years were funded by premiums paid to insurance carrier and the insurance carrier was responsible for the liability.

(4) Contributions into the Other Postemployment Line of Duty Death and Disability Fund are based on the number of participants in the program using a per capita based contribution versus a payroll based contribution.

(5) 2007 was the first actuarial valuation prepared for Pre-Medicare Retiree Healthcare.

(6) The Virginia Local Disability Program was new effective January 1, 2013, as part of the Hybrid Retirement for non-state employers.

(7) The Line of Duty Act Program was established and set up as a trust fund effective July 1, 2010. Contributions into the trust fund will be based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution.

See Notes on page 194.

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
<i>Line of Duty Death and Disability (Line of Duty Trust Fund) (7)</i>						
2015	\$ -	\$ 245	\$ 245	-	N/A	-
2014	7	226	219	3.1%	N/A	-
2013	10	204	194	4.9%	N/A	-
2012	6	226	220	2.7%	N/A	-
2011	-	399	399	-	N/A	-
2010 (4)	-	576	576	-	N/A	-
2009	-	373	373	-	N/A	-
2008	3	185	182	1.6%	N/A	-
2007	-	146	146	-	N/A	-
2006 (1)	-	99	99	-	N/A	-
<i>Pre-Medicare Retiree Healthcare</i>						
2015	\$ -	\$ 1,309	\$ 1,309	-	\$ 4,034	32.4%
2014	-	1,342	1,342	-	4,011	33.5%
2013	-	1,262	1,262	-	3,857	32.7%
2012	-	1,351	1,351	-	3,709	36.4%
2011	-	1,269	1,269	-	3,566	35.6%
2010 (3)	-	1,298	1,298	-	3,297	39.4%
2009	-	1,218	1,218	-	3,170	38.4%
2007 (5)	-	982	982	-	2,931	33.5%

Notes for Schedule of Funding Progress for Other Postemployment Benefit Plans

	Group Life Insurance Fund	Retiree Health Insurance Credit Fund	Disability Insurance Trust Fund	Virginia Local Disability Program	Line of Duty Death and Disability	Pre-Medicare Retiree Healthcare
Valuation Date	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015	July 1, 2015
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Projected Unit Credit
Amortization Method	Level Percent of Pay, Closed	Level Percent of Pay, Closed	Level Percent of Pay, Closed	Level Percent of Pay, Closed	Level Percent of Pay, Open	Level dollar, Open
Payroll Growth Rate:						
State Employees	3.0%	3.0%	3.0%	N/A	3.0%	3.0%
Teachers	3.0%	3.0%	N/A	3.0%	N/A	N/A
Political Subdivision Employees	3.0%	3.0%	N/A	3.0%	3.0%	N/A
State Police / Virginia Law Officers	3.0%	3.0%	3.0%	N/A	3.0%	3.0%
Judges	3.0%	3.0%	N/A	N/A	N/A	N/A
Effective Amortization Period (1)						
State Employees	28.6 years	28.0 years	25.9 years	N/A	30.0 years	30.0 years
Teachers	28.6 years	27.8 years	N/A	20.1 years	N/A	N/A
Political Subdivision Employees	28.6 years	27.8 years	N/A	17.9 years	30.0 years	N/A
Asset Valuation Method						
State Employees and Teachers	5-Year, Smoothed Market	5-Year, Smoothed Market	5-Year, Smoothed Market	5-Year, Smoothed Market	Market Value	Market Value
Political Subdivision Employees and State-Funded Local Employees	5-Year, Smoothed Market	Market Value	N/A	5-Year, Smoothed Market	Market Value	Market Value
Actuarial Assumptions:						
Investment Rate of Return (2)	7.0%	7.0%	7.0%	7.0%	4.8%	4.0%
Projected Salary Increases (3)						
State Employees	3.5% to 5.4%	3.5% to 5.4%	3.5% to 5.4%	N/A	N/A	4.0%
Teachers	3.5% to 6.0%	3.5% to 6.0%	N/A	3.5% to 6.0%	N/A	N/A
Political Subdivision Employees (Non-Hazardous Duty Employees)	3.5% to 5.4%	3.5% to 5.4%	N/A	3.5% to 5.4%	N/A	N/A
Political Subdivision Employees (Hazardous Duty Employees)	3.5% to 4.8%	3.5% to 4.8%	N/A	N/A	N/A	N/A
State Police / Virginia Law Officers	3.5% to 4.8%	3.5% to 4.8%	3.5% to 4.8%	N/A	N/A	4.0%
Judges	4.5%	4.5%	N/A	N/A	N/A	N/A
Medical Trend Assumptions (Under Age 65)	N/A	N/A	N/A	N/A	7.5% to 5.0%	
Medical Trend Assumptions (Ages 65 and Older)	N/A	N/A	N/A	N/A	5.5% to 5.0%	
Year of Ultimate Trend Rate	N/A	N/A	N/A	N/A	2020	

- (1) The amortization period of the Unfunded Actuarial Accrued Liability (UAAL) was a closed 30-year period for the June 30, 2013 balance and closed 20-year period for each subsequent year. The Line of Duty Act Program amortization period is 30 years for the UAAL.
- (2) Includes inflation rate of 2.5 percent. The Line of Duty Act Program uses 4.3 percent for the investment rate of return.
- (3) Projected salary increases for the Retiree Health Insurance Credit Fund are used in the application of the actuarial cost method. Projected salary increase factors are not applicable to the Line of Duty Act Program since neither the benefit nor the cost is salary-based.

Schedule of Employer Contributions – Other Postemployment Benefit Plans (1)

(Dollars in Thousands)

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Statutory Required Contribution	Percentage Contributed
Group Life Insurance Fund				
2016	\$ 237,558	90.2%	\$ 214,162	100.0%
2015	231,283	90.2%	208,505	100.0%
2014	228,086	90.2%	205,623	100.0%
2013	221,622	90.2%	199,796	100.0%
2012	181,527	26.1%	47,293	100.0%
2011	177,378	25.2%	44,744	100.0%
2010	145,228	65.5%	95,185	100.0%
2009	146,545	92.1%	135,019	100.0%
2008	158,740	100.0%	158,740	100.0%
Retiree Health Insurance Credit Fund				
2016	\$ 165,860	89.9%	\$ 149,124	100.0%
2015	161,120	89.9%	144,862	100.0%
2014	150,831	95.1%	143,425	100.0%
2013	145,416	95.1%	138,282	100.0%
2012	138,195	37.5%	51,882	100.0%
2011	133,655	36.5%	48,736	100.0%
2010	148,956	66.7%	99,356	100.0%
2009	150,048	96.6%	144,989	100.0%
2008	147,524	100.0%	147,524	100.0%
Disability Insurance Trust Fund				
2016	\$ 27,187	90.4%	\$ 24,580	100.0%
2015	26,244	90.4%	23,728	100.0%
2014	20,610	81.0%	16,701	100.0%
2013	21,032	81.0%	17,043	100.0%
2012	30,285	3.6%	1,096	100.0%
2011	28,646	-	-	100.0%
2010	76,530	40.3%	30,861	100.0%
2009	78,120	91.3%	71,344	100.0%
2008	97,975	80.0%	78,380	100.0%
Line of Duty Death and Disability (Line of Duty Trust Fund) (2)				
2016	\$ 23,328	41.8%	\$ 9,756	100.0%
2015	23,847	41.8%	9,974	100.0%
2014	22,103	47.0%	10,381	100.0%
2013	21,895	42.7%	9,341	100.0%
2012	25,033	33.3%	8,323	100.0%
2011	-	-	-	-
2010	16,901	53.8%	9,084	100.0%
2009	16,523	51.5%	8,511	100.0%
2008	9,786	102.5%	10,026	100.0%
Pre-Medicare Retiree Healthcare				
2016	\$ 214,114	20.1%	\$ -	-
2015	207,046	17.0%	-	-
2014	198,873	17.3%	-	-
2013	182,970	8.5%	-	-
2012	172,910	21.2%	-	-
2011	166,984	17.8%	-	-
2010	136,710	17.4%	-	-
2009	131,925	23.3%	-	-
2008	127,426	25.2%	-	-

- (1) Contributions made by employers were not in all cases in accordance with the actuarially determined Annual Required Contribution (ARC), but they did meet statutory requirements.
- (2) Line of Duty Death and Disability became a cost sharing plan effective July 1, 2010. Accordingly, the net OPEB obligation at the beginning of the transition period has been reduced to zero.

Claims Development Information – Risk Management

(Dollars in Thousands)

Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	2007	2008	2009	2010
1. Required contribution and investment revenue:				
Earned	\$ 6,560	\$ 6,759	\$ 6,197	\$ 5,485
Ceded (a)	-	-	-	-
Net earned	6,560	6,759	6,197	5,485
2. Unallocated expenses	1,047	1,307	1,272	1,269
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	2,060	3,330	3,681	3,404
Ceded (a)	-	-	-	-
Net incurred	2,060	3,330	3,681	3,404
4. Net paid (cumulative) as of:				
End of policy year	106	493	300	412
One year later	1,051	1,697	1,858	2,236
Two years later	2,436	3,476	2,690	5,237
Three years later	2,631	3,753	3,679	6,744
Four years later	2,662	3,834	3,867	7,013
Five years later	2,671	5,065	3,928	7,653
Six years later	2,671	5,084	3,928	7,937
Seven years later	2,671	5,140	3,930	
Eight years later	2,671	5,164		
Nine years later	2,671			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	2,060	3,330	3,681	3,404
One year later	3,316	3,928	3,742	6,096
Two years later	3,224	5,420	3,943	8,428
Three years later	2,887	5,309	4,721	8,640
Four years later	2,730	5,094	4,555	8,692
Five years later	2,731	6,065	4,000	7,894
Six years later	2,731	5,768	3,936	8,108
Seven years later	2,731	5,968	3,936	
Eight years later	2,716	6,691		
Nine years later	2,716			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	656	3,361	255	4,704

The Commonwealth, through the Department of the Treasury, Division of Risk Management, provides errors and omissions liability insurance and law enforcement professional liability insurance for local governmental units, which went into effect in fiscal year 1987.

See Notes on page 200 in this section.

2011		2012		2013		2014		2015		2016	
\$	4,131	\$	5,019	\$	5,043	\$	8,500	\$	8,487	\$	8,733
	-		-		-		-		-		-
	4,131		5,019		5,043		8,500		8,487		8,733
	1,310		1,382		1,273		1,435		1,331		1,357
	3,213		5,390		3,394		4,025		4,664		6,893
	-		-		-		-		-		-
	3,213		5,390		3,394		4,025		4,664		6,893
	396		1,677		335		367		922		1,206
	1,940		4,468		3,401		3,210		3,270		
	3,943		7,554		8,118		4,291				
	4,317		8,137		8,278						
	4,380		8,991								
	7,830										
	-		-		-		-		-		-
	3,213		5,390		3,394		4,025		4,664		6,893
	3,919		8,704		9,397		6,454		6,775		
	4,523		9,107		9,939		6,979				
	4,570		9,727		10,333						
	4,474		9,368								
	4,444										
	1,231		3,978		6,939		2,954		2,111		-

Claims Development Information – Health Care

(Dollars in Thousands)

Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	2007	2008	2009	2010
1. Required contribution and investment revenue:				
Earned	\$ 202,366	\$ 211,034	\$ 222,498	\$ 240,305
Ceded (a)	-	-	-	-
Net earned	202,366	211,034	222,498	240,305
2. Unallocated expenses	13,782	16,215	16,400	15,936
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	163,787	185,117	214,411	215,376
Ceded (a)	-	-	-	-
Net incurred	163,787	185,117	214,411	215,376
4. Net paid (cumulative) as of:				
End of policy year	159,769	181,566	204,655	214,371
One year later	N/A	N/A	N/A	N/A
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	163,787	185,117	214,411	215,376
One year later	163,787	185,117	214,411	215,376
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	-	-	-	-

The Commonwealth, through its Department of Human Resource Management, provides health care insurance for local governmental units, which went into effect in fiscal year 1987.

See Notes on page 200 in this section.

2011	2012	2013	2014	2015	2016
\$ 246,730	\$ 259,135	\$ 284,526	\$ 320,678	\$ 343,470	\$ 392,778
-	-	-	-	-	-
246,730	259,135	284,526	320,678	343,470	392,778
15,849	16,701	18,781	17,738	22,748	25,422
213,694	250,019	277,455	290,557	327,154	386,227
-	-	-	-	-	-
213,694	250,019	277,455	290,557	327,154	386,227
209,365	235,058	267,256	291,711	329,099	379,376
N/A	N/A	N/A	N/A	N/A	
N/A	N/A	N/A	N/A		
N/A	N/A	N/A			
N/A	N/A				
N/A					
-	-	-	-	-	-
213,694	250,019	277,455	290,557	327,154	386,227
213,694	250,019	277,455	290,557	327,154	
N/A	N/A	N/A	N/A		
N/A	N/A	N/A			
N/A	N/A				
N/A					
-	-	-	-	-	-

Notes for Claims Development Information Tables

The tables on the previous four pages illustrate how the Risk Management and Health Care Claims Funds earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the funds as of the end of each of the past several years. The rows of the tables are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the funds, including overhead and claims expense not allocable to individual claims.
3. This line shows the funds' gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)
7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

Notes:

- (a) During fiscal year 1997, the Commonwealth implemented GASB Statement No. 30, *Risk Financing Omnibus*. The Commonwealth has no reinsurers; therefore, the ceded amounts on lines 1, 3, and 5 are zero.

Combining and Individual Fund Statements and Schedules



Nonmajor Governmental Funds

Special Revenue Funds

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

The Health and Social Services Special Revenue Fund accounts for revenues and expenditures related to local health care assistance.

The Other Special Revenue Fund accounts for revenues and expenditures related to business and agricultural activities, and miscellaneous activities throughout the Commonwealth.

Debt Service Funds

The Debt Service Funds account for transactions related to resources retained and used for the payment of interest and principal on long-term obligations recorded in the Governmental Activities column on the Government-wide Statement of Net Position.

Primary Government accounts for the payment of principal and interest on bonds used to acquire, construct, or improve parks, highways, and correctional, behavioral health, and parking facilities owned by the Commonwealth.

The Virginia Public Building Authority accounts for the payment of principal and interest on bonds used to acquire, construct, and operate public buildings used by the Commonwealth and its political subdivisions.

Capital Project Funds

The Capital Project Funds are maintained to account for resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental or proprietary funds.

Primary Government accounts for the financial resources acquired through the issuance of General Obligation Bonds and Energy Performance Contracts. The resources are used to acquire, construct, or improve land, public buildings, and parking facilities owned by the Commonwealth.

The Virginia Public Building Authority accounts for financial resources acquired through the issuance of section 9(d) bonds. These resources are used to acquire, construct, finance, refinance and operate public buildings used by the Commonwealth and any of its political subdivisions. Resources are also used to finance or refinance reimbursements to localities or governmental entities for the Commonwealth's share of the capital costs for certain authorized projects.

Permanent Funds

Permanent Funds are funds whose principal must remain intact.

Commonwealth Health Research Fund provides financial grants for human health research benefiting the Commonwealth's citizens. The entire fund balance is restricted for use as such as a condition of a legal settlement.

Behavioral Health Endowment Funds provide funds for the welfare of patients in behavioral health facilities. The entire fund balance is restricted for use as such.

Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2016

(Dollars in Thousands)

	Special Revenue Funds		
	Health and Social Services	Other	Total
Assets and Deferred Outflows of Resources			
Cash and Cash Equivalents	\$ 158,867	\$ 405,681	\$ 564,548
Investments	5,401	13,988	19,389
Receivables, Net	37,481	21,106	58,587
Due from Other Funds	1,550	5,272	6,822
Due from External Parties (Fiduciary Funds)	-	168	168
Interfund Receivable	-	157,909	157,909
Inventory	4,804	241	5,045
Prepaid Items	17,103	3,169	20,272
Other Assets	10	1,704	1,714
Loans Receivable from Component Units	-	18,905	18,905
Total Assets	225,216	628,143	853,359
Deferred Outflows of Resources			
Total Assets and Deferred Outflows of Resources	\$ 225,216	\$ 628,143	\$ 853,359
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Accounts Payable	\$ 15,797	\$ 29,652	\$ 45,449
Amounts Due to Other Governments	363	2,357	2,720
Due to Other Funds	1,963	3,086	5,049
Due to Component Units	-	-	-
Due to External Parties (Fiduciary Funds)	1,168	1,569	2,737
Unearned Revenue	2,168	4,816	6,984
Obligations Under Securities Lending Program	331	1,411	1,742
Other Liabilities	65	4,840	4,905
Long-term Liabilities Due Within One Year	133	74	207
Total Liabilities	21,988	47,805	69,793
Deferred Inflows of Resources	18,482	8,489	26,971
Total Liabilities and Deferred Inflows of Resources	40,470	56,294	96,764
Fund Balances:			
Nonspendable	21,907	3,354	25,261
Restricted	35,875	71,072	106,947
Committed	121,567	474,065	595,632
Assigned	5,397	23,358	28,755
Total Fund Balances	184,746	571,849	756,595
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 225,216	\$ 628,143	\$ 853,359

Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
\$ 21,752	\$ -	\$ 21,752	\$ 27,739	\$ 23,490	\$ 51,229
-	-	-	-	-	-
-	-	-	-	42	42
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
21,752	-	21,752	27,739	23,532	51,271
-	-	-	-	-	-
\$ 21,752	\$ -	\$ 21,752	\$ 27,739	\$ 23,532	\$ 51,271
\$ -	\$ -	\$ -	\$ 1,022	\$ 10,590	\$ 11,612
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	39	-	39
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,061	10,590	11,651
-	-	-	-	-	-
-	-	-	1,061	10,590	11,651
-	-	-	-	-	-
21,752	-	21,752	26,678	12,942	39,620
-	-	-	-	-	-
-	-	-	-	-	-
21,752	-	21,752	26,678	12,942	39,620
\$ 21,752	\$ -	\$ 21,752	\$ 27,739	\$ 23,532	\$ 51,271

Continued on next page

Combining Balance Sheet – Nonmajor Governmental Funds *(Continued from previous page)*

June 30, 2016

(Dollars in Thousands)

	Permanent Funds			Total Nonmajor Governmental Funds
	Commonwealth Health Research Board	Behavioral Health Endowment Funds		
			Total	
Assets and Deferred Outflows of Resources				
Cash and Cash Equivalents	\$ 111	\$ 134	\$ 245	\$ 637,774
Investments	35,227	-	35,227	54,616
Receivables, Net	-	-	-	58,629
Due from Other Funds	-	-	-	6,822
Due from External Parties (Fiduciary Funds)	-	-	-	168
Interfund Receivable	-	-	-	157,909
Inventory	-	-	-	5,045
Prepaid Items	-	-	-	20,272
Other Assets	-	-	-	1,714
Loans Receivable from Component Units	-	-	-	18,905
Total Assets	35,338	134	35,472	961,854
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflow s of Resources	\$ 35,338	\$ 134	\$ 35,472	\$ 961,854
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Accounts Payable	\$ 8	\$ -	\$ 8	\$ 57,069
Amounts Due to Other Governments	-	-	-	2,720
Due to Other Funds	1	-	1	5,050
Due to Component Units	-	-	-	39
Due to External Parties (Fiduciary Funds)	1	-	1	2,738
Unearned Revenue	-	-	-	6,984
Obligations Under Securities Lending Program	1	-	1	1,743
Other Liabilities	-	-	-	4,905
Long-term Liabilities Due Within One Year	-	-	-	207
Total Liabilities	11	-	11	81,455
Deferred Inflows of Resources	-	-	-	26,971
Total Liabilities and Deferred Inflow s of Resources	11	-	11	108,426
Fund Balances:				
Nonspendable	34,007	48	34,055	59,316
Restricted	1,320	86	1,406	169,725
Committed	-	-	-	595,632
Assigned	-	-	-	28,755
Total Fund Balances	35,327	134	35,461	853,428
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 35,338	\$ 134	\$ 35,472	\$ 961,854



**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –
Nonmajor Governmental Funds**

For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Special Revenue Funds		
	Health and Social Services	Other	Total
Revenues			
Taxes	\$ 4,735	\$ 74,358	\$ 79,093
Rights and Privileges	142,162	182,821	324,983
Institutional Revenue	209,879	19,932	229,811
Interest, Dividends, Rents, and Other Investment Income	403	13,639	14,042
Other	106,461	316,947	423,408
Total Revenues	463,640	607,697	1,071,337
Expenditures			
Current:			
General Government	6	152,997	153,003
Education	133	24,236	24,369
Transportation	-	7,250	7,250
Resources and Economic Development	36,815	303,772	340,587
Individual and Family Services	392,858	68,477	461,335
Administration of Justice	452	66,431	66,883
Capital Outlay	3	4,707	4,710
Debt Service:			
Principal Retirement	-	-	-
Interest and Charges	-	-	-
Total Expenditures	430,267	627,870	1,058,137
Revenues Over (Under) Expenditures	33,373	(20,173)	13,200
Other Financing Sources (Uses)			
Transfers In	1,425	40,361	41,786
Transfers Out	(24,015)	(26,864)	(50,879)
Notes Issued	-	250	250
Insurance Recoveries	76	334	410
Capital Leases Issued	-	185	185
Premium on Debt Issuance	-	-	-
Refunding Bonds Issued	-	-	-
Sale of Capital Assets	375	5,518	5,893
Payment to Refunded Bond Escrow Agents	-	-	-
Total Other Financing Sources (Uses)	(22,139)	19,784	(2,355)
Net Change in Fund Balances	11,234	(389)	10,845
Fund Balance, July 1, as restated	173,512	572,238	745,750
Fund Balance, June 30	\$ 184,746	\$ 571,849	\$ 756,595

Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
4	-	4	86	655	741
7,212	-	7,212	-	973	973
7,216	-	7,216	86	1,628	1,714
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	8,310	244,564	252,874
263,159	160,470	423,629	-	-	-
180,020	101,612	281,632	-	-	-
443,179	262,082	705,261	8,310	244,564	252,874
(435,963)	(262,082)	(698,045)	(8,224)	(242,936)	(251,160)
412,535	261,989	674,524	-	-	-
-	-	-	-	(641)	(641)
-	-	-	3,336	-	3,336
-	-	-	-	-	-
-	-	-	-	-	-
18,034	-	18,034	-	-	-
75,825	-	75,825	-	-	-
-	-	-	-	-	-
(93,315)	-	(93,315)	-	-	-
413,079	261,989	675,068	3,336	(641)	2,695
(22,884)	(93)	(22,977)	(4,888)	(243,577)	(248,465)
44,636	93	44,729	31,566	256,519	288,085
\$ 21,752	\$ -	\$ 21,752	\$ 26,678	\$ 12,942	\$ 39,620

Continued on next page

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –
Nonmajor Governmental Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Permanent Funds			Total Nonmajor Governmental Funds
	Commonwealth Health Research Board	Behavioral Health Endowment Funds	Total	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 79,093
Rights and Privileges	-	-	-	324,983
Institutional Revenue	-	-	-	229,811
Interest, Dividends, Rents, and Other Investment Income	647	-	647	15,434
Other	-	-	-	431,593
Total Revenues	647	-	647	1,080,914
Expenditures				
Current:				
General Government	-	-	-	153,003
Education	-	-	-	24,369
Transportation	-	-	-	7,250
Resources and Economic Development	-	-	-	340,587
Individual and Family Services	1,354	4	1,358	462,693
Administration of Justice	-	-	-	66,883
Capital Outlay	-	-	-	257,584
Debt Service:				
Principal Retirement	-	-	-	423,629
Interest and Charges	-	-	-	281,632
Total Expenditures	1,354	4	1,358	2,017,630
Revenues Over (Under) Expenditures	(707)	(4)	(711)	(936,716)
Other Financing Sources (Uses)				
Transfers In	-	-	-	716,310
Transfers Out	-	-	-	(51,520)
Notes Issued	-	-	-	3,586
Insurance Recoveries	-	-	-	410
Capital Leases Issued	-	-	-	185
Premium on Debt Issuance	-	-	-	18,034
Refunding Bonds Issued	-	-	-	75,825
Sale of Capital Assets	-	-	-	5,893
Payment to Refunded Bond Escrow Agents	-	-	-	(93,315)
Total Other Financing Sources (Uses)	-	-	-	675,408
Net Change in Fund Balances	(707)	(4)	(711)	(261,308)
Fund Balance, July 1, as restated	36,034	138	36,172	1,114,736
Fund Balance, June 30	\$ 35,327	\$ 134	\$ 35,461	\$ 853,428



**Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Nonmajor Special Revenue Funds**

For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Health and Social Services			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes:				
Motor Fuel	\$ -	\$ -	\$ -	\$ -
Deeds, Contracts, Suits	-	-	-	-
Alcoholic Beverage Sales	-	-	-	-
Tobacco Products	-	-	-	-
Public Service Corporations	5,819	5,819	4,735	(1,084)
Other Taxes	-	-	-	-
Rights and Privileges	143,386	141,905	141,964	59
Sales of Property and Commodities	207	-	6,346	6,346
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	198,327	208,467	215,015	6,548
Interest, Dividends, and Rents	120	134	614	480
Fines, Forfeitures, Court Fees, Penalties, and Escheats	384	1,225	2,857	1,632
Receipts from Cities, Counties, and Towns	57,041	59,311	58,818	(493)
Private Donations, Gifts and Contracts	3,599	3,609	2,937	(672)
Other	33,481	32,986	35,562	2,576
Total Revenues	442,364	453,456	468,848	15,392
Expenditures:				
Current:				
General Government	280	280	13	267
Education	1,020	1,020	136	884
Transportation	-	-	-	-
Resources and Economic Development	34,788	37,674	36,415	1,259
Individual and Family Services	463,220	472,031	394,802	77,229
Administration of Justice	408	509	483	26
Capital Outlay	2,550	2,550	3	2,547
Total Expenditures	502,266	514,064	431,852	82,212
Revenues Over (Under) Expenditures	(59,902)	(60,608)	36,996	97,604
Other Financing Sources (Uses):				
Transfers:				
Transfers In	225	225	1,425	1,200
Transfers Out	(20,870)	(20,870)	(24,015)	(3,145)
Total Other Financing Sources (Uses)	(20,645)	(20,645)	(22,590)	(1,945)
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	(80,547)	(81,253)	14,406	95,659
Fund Balance, July 1, as restated	146,839	146,839	146,839	-
Fund Balance, June 30	\$ 66,292	\$ 65,586	\$ 161,245	\$ 95,659

See Notes on page 214 in this section.

Other			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
\$ 32,951	\$ 34,198	\$ 33,630	\$ (568)
549	549	577	28
854	868	782	(86)
83	83	106	23
10,512	10,639	9,981	(658)
26,418	27,632	29,201	1,569
193,124	194,797	181,900	(12,897)
8,132	4,633	12,188	7,555
118,465	117,965	117,959	(6)
19,379	18,903	19,949	1,046
11,464	11,620	13,228	1,608
32,170	42,890	50,431	7,541
1,248	1,244	1,213	(31)
897	1,319	3,144	1,825
61,510	125,499	139,256	13,757
517,756	592,839	613,545	20,706
80,445	167,807	152,465	15,342
25,367	26,601	24,032	2,569
8,019	8,054	7,299	755
324,810	336,839	306,742	30,097
72,165	73,648	69,306	4,342
79,716	85,783	67,747	18,036
18,446	22,008	4,807	17,201
608,968	720,740	632,398	88,342
(91,212)	(127,901)	(18,853)	109,048
15,055	17,882	40,440	22,558
(18,333)	(20,491)	(26,864)	(6,373)
(3,278)	(2,609)	13,576	16,185
(94,490)	(130,510)	(5,277)	125,233
583,263	583,263	583,263	-
\$ 488,773	\$ 452,753	\$ 577,986	\$ 125,233

**Notes for Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Nonmajor Special Revenue Funds**

1. Basis of Budgeting vs. Modified Accrual Basis Fund Balance (1)

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2016, to the fund balance on a modified accrual basis follows.

<i>(Dollars in Thousands)</i>	Health and Social Services	Other
Fund Balance, Basis of Budgeting	\$ 161,245	\$ 577,986
Adjustments from Budget to Modified Accrual:		
Accrued Revenues:		
Taxes	-	5,983
Other Revenue/Transfers	16,521	9,017
Accrued Expenditures/Transfers	5,986	(21,552)
Fund Reclassification - Budget to Modified Accrual	994	415
Fund Balance, Modified Accrual Basis	<u>\$ 184,746</u>	<u>\$ 571,849</u>

2. Appropriations

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Nonmajor Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the Nonmajor Special Revenue Funds, at June 30, 2016.

<i>(Dollars in Thousands)</i>	Health and Social Services	Other
Appropriations (1)	\$ 502,266	\$ 608,968
Supplemental Appropriations:		
Reappropriations (2)	2,550	47,910
Subsequent Executive (3)	7,241	84,889
Subsequent Legislative (4)	5,292	22,103
Capital Outlay Reversions (5)	-	(287)
Transfers (6)	(735)	2,204
Capital Outlay Adjustment (7)	(2,550)	(45,047)
Appropriations, as adjusted	<u>\$ 514,064</u>	<u>\$ 720,740</u>

1. Represents the budget appropriated through Chapter 665, 2015 Acts of Assembly, as amended by Chapter 732, 2016 Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to appropriate any additional revenues collected so that they can be legally spent.
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay balances.
6. Represents transfers required by the Appropriation Act.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.

Nonmajor Enterprise Funds

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

Department of Alcoholic Beverage Control operates facilities for the distribution and sale of distilled spirits and wine.

Risk Management accounts for pooled resources received and used by the Department of the Treasury for financing local government insurance programs. This includes Local Entities Bond Insurance, Public Officials Insurance and Law Enforcement Insurance.

Local Choice Health Care administers a health care plan for the employees of participating local governments.

Route 460 Funding Corporation of Virginia (Corporation) accounted for the development, design, construction, financing, maintenance, tolling and operation of the Route 460 Corridor Improvements Project. The Corporation was a blended component unit of the Department of Transportation (Primary Government). The planned collection of tolls upon project completion served as the security for the outstanding debt issued to construct the facility. The Corporation's continued operations ceased during fiscal year 2016.

Virginia Industries for the Blind manufactures products for sale to governments, certain private organizations, and the general public.

Consolidated Laboratory provides water testing services and a newborn screening program.

eVA Procurement System accounts for the statewide electronic procurement system.

Department of Environmental Quality accounts for the Title V program that offers services to the general public.

Wireless E-911 Service Board assists in the establishment of wireless E-911 service in Virginia localities.

Virginia Museum of Fine Arts accounts for gift shop and food service activities.

Science Museum of Virginia accounts for gift shop activities.

Behavioral Health Local Funds account for the canteen store and work activity programs.

Combining Statement of Fund Net Position – Nonmajor Enterprise Funds

June 30, 2016

(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
Assets and Deferred Outflows of Resources			
Current Assets:			
Cash and Cash Equivalents	\$ 19,425	\$ 24,941	\$ 80,632
Receivables, Net	4,397	-	33,891
Due From Other Funds	-	-	-
Inventory	66,699	-	-
Prepaid Items	2,759	128	-
Other Assets	200	-	-
Total Current Assets	93,480	25,069	114,523
Noncurrent Assets:			
Nondepreciable Capital Assets	1,949	-	-
Depreciable Capital Assets, Net	8,377	57	-
Total Noncurrent Assets	10,326	57	-
Total Assets	103,806	25,126	114,523
Deferred Outflows of Resources			
	8,732	105	-
Total Assets and Deferred Outflows of Resources	112,538	25,231	114,523
Liabilities and Deferred Inflows of Resources			
Current Liabilities:			
Accounts Payable	48,928	725	6,747
Amounts Due to Other Governments	-	-	-
Due to Other Funds	23,543	20	-
Due to External Parties (Fiduciary Funds)	493	5	-
Interfund Payable	23,749	6,000	-
Unearned Revenue	304	636	-
Obligations Under Securities Lending Program	135	158	510
Other Liabilities	-	-	-
Claims Payable Due Within One Year	-	10,245	36,313
Long-term Liabilities Due Within One Year	3,109	45	-
Total Current Liabilities	100,261	17,834	43,570
Noncurrent Liabilities:			
Claims Payable Due in More Than One Year	-	25,818	-
Long-term Liabilities Due in More Than One Year	93,091	892	-
Total Noncurrent Liabilities	93,091	26,710	-
Total Liabilities	193,352	44,544	43,570
Deferred Inflows of Resources			
	5,256	53	-
Total Liabilities and Deferred Inflows of Resources	198,608	44,597	43,570
Net Position			
Net Investment in Capital Assets	10,326	57	-
Unrestricted	(96,396)	(19,423)	70,953
Total Net Position (Deficit)	\$ (86,070)	\$ (19,366)	\$ 70,953

Route 460 Funding Corporation of Virginia	Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts
\$ -	\$ 8,363	\$ 3,686	\$ 6,066	\$ 2,374	\$ 17,728	\$ 1,506
-	2,306	252	5,714	-	4,924	136
-	100	53	655	-	-	-
-	4,627	263	-	-	-	599
-	523	-	-	-	-	-
-	3	-	-	-	-	6
-	15,922	4,254	12,435	2,374	22,652	2,247
-	1,441	127	-	-	-	-
-	9,544	1,098	-	-	-	-
-	10,985	1,225	-	-	-	-
-	26,907	5,479	12,435	2,374	22,652	2,247
-	409	395	431	1,211	156	164
-	27,316	5,874	12,866	3,585	22,808	2,411
-	2,365	517	2,919	385	5,755	325
-	-	-	-	-	2,297	-
-	87	395	392	552	18	11
-	28	27	21	55	10	11
-	-	-	-	-	-	-
-	-	1,802	-	-	-	-
-	-	-	-	15	112	-
-	-	-	-	-	-	95
-	-	-	-	-	-	-
-	177	193	149	535	79	-
-	2,657	2,934	3,481	1,542	8,271	442
-	-	-	-	-	-	-
-	4,200	4,543	5,906	10,237	1,937	1,855
-	4,200	4,543	5,906	10,237	1,937	1,855
-	6,857	7,477	9,387	11,779	10,208	2,297
-	236	351	383	614	174	109
-	7,093	7,828	9,770	12,393	10,382	2,406
-	10,985	1,225	-	-	-	-
-	9,238	(3,179)	3,096	(8,808)	12,426	5
\$ -	\$ 20,223	\$ (1,954)	\$ 3,096	\$ (8,808)	\$ 12,426	\$ 5

Continued on next page

Combining Statement of Fund Net Position – Nonmajor Enterprise Funds (Continued from previous page)

June 30, 2016

(Dollars in Thousands)

	Science Museum of Virginia	Behavioral Health Local Funds	Total
Assets and Deferred Outflows of Resources			
Current Assets:			
Cash and Cash Equivalents	\$ 223	\$ 398	\$ 165,342
Receivables, Net	-	-	51,620
Due From Other Funds	-	-	808
Inventory	59	-	72,247
Prepaid Items	-	-	3,410
Other Assets	-	-	209
Total Current Assets	282	398	293,636
Noncurrent Assets:			
Nondepreciable Capital Assets	-	-	3,517
Depreciable Capital Assets, Net	17	-	19,093
Total Noncurrent Assets	17	-	22,610
Total Assets	299	398	316,246
Deferred Outflows of Resources			
Total Assets and Deferred Outflows of Resources	312	398	327,862
Liabilities and Deferred Inflows of Resources			
Current Liabilities:			
Accounts Payable	31	-	68,697
Amounts Due to Other Governments	-	-	2,297
Due to Other Funds	2	-	25,020
Due to External Parties (Fiduciary Funds)	-	-	650
Interfund Payable	-	-	29,749
Unearned Revenue	1	-	2,743
Obligations Under Securities Lending Program	-	-	930
Other Liabilities	-	178	273
Claims Payable Due Within One Year	-	-	46,558
Long-term Liabilities Due Within One Year	-	-	4,287
Total Current Liabilities	34	178	181,204
Noncurrent Liabilities:			
Claims Payable Due in More Than One Year	-	-	25,818
Long-term Liabilities Due in More Than One Year	135	-	122,796
Total Noncurrent Liabilities	135	-	148,614
Total Liabilities	169	178	329,818
Deferred Inflows of Resources			
Total Liabilities and Deferred Inflows of Resources	176	178	337,001
Net Position			
Net Investment in Capital Assets	17	-	22,610
Unrestricted	119	220	(31,749)
Total Net Position (Deficit)	\$ 136	\$ 220	\$ (9,139)



**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position –
Nonmajor Enterprise Funds**

For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
Operating Revenues			
Charges for Sales and Services	\$ 752,079	\$ 8,587	\$ 392,137
Interest, Dividends, Rents, and Other Investment Income	-	-	-
Other	19,522	-	-
Total Operating Revenues	771,601	8,587	392,137
Operating Expenses			
Cost of Sales and Services	433,457	-	-
Prizes and Claims	-	13,009	386,227
Personal Services	104,617	737	-
Contractual Services	31,189	455	23,157
Supplies and Materials	3,273	4	-
Depreciation	2,580	8	-
Rent, Insurance, and Other Related Charges	29,279	64	-
Non-recurring Cost Estimate Payments to Providers	-	-	-
Other	3,690	2	2,265
Total Operating Expenses	608,085	14,279	411,649
Operating Income (Loss)	163,516	(5,692)	(19,512)
Nonoperating Revenues (Expenses)			
Interest, Dividends, Rents, and Other Investment Income	102	149	647
Other	9,159	(2)	(6)
Total Nonoperating Revenues (Expenses)	9,261	147	641
Income (Loss) Before Transfers	172,777	(5,545)	(18,871)
Transfers In	98	-	250
Transfers Out	(174,184)	-	-
Change in Net Position	(1,309)	(5,545)	(18,621)
Total Net Position (Deficit), July 1	(84,761)	(13,821)	89,574
Total Net Position (Deficit), June 30	\$ (86,070)	\$ (19,366)	\$ 70,953

Route 460 Funding Corporation of Virginia	Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts
\$ -	\$ 42,036	\$ 9,484	\$ 21,169	\$ 10,631	\$ 58,031	\$ 6,355
-	2	-	-	-	-	-
-	-	-	-	-	-	10
-	42,038	9,484	21,169	10,631	58,031	6,365
-	-	-	-	-	-	2,327
-	-	-	-	-	-	-
-	7,499	4,266	3,983	9,544	1,426	3,188
-	1,345	1,328	16,671	830	490	669
-	30,105	3,229	1	102	21	100
-	395	331	31	-	-	-
-	2,301	810	1,872	659	40	-
-	-	-	-	-	39,866	-
436	215	52	20	-	8	-
436	41,860	10,016	22,578	11,135	41,851	6,284
(436)	178	(532)	(1,409)	(504)	16,180	81
200	-	-	-	-	101	-
(1,025)	(6)	(123)	-	-	(1)	-
(825)	(6)	(123)	-	-	100	-
(1,261)	172	(655)	(1,409)	(504)	16,280	81
-	-	-	-	-	-	-
-	-	(1,153)	-	-	(13,450)	(255)
(1,261)	172	(1,808)	(1,409)	(504)	2,830	(174)
1,261	20,051	(146)	4,505	(8,304)	9,596	179
\$ -	\$ 20,223	\$ (1,954)	\$ 3,096	\$ (8,808)	\$ 12,426	\$ 5

Continued on next page

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position –
Nonmajor Enterprise Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Science Museum of Virginia	Behavioral Health Local Funds	Total
Operating Revenues			
Charges for Sales and Services	\$ 409	\$ 437	\$ 1,301,355
Interest, Dividends, Rents, and Other Investment Income	-	-	2
Other	-	-	19,532
Total Operating Revenues	409	437	1,320,889
Operating Expenses			
Cost of Sales and Services	186	451	436,421
Prizes and Claims	-	-	399,236
Personal Services	172	-	135,432
Contractual Services	7	-	76,141
Supplies and Materials	4	-	36,839
Depreciation	7	-	3,352
Rent, Insurance, and Other Related Charges	-	-	35,025
Non-recurring Cost Estimate Payments to Providers	-	-	39,866
Other	16	-	6,704
Total Operating Expenses	392	451	1,169,016
Operating Income (Loss)	17	(14)	151,873
Nonoperating Revenues (Expenses)			
Interest, Dividends, Rents, and Other Investment Income	-	-	1,199
Other	17	-	8,013
Total Nonoperating Revenues (Expenses)	17	-	9,212
Income (Loss) Before Transfers	34	(14)	161,085
Transfers In	-	-	348
Transfers Out	(15)	(20)	(189,077)
Change in Net Position	19	(34)	(27,644)
Total Net Position (Deficit), July 1	117	254	18,505
Total Net Position (Deficit), June 30	\$ 136	\$ 220	\$ (9,139)



Combining Statement of Cash Flows – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
Cash Flows from Operating Activities			
Receipts for Sales and Services	\$ 766,095	\$ 8,589	\$ 391,357
Internal Activity-Receipts from Other Funds	-	-	-
Internal Activity-Payments to Other Funds	-	-	-
Payments to Suppliers for Goods and Services	(453,545)	-	-
Payments for Contractual Services	(31,189)	(500)	(22,953)
Payments for Prizes, Claims, and Loss Control	-	(5,988)	(379,376)
Payments to Employees	(104,552)	(863)	-
Payments to Providers for Non-recurring Cost Estimates	-	-	-
Other Operating Revenue	5,719	-	-
Other Operating Expense	-	-	(2,265)
Net Cash Provided by (Used for) Operating Activities	182,528	1,238	(13,237)
Cash Flows from Noncapital Financing Activities			
Transfers In from Other Funds	98	-	250
Transfers Out to Other Funds	(381,046)	-	-
Other Noncapital Financing Receipt Activities	249,145	-	-
Other Noncapital Financing Disbursement Activities	(31,289)	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(163,092)	-	250
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(1,285)	-	-
Payment of Principal and Interest on Bonds and Notes	-	-	-
Proceeds from Sale of Capital Assets	2	-	-
Other Capital and Related Financing Receipt Activities	68	-	-
Other Capital and Related Financing Disbursement Activities	(3)	-	-
Net Cash Used for Capital and Related Financing Activities	(1,218)	-	-
Cash Flows from Investing Activities			
Proceeds from Sales or Maturities of Investments	-	-	-
Investment Income on Cash, Cash Equivalents, and Investments	-	146	641
Net Cash Provided by Investing Activities	-	146	641
Net Increase (Decrease) in Cash and Cash Equivalents	18,218	1,384	(12,346)
Cash and Cash Equivalents, July 1	1,272	23,399	92,468
Cash and Cash Equivalents, June 30	\$ 19,490	\$ 24,783	\$ 80,122
Reconciliation of Cash and Cash Equivalents			
Per the Statement of Net Position:			
Cash and Cash Equivalents	\$ 19,425	\$ 24,941	\$ 80,632
Cash and Travel Advances	200	-	-
Less:			
Securities Lending Cash Equivalents	(135)	(158)	(510)
Cash and Cash Equivalents per the Statement of Cash Flow s	<u>\$ 19,490</u>	<u>\$ 24,783</u>	<u>\$ 80,122</u>

Route 460 Funding Corporation of Virginia	Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts
\$ -	\$ 38,039	\$ 10,202	\$ 15,472	\$ 10,630	\$ 57,953	\$ 6,275
-	4,645	-	4,803	-	-	-
-	-	(872)	(1,919)	-	(189)	-
-	(32,111)	(3,443)	(50)	(97)	(30)	(2,462)
(489)	(1,361)	(1,044)	(15,302)	(865)	(417)	(669)
-	-	-	-	-	-	-
-	(7,388)	(4,216)	(4,180)	(9,431)	(1,438)	(3,130)
-	-	-	-	-	(40,853)	-
-	2	-	-	-	-	-
-	(1,486)	-	-	(705)	-	-
(489)	340	627	(1,176)	(468)	15,026	14
-	-	-	-	-	-	-
-	-	(1,153)	-	-	(13,450)	(255)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	(1,153)	-	-	(13,450)	(255)
-	(257)	(84)	-	-	-	-
(326,124)	-	-	-	-	-	-
-	-	-	-	-	-	-
165,794	-	-	-	-	-	-
(727)	-	-	-	-	-	-
(161,057)	(257)	(84)	-	-	-	-
25,623	-	-	-	-	-	-
352	-	-	-	-	100	-
25,975	-	-	-	-	100	-
(135,571)	83	(610)	(1,176)	(468)	1,676	(241)
135,571	8,283	4,296	7,242	2,827	15,940	1,753
\$ -	\$ 8,366	\$ 3,686	\$ 6,066	\$ 2,359	\$ 17,616	\$ 1,512
\$ -	\$ 8,363	\$ 3,686	\$ 6,066	\$ 2,374	\$ 17,728	\$ 1,506
-	3	-	-	-	-	6
-	-	-	-	(15)	(112)	-
\$ -	\$ 8,366	\$ 3,686	\$ 6,066	\$ 2,359	\$ 17,616	\$ 1,512

Continued on next page

Combining Statement of Cash Flows – Nonmajor Enterprise Funds (Continued from previous page)

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Science Museum of Virginia	Behavioral Health Local Funds	Total
Cash Flows from Operating Activities			
Receipts for Sales and Services	\$ 409	\$ 437	\$ 1,305,458
Internal Activity-Receipts from Other Funds	-	-	9,448
Internal Activity-Payments to Other Funds	-	-	(2,980)
Payments to Suppliers for Goods and Services	(186)	(451)	(492,375)
Payments for Contractual Services	-	-	(74,789)
Payments for Prizes, Claims, and Loss Control	-	-	(385,364)
Payments to Employees	(136)	-	(135,334)
Payments to Providers for Non-recurring Cost Estimates	-	-	(40,853)
Other Operating Revenue	-	-	5,721
Other Operating Expense	(54)	-	(4,510)
Net Cash Provided by (Used for) Operating Activities	33	(14)	184,422
Cash Flows from Noncapital Financing Activities			
Transfers In from Other Funds	-	-	348
Transfers Out to Other Funds	(15)	(20)	(395,939)
Other Noncapital Financing Receipt Activities	-	-	249,145
Other Noncapital Financing Disbursement Activities	-	-	(31,289)
Net Cash Provided by (Used for) Noncapital Financing Activities	(15)	(20)	(177,735)
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	-	-	(1,626)
Payment of Principal and Interest on Bonds and Notes	-	-	(326,124)
Proceeds from Sale of Capital Assets	-	-	2
Other Capital and Related Financing Receipt Activities	-	-	165,862
Other Capital and Related Financing Disbursement Activities	-	-	(730)
Net Cash Used for Capital and Related Financing Activities	-	-	(162,616)
Cash Flows from Investing Activities			
Proceeds from Sales or Maturities of Investments	-	-	25,623
Investment Income on Cash, Cash Equivalents, and Investments	-	-	1,239
Net Cash Provided by Investing Activities	-	-	26,862
Net Increase (Decrease) in Cash and Cash Equivalents	18	(34)	(129,067)
Cash and Cash Equivalents, July 1	205	432	293,688
Cash and Cash Equivalents, June 30	\$ 223	\$ 398	\$ 164,621
Reconciliation of Cash and Cash Equivalents			
Per the Statement of Net Position:			
Cash and Cash Equivalents	\$ 223	\$ 398	\$ 165,342
Cash and Travel Advances	-	-	209
Less:			
Securities Lending Cash Equivalents	-	-	(930)
Cash and Cash Equivalents per the Statement of Cash Flow s	\$ 223	\$ 398	\$ 164,621

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
Reconciliation of Operating Income			
To Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	\$ 163,516	\$ (5,692)	\$ (19,512)
Adjustments to Reconcile Operating			
Income to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation	2,580	8	-
Miscellaneous Nonoperating Income	248	-	-
Other	-	-	-
Change in Assets, Deferred Outflows of Resources, Liabilities, and			
Deferred Inflows of Resources			
(Increase) Decrease in Accounts Receivable	(36)	-	(780)
(Increase) Decrease in Due from Other Funds	-	-	-
(Increase) Decrease in Inventory	(5,134)	-	-
(Increase) Decrease in Prepaid Items	(1,712)	(128)	-
(Increase) Decrease in Deferred Outflows of Resources	(1,460)	(16)	-
Increase (Decrease) in Accounts Payable	19,858	243	2,581
Increase (Decrease) in Amounts Due to Other Governments	-	-	-
Increase (Decrease) in Due to Other Funds	9,548	(5)	-
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	71	(3)	-
Increase (Decrease) in Interfund Payables	(7,316)	-	-
Increase (Decrease) in Unearned Revenue	2	2	-
Increase (Decrease) in Other Liabilities	-	-	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	2,816	4,474
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	3,975	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	277	4	-
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	8,351	96	-
Increase (Decrease) in Deferred Inflows of Resources	(6,265)	(62)	-
Net Cash Provided by (Used for) Operating Activities	\$ 182,528	\$ 1,238	\$ (13,237)

Continued on next page

Combining Statement of Cash Flows – Nonmajor Enterprise Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Route 460 Funding Corporation of Virginia	Virginia Industries for the Blind	Consolidated Laboratory
Reconciliation of Operating Income			
To Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	\$ (436)	\$ 178	\$ (532)
Adjustments to Reconcile Operating			
Income to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation	-	395	331
Miscellaneous Nonoperating Income	-	-	-
Other	-	116	-
Change in Assets, Deferred Outflow s of Resources, Liabilities, and			
Deferred Inflow s of Resources			
(Increase) Decrease in Accounts Receivable	-	789	(93)
(Increase) Decrease in Due from Other Funds	-	-	54
(Increase) Decrease in Inventory	-	(949)	(180)
(Increase) Decrease in Prepaid Items	57	-	-
(Increase) Decrease in Deferred Outflow s of Resources	-	(148)	(103)
Increase (Decrease) in Accounts Payable	(110)	(165)	102
Increase (Decrease) in Amounts Due to Other Governments	-	-	-
Increase (Decrease) in Due to Other Funds	-	(96)	101
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	-	6	5
Increase (Decrease) in Interfund Payables	-	-	-
Increase (Decrease) in Unearned Revenue	-	-	813
Increase (Decrease) in Other Liabilities	-	-	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	-	8	12
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	-	507	386
(Increase) Decrease in Deferred Inflow s of Resources	-	(301)	(269)
Net Cash Provided by (Used for) Operating Activities	\$ (489)	\$ 340	\$ 627

eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia	Behavioral Health Local Funds	Total
\$ (1,409)	\$ (504)	\$ 16,180	\$ 81	\$ 17	\$ (14)	\$ 151,873
31	-	-	-	7	-	3,352
-	-	-	-	-	-	248
-	-	2	-	-	-	118
(773)	-	(79)	(47)	-	-	(1,019)
(130)	-	-	-	2	-	(74)
-	-	-	(55)	3	-	(6,315)
-	-	-	-	1	-	(1,782)
(38)	(154)	(28)	(51)	(3)	-	(2,001)
1,270	40	(1,087)	52	24	-	22,808
-	-	12	-	-	-	12
(10)	(237)	1	-	(7)	-	9,295
(3)	8	1	2	-	-	87
-	-	-	-	-	-	(7,316)
-	(1)	-	-	-	-	816
-	-	-	(43)	-	-	(43)
-	-	-	-	-	-	7,290
-	-	-	-	-	-	3,975
(51)	11	14	-	-	-	275
387	1,098	106	208	(1)	-	11,138
(450)	(729)	(96)	(133)	(10)	-	(8,315)
<u>\$ (1,176)</u>	<u>\$ (468)</u>	<u>\$ 15,026</u>	<u>\$ 14</u>	<u>\$ 33</u>	<u>\$ (14)</u>	<u>\$ 184,422</u>



Internal Service Funds

Internal Service Funds account for the operations of state agencies that render services to other state agencies, institutions, or other governmental units of the Commonwealth on a cost-reimbursement basis.

Virginia Information Technologies Agency accounts for the installation and maintenance of the state government's telephone system; the development, use and maintenance of the Commonwealth's data processing systems; and the development of automated systems.

Enterprise Application Fund accounts for the development and operation of the Commonwealth's Performance Budgeting System, Cardinal System, and Payroll System Replacement Project. Funding is derived from charges to agencies for the ongoing costs of the Commonwealth's enterprise applications, including recovery of the development and implementation costs initially funded through working capital advances.

Virginia Correctional Enterprises accounts for the manufacturing activities of the Commonwealth's correctional facilities.

Health Care accounts for the health insurance programs provided to state employees and for retirees who are not yet eligible to participate in Medicare.

Fleet Management accounts for the Commonwealth's motor vehicle pool.

Property Management accounts for real estate services, non-routine facility maintenance, and the disposal of state-owned property.

Risk Management accounts for the insurance programs provided to state agencies and institutions.

General Services accounts for a variety of services, including the purchase of supplies, the sale of surplus property, water testing, graphic design and engineering.

Payroll Service Bureau accounts for the payroll and leave accounting services provided to state agencies and institutions.

Combining Statement of Fund Net Position – Internal Service Funds

June 30, 2016

(Dollars in Thousands)

	Virginia Information Technologies Agency	Enterprise Application	Virginia Correctional Enterprises
Assets and Deferred Outflows of Resources			
Current Assets:			
Cash and Cash Equivalents	\$ 74,144	\$ 2,142	\$ 9,624
Receivables, Net	2,043	-	3,140
Due From Other Funds	14,985	-	1,410
Due From External Parties (Fiduciary Funds)	39	-	-
Due From Component Units	-	-	-
Inventory	-	-	14,706
Prepaid Items	2,798	3	-
Other Assets	11,945	-	1,109
Total Current Assets	105,954	2,145	29,989
Noncurrent Assets:			
Nondepreciable Capital Assets	1,764	64,566	376
Depreciable Capital Assets, Net	12,625	7,074	7,786
Total Noncurrent Assets	14,389	71,640	8,162
Total Assets	120,343	73,785	38,151
Deferred Outflows of Resources	1,925	586	1,252
Total Assets and Deferred Outflows of Resources	122,268	74,371	39,403
Liabilities and Deferred Inflows of Resources			
Current Liabilities:			
Accounts Payable	58,050	2,251	4,705
Amounts Due to Other Governments	-	-	-
Due to Other Funds	69	41	359
Due to External Parties (Fiduciary Funds)	125	21	85
Interfund Payable	26,000	7,863	-
Unearned Revenue	43,292	-	848
Obligations Under Securities Lending Program	-	-	-
Other Liabilities	-	-	1
Claims Payable Due Within One Year	-	-	-
Long-term Liabilities Due within One Year	860	171	148
Total Current Liabilities	128,396	10,347	6,146
Noncurrent Liabilities:			
Interfund Payable	-	68,534	-
Claims Payable Due In More Than One Year	-	-	-
Long-term Liabilities Due in More Than One Year	29,066	3,216	15,630
Total Noncurrent Liabilities	29,066	71,750	15,630
Total Liabilities	157,462	82,097	21,776
Deferred Inflows of Resources	2,157	190	1,383
Total Liabilities and Deferred Inflows of Resources	159,619	82,287	23,159
Net Position			
Net Investment in Capital Assets	14,389	71,640	8,014
Unrestricted	(51,740)	(79,556)	8,230
Total Net Position (Deficit)	\$ (37,351)	\$ (7,916)	\$ 16,244

Health Care	Fleet Management	Property Management	Risk Management	General Services	Payroll Service Bureau	Total
\$ 114,986	\$ 3,555	\$ 33,550	\$ 197,464	\$ 7,502	\$ 105	\$ 443,072
2,700	513	150	211	920	-	9,677
28,128	2,198	2,431	10	1,808	-	50,970
13,848	-	-	-	-	-	13,887
18,715	-	-	-	-	-	18,715
-	33	294	-	3,694	-	18,727
-	-	359	90	-	132	3,382
-	-	-	-	-	-	13,054
178,377	6,299	36,784	197,775	13,924	237	571,484
-	-	1,499	-	150	-	68,355
-	38,610	15,752	72	4,497	84	86,500
-	38,610	17,251	72	4,647	84	154,855
178,377	44,909	54,035	197,847	18,571	321	726,339
-	114	1,180	257	735	446	6,495
178,377	45,023	55,215	198,104	19,306	767	732,834
29,041	1,031	2,608	1,681	2,570	92	102,029
-	-	981	-	-	-	981
-	83	834	24	495	9	1,914
-	8	77	13	48	14	391
-	-	419	-	397	-	34,679
-	-	22,047	49,979	106	-	116,272
727	-	-	1,235	-	-	1,962
-	-	383	-	49	-	433
123,385	-	-	74,984	-	-	198,369
-	3,209	3,894	77	395	96	8,850
153,153	4,331	31,243	127,993	4,060	211	465,880
-	-	1,812	-	-	-	70,346
-	-	-	760,299	-	-	760,299
-	17,430	42,668	2,269	9,088	2,805	122,172
-	17,430	44,480	762,568	9,088	2,805	952,817
153,153	21,761	75,723	890,561	13,148	3,016	1,418,697
-	102	1,046	145	652	145	5,820
153,153	21,863	76,769	890,706	13,800	3,161	1,424,517
-	19,522	(1,505)	72	4,647	84	116,863
25,224	3,638	(20,049)	(692,674)	859	(2,478)	(808,546)
\$ 25,224	\$ 23,160	\$ (21,554)	\$ (692,602)	\$ 5,506	\$ (2,394)	\$ (691,683)

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position –
Internal Service Funds**

For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Virginia Information Technologies Agency	Enterprise Application	Virginia Correctional Enterprises
Operating Revenues			
Charges for Sales and Services	\$ 352,932	\$ 19,957	\$ 53,467
Other	-	43	-
Total Operating Revenues	352,932	20,000	53,467
Operating Expenses			
Cost of Sales and Services	-	-	38,063
Prizes and Claims	-	-	-
Personal Services	19,855	2,419	5,899
Contractual Services	326,492	19,119	2,912
Supplies and Materials	52	15	516
Depreciation	4,013	1,297	1,220
Rent, Insurance, and Other Related Charges	3,147	285	874
Interest Expense	-	8	-
Other	134	52	47
Total Operating Expenses	353,693	23,195	49,531
Operating Income (Loss)	(761)	(3,195)	3,936
Nonoperating Revenues (Expenses)			
Interest, Dividends, Rents, and Other Investment Income	-	-	-
Other	-	-	(51)
Total Nonoperating Revenues (Expenses)	-	-	(51)
Income (Loss) Before Transfers	(761)	(3,195)	3,885
Transfers In	108	-	38
Transfers Out	-	(27)	(1,000)
Change in Net Position	(653)	(3,222)	2,923
Total Net Position (Deficit), July 1	(36,698)	(4,694)	13,321
Total Net Position (Deficit), June 30	\$ (37,351)	\$ (7,916)	\$ 16,244

<u>Health Care</u>	<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Payroll Service Bureau</u>	<u>Total</u>
\$ 1,351,266	\$ 16,608	\$ 106,326	\$ 109,463	\$ 40,287	\$ 2,230	\$ 2,052,536
-	-	-	-	-	-	43
1,351,266	16,608	106,326	109,463	40,287	2,230	2,052,579
-	-	-	-	25,772	-	63,835
1,322,568	-	-	258,684	-	-	1,581,252
-	1,111	11,505	1,961	7,224	2,235	52,209
78,249	3,453	15,016	10,327	3,392	48	459,008
-	2,713	2,701	7	1,797	8	7,809
-	7,438	2,191	13	864	4	17,040
-	1,074	66,725	2,262	1,754	147	76,268
-	-	11	-	-	-	19
7,315	85	2,361	7,830	194	8	18,026
1,408,132	15,874	100,510	281,084	40,997	2,450	2,275,466
(56,866)	734	5,816	(171,621)	(710)	(220)	(222,887)
1,242	-	-	1,260	114	-	2,616
(11)	321	(1,590)	4	-	-	(1,327)
1,231	321	(1,590)	1,264	114	-	1,289
(55,635)	1,055	4,226	(170,357)	(596)	(220)	(221,598)
75	-	15	-	388	-	624
(750)	-	-	(859)	-	-	(2,636)
(56,310)	1,055	4,241	(171,216)	(208)	(220)	(223,610)
81,534	22,105	(25,795)	(521,386)	5,714	(2,174)	(468,073)
\$ 25,224	\$ 23,160	\$ (21,554)	\$ (692,602)	\$ 5,506	\$ (2,394)	\$ (691,683)

Combining Statement of Cash Flows – Internal Service Funds

For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Virginia Information Technologies Agency	Enterprise Application	Virginia Correctional Enterprises
Cash Flows from Operating Activities			
Receipts for Sales and Services	\$ 13,903	\$ 1,680	\$ 17,952
Receipts from Investments	-	-	-
Internal Activity-Receipts from Other Funds	335,674	18,320	35,072
Internal Activity-Payments to Other Funds	(5,203)	-	(1,009)
Payments to Suppliers for Goods and Services	(665)	(15)	(36,278)
Payments for Contractual Services	(320,475)	(17,810)	(2,547)
Payments for Prizes, Claims, and Loss Control	-	-	-
Payments to Employees	(18,722)	(2,110)	(6,024)
Payments for Interest	-	(8)	-
Other Operating Expense	-	(341)	-
Net Cash Provided by (Used for) Operating Activities	4,512	(284)	7,166
Cash Flows from Noncapital Financing Activities			
Transfers In from Other Funds	108	-	38
Transfers Out to Other Funds	-	(106)	(1,000)
Other Noncapital Financing Receipt Activities	10,000	2,589	-
Other Noncapital Financing Disbursement Activities	-	(1,473)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	10,108	1,010	(962)
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(1,625)	-	(290)
Payment of Principal and Interest on Bonds and Notes	-	-	(591)
Proceeds from Sale of Capital Assets	-	-	1
Other Capital and Related Financing Disbursement Activities	-	-	-
Net Cash Used for Capital and Related Financing Activities	(1,625)	-	(880)
Cash Flows from Investing Activities			
Investment Income on Cash, Cash Equivalents, and Investments	-	-	-
Net Cash Provided by Investing Activities	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	12,995	726	5,324
Cash and Cash Equivalents, July 1	61,149	1,416	4,300
Cash and Cash Equivalents, June 30	\$ 74,144	\$ 2,142	\$ 9,624
Reconciliation of Cash and Cash Equivalents			
Per the Statement of Net Position:			
Cash and Cash Equivalents	\$ 74,144	\$ 2,142	\$ 9,624
Less:			
Securities Lending Cash Equivalents	-	-	-
Cash and Cash Equivalents per the Statement of Cash Flow s	\$ 74,144	\$ 2,142	\$ 9,624

<u>Health Care</u>	<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Payroll Service Bureau</u>	<u>Total</u>
\$ 656,644	\$ 1,794	\$ 5,975	\$ 44,769	\$ 10,109	\$ 45	\$ 752,871
-	-	-	15	-	-	15
680,997	14,157	100,727	68,052	30,259	2,185	1,285,443
-	(1,175)	(3,225)	-	(2,613)	-	(13,225)
-	(2,636)	(69,099)	(7)	(24,734)	(8)	(133,442)
(77,322)	(3,096)	(12,758)	(10,158)	(3,102)	(47)	(447,315)
(1,308,693)	-	-	(76,211)	-	-	(1,384,904)
-	(1,103)	(11,683)	(1,879)	(7,255)	(2,162)	(50,938)
-	-	(11)	-	-	-	(19)
(7,315)	(8)	-	(9,573)	-	(146)	(17,383)
(55,689)	7,933	9,926	15,008	2,664	(133)	(8,897)
75	-	15	-	388	-	624
(750)	-	-	(859)	-	-	(2,715)
-	-	687	16	113	-	13,405
-	-	(428)	-	-	-	(1,901)
(675)	-	274	(843)	501	-	9,413
-	(760)	(1,416)	-	(96)	-	(4,187)
-	(8,657)	(5,213)	-	-	-	(14,461)
-	1,935	-	-	-	-	1,936
-	-	-	-	(633)	-	(633)
-	(7,482)	(6,629)	-	(729)	-	(17,345)
1,230	-	-	1,248	-	-	2,478
1,230	-	-	1,248	-	-	2,478
(55,134)	451	3,571	15,413	2,436	(133)	(14,351)
169,393	3,104	29,979	180,816	5,066	238	455,461
\$ 114,259	\$ 3,555	\$ 33,550	\$ 196,229	\$ 7,502	\$ 105	\$ 441,110
\$ 114,986	\$ 3,555	\$ 33,550	\$ 197,464	\$ 7,502	\$ 105	\$ 443,072
(727)	-	-	(1,235)	-	-	(1,962)
\$ 114,259	\$ 3,555	\$ 33,550	\$ 196,229	\$ 7,502	\$ 105	\$ 441,110

Continued on next page

Combining Statement of Cash Flows – Internal Service Funds (Continued from previous page)

For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Virginia Information Technologies Agency	Enterprise Application	Virginia Correctional Enterprises
Reconciliation of Operating Income			
To Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	\$ (761)	\$ (3,195)	\$ 3,936
Adjustments to Reconcile Operating			
Income to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation	4,013	1,297	1,220
Miscellaneous Nonoperating Income	-	-	23
Other	-	80	-
Change in Assets, Deferred Outflow s of Resources, Liabilities, and			
Deferred Inflow s of Resources			
(Increase) Decrease in Accounts Receivable	278	-	(905)
(Increase) Decrease in Due from Other Funds	3,832	-	(399)
(Increase) Decrease in Due from External Parties (Fiduciary Funds)	(38)	-	-
(Increase) Decrease in Due from Component Units	-	-	-
(Increase) Decrease in Other Assets	(2,866)	-	871
(Increase) Decrease in Inventory	-	-	(1,414)
(Increase) Decrease in Prepaid Items	1,786	(3)	-
(Increase) Decrease in Deferred Outflow s of Resources	27	(237)	(289)
Increase (Decrease) in Accounts Payable	4,665	1,315	3,795
Increase (Decrease) in Amounts Due to Other Governments	-	-	-
Increase (Decrease) in Due to Other Funds	(47)	(55)	102
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	(1)	6	20
Increase (Decrease) in Unearned Revenue	(4,573)	-	11
Increase (Decrease) in Other Liabilities	(409)	-	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(655)	27	(17)
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	1,236	665	1,271
Increase (Decrease) in Deferred Inflow s of Resources	(1,975)	(184)	(1,059)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 4,512</u>	<u>\$ (284)</u>	<u>\$ 7,166</u>
Noncash Investing, Capital, and Financing Activities:			
The following transactions occurred prior to the Statement of Net Position date:			
Installment Purchases Used to Finance Capital Assets	\$ -	\$ -	\$ -
Capital Asset Addition Included in Accounts Payable	111	-	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ 111</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Health Care</u>	<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Payroll Service Bureau</u>	<u>Total</u>
\$ (56,866)	\$ 734	\$ 5,816	\$ (171,621)	\$ (710)	\$ (220)	\$ (222,887)
-	7,438	2,191	13	864	4	17,040
-	-	-	-	-	-	23
-	-	-	-	-	-	80
(261)	(95)	(6)	54	250	-	(685)
(342)	(596)	(1,277)	(9)	(93)	-	1,116
(13,647)	-	-	-	-	-	(13,685)
625	-	-	-	-	-	625
-	-	-	-	-	-	(1,995)
-	(1)	44	-	952	-	(419)
-	-	(4)	535	93	10	2,417
-	(19)	(180)	(57)	(145)	(122)	(1,022)
9,421	455	1,659	(683)	1,525	(4)	22,148
-	-	92	-	-	-	92
-	(5)	82	(13)	(156)	(2)	(94)
-	2	7	6	7	1	48
-	-	1,403	3,331	(43)	-	129
-	-	92	(508)	41	-	(784)
5,381	-	-	(8,247)	-	-	(2,866)
-	-	-	192,109	-	-	192,109
-	2	(37)	7	14	(9)	(668)
-	119	1,115	255	663	411	5,735
-	(101)	(1,071)	(164)	(598)	(202)	(5,354)
<u>\$ (55,689)</u>	<u>\$ 7,933</u>	<u>\$ 9,926</u>	<u>\$ 15,008</u>	<u>\$ 2,664</u>	<u>\$ (133)</u>	<u>\$ (8,897)</u>
\$ -	\$ 9,183	\$ -	\$ -	\$ -	\$ -	\$ 9,183
-	-	-	-	-	-	111
<u>\$ -</u>	<u>\$ 9,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,294</u>

Fiduciary Funds

Private Purpose Trust Funds

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

Unclaimed Property accounts for unclaimed and escheat property that the state holds for its rightful owner.

Virginia529 inVEST accounts for program activities offered by the Virginia College Savings Plan. The program is a defined contribution college savings program in which participants can save for qualified higher education expenses by making contributions and investments into portfolios of their choice.

Loan Servicing Reserve accounts for funds that are used to service loan activities for individual loans in order to meet the provisions of the Declarations of the dissolved Virginia Education Loan Authority.

Edvantage Reserve accounts for funds that are used to service loan activities for individual loans in order to meet the provisions of the dissolved Student Education Assistance Authority.

Virginia Revolving Farm Loan Program accounts for trust funds that are used to provide loans to individual farmers for rural rehabilitation purposes.

Gas and Oil Board Escrow Account accounts for the funds held in escrow awaiting disbursement to the validated owner of property containing gas and oil interest.

Miscellaneous Trust account for perpetual trusts created through donations to the state. Earnings are used for the benefit of donor-specified local entities.

Pension and Other Employee Benefit Trust Funds

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

The Virginia Retirement System provides retirement benefits to Commonwealth employees, teachers, political subdivision employees, and other qualifying employees.

The State Police Officers' Retirement System provides retirement benefits to Virginia state police officers.

The Judicial Retirement System provides retirement benefits to the Commonwealth's judiciary.

The Virginia Law Officers' Retirement System provides retirement benefits to correctional officers, capital police officers, university police officers, and game wardens.

Political Appointees provides optional retirement benefits to selected officials and administrative staff.

The Public School Superintendents' Plan provides retirement benefits to superintendents in the public school system.

The Virginia Supplemental Retirement Plan provides extra benefits to turn-around specialists in the public school system.

Other Postemployment Retiree Health Insurance Credit Fund accounts for the health insurance credits provided by the Commonwealth which offset a portion of the retirees' monthly insurance premiums.

Other Employment Group Life Fund provides life insurance coverage to members of the retirement systems.

Other Postemployment Disability Insurance Trust Fund provides income protection to Commonwealth employees for absences caused by sickness or disability.

Other Employment Volunteer Firefighters' and Rescue Squad Workers' Fund provides optional retirement benefits to volunteer firefighters and rescue squad workers.

Other Postemployment Line of Duty Death and Disability Fund provides death and health benefits to beneficiaries of certain law enforcement and rescue personnel disabled or killed in the line of duty.

Virginia Local Disability Program provides long-term disability benefits to local government employees.

Investment Trust Fund

Investment Trust Fund reflects the external portion of the local government investment pool sponsored by the Commonwealth.

Local Government Investment Pool (LGIP) helps local governmental entities maximize their rate of return by commingling their resources for investment purposes.

Agency Funds

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

Funds for the Collection of Taxes and Fees account for taxes and fees collected by the Commonwealth to be distributed to localities or other states.

Employee Benefits Fund accounts for undistributed withholdings for employee benefits.

Contractor Deposits Fund accounts for reimbursable deposits, including both cash and securities, from mining companies, road construction companies, motor fuel retailers and localities to ensure performance meets regulatory standards.

Deposits of Insurance Carriers Fund accounts for security deposits of insurance carriers as protection to the policy holders of the Commonwealth, as well as funds or irrevocable letters of credit held in lieu of insurance for pilot licensure.

Inmate and Ward Fund accounts for the savings of inmates and wards of the Departments of Corrections and Juvenile Justice.

Child Support Collection Fund accounts for court-ordered child support payments that flow through the Department of Social Services.

Behavioral Health Patient Fund accounts for the savings of patients in the Commonwealth's behavioral health facilities.

Behavioral Health Non-patient Fund accounts for the savings of non-patients in the Commonwealth's behavioral health facilities.

Comptroller's Debt Setoff Fund accounts for monies held in a suspense status while research is conducted to determine the party entitled to the funds.

Unclaimed Property of Other States Fund accounts for unclaimed property that is due to other states.

Legal Settlement Fund accounts for receipts from court judgments that are deposited and subsequently distributed to the appropriate injured parties.

Consumer Services Fund accounts for deposits made by businesses that will provide assistance to individuals suffering losses associated with these businesses and will be returned after dispute resolution. The Milk Commission, which accounts for deposits from milk producers that will be distributed to individual farmers to offset delivery expenses and losses incurred, is reported as part of this fund.

State Asset Forfeiture Fund accounts for seized assets that are deposited and subsequently distributed to the appropriate parties pursuant to court orders.

Virginia School for the Deaf and the Blind Fund accounts for student funds used to establish new activities for students.

Wilson Workforce and Rehabilitation Center Fund (formerly the Woodrow Wilson Rehabilitation Center Fund) accounts for student funds held by the center.

Third Party Administrator Fund accounts for funds held in custody for assets of the Virginia Railway Express and the van pool insurance program.

Department of Environmental Quality Fund accounts for deposits from the EPA as a result of a legal settlement which will be distributed to localities to retro-fit school buses.

Virginia Veterans' Care Center Resident Fund accounts for the savings of residents of the Virginia Veterans Care Center.

Virginia Individual Development Account Trust Fund accounts for funds used to benefit low income individuals and to assist them in purchasing affordable housing.

E-Payables Fund accounts for payments to vendors which are held in a suspense status until the electronic payment is processed.

Combining Statement of Fiduciary Net Position – Private Purpose Trust Funds

June 30, 2016

(Dollars in Thousands)

	Unclaimed Property	Virginia529 inVEST	Loan Servicing Reserve
Assets and Deferred Outflows of Resources			
Cash and Cash Equivalents	\$ 32,891	\$ 122,905	\$ 189
Investments:			
Bonds and Mortgage Securities	6,159	90,773	-
Stocks	189,376	62,973	-
Fixed Income Commingled Funds	1,156	-	-
Index and Pooled Funds	67,588	1,722,302	-
Real Estate	1,719	-	-
Mutual and Money Market Funds	75,481	662,264	-
Other	57	671,799	-
Total Investments	341,536	3,210,111	-
Receivables, Net:			
Accounts	-	93	-
Interest and Dividends	-	2,282	-
Other Receivables	-	308	-
Total Receivables	-	2,683	-
Prepaid Items	57	-	-
Furniture and Equipment	946	-	-
Total Assets	375,430	3,335,699	189
Deferred Outflows of Resources	498	-	-
Total Assets and Deferred Outflows of Resources	375,928	3,335,699	189
Liabilities and Deferred Inflows of Resources			
Accounts Payable and Accrued Expenses	323	1,754	-
Due to Other Funds	24	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	65	-	-
Obligations Under Securities Lending Program	-	-	-
Other Liabilities	-	4,656	-
Compensated Absences Payable	296	-	-
Net Pension Liability	3,601	-	-
Other Postemployment Benefits (OPEB) Liability	656	-	-
Total Liabilities	4,965	6,410	-
Deferred Inflows of Resources	253	-	-
Total Liabilities and Deferred Inflows of Resources	5,218	6,410	-
Net Position Restricted for Participants and Other Purposes	\$ 370,710	\$ 3,329,289	\$ 189

<u>Edvantage Reserve</u>	<u>Virginia Revolving Farm Loan Program</u>	<u>Gas and Oil Board Escrow Account</u>	<u>Miscellaneous Trust</u>	<u>Total</u>
\$ 248	\$ 4,720	\$ 21,744	\$ 66	\$ 182,763
-	-	-	-	96,932
-	-	-	-	252,349
-	-	-	-	1,156
-	-	-	-	1,789,890
-	-	-	-	1,719
-	-	-	-	737,745
-	-	-	-	671,856
-	-	-	-	3,551,647
-	2	-	-	95
-	-	-	-	2,282
-	-	-	-	308
-	2	-	-	2,685
-	-	-	-	57
-	-	-	-	946
248	4,722	21,744	66	3,738,098
-	8	-	-	506
248	4,730	21,744	66	3,738,604
-	5	-	-	2,082
-	1	-	-	25
-	-	-	-	65
2	30	-	-	32
-	-	-	-	4,656
-	3	-	-	299
-	73	-	-	3,674
-	13	-	-	669
2	125	-	-	11,502
-	5	-	-	258
2	130	-	-	11,760
\$ 246	\$ 4,600	\$ 21,744	\$ 66	\$ 3,726,844

Combining Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds

For the Fiscal Year June 30, 2016
(Dollars in Thousands)

	Unclaimed Property	Virginia529 inVEST	Loan Servicing Reserve
Additions:			
Investment Income:			
Interest, Dividends, and Other Investment Income	\$ (21,677)	\$ 55,666	\$ -
Total Investment Income	(21,677)	55,666	-
Less Investment Expenses	-	4,677	-
Net Investment Income	(21,677)	50,989	-
Proceeds from Unclaimed Property	88,488	-	-
Contributions:			
Participants	-	433,790	-
Total Contributions	-	433,790	-
Other Revenue	-	-	-
Total Additions	66,811	484,779	-
Deductions:			
Loan Servicing Payments	-	-	-
Educational Expense Benefits	-	203,429	-
Insurance Premiums and Claims	40,523	-	-
Trust Payments	-	-	-
Administrative Expenses	6,386	971	-
Shares Redeemed	-	23,616	-
Total Deductions	46,909	228,016	-
Net Increase (Decrease)	19,902	256,763	-
Net Position Restricted for Participants and Other Purposes	350,808	3,072,526	189
July 1, as restated	\$ 370,710	\$ 3,329,289	\$ 189
June 30	\$ 370,710	\$ 3,329,289	\$ 189

<u>Edvantage Reserve</u>	<u>Virginia Revolving Farm Loan Program</u>	<u>Gas and Oil Board Escrow Account</u>	<u>Miscellaneous Trust</u>	<u>Total</u>
\$ 2	\$ 31	\$ 50	\$ -	\$ 34,072
2	31	50	-	34,072
-	-	26	-	4,703
2	31	24	-	29,369
-	-	-	-	88,488
-	-	683	-	434,473
-	-	683	-	434,473
-	-	19	-	19
2	31	726	-	552,349
-	22	-	-	22
-	-	-	-	203,429
-	-	-	-	40,523
-	-	6,978	-	6,978
2	69	-	-	7,428
-	-	-	-	23,616
2	91	6,978	-	281,996
-	(60)	(6,252)	-	270,353
246	4,660	27,996	66	3,456,491
\$ 246	\$ 4,600	\$ 21,744	\$ 66	\$ 3,726,844

Combining Statement of Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds

June 30, 2016

(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System
Assets and Deferred Outflows of Resources			
Cash and Cash Equivalents	\$ 449,290	\$ 5,152	\$ 3,292
Investments:			
Bonds and Mortgage Securities	19,507,081	223,662	142,932
Stocks	19,894,274	228,101	145,769
Fixed Income Commingled Funds	1,105,595	12,677	8,101
Index and Pooled Funds	7,952,334	91,179	58,268
Real Estate	7,187,577	82,410	52,665
Private Equity	8,488,507	97,327	62,197
Short-term Investments	130,238	1,493	954
Hybrid Defined Contribution Investments	73,031	-	882
Other	4,709,368	53,996	34,506
Total Investments	69,048,005	790,845	506,274
Receivables, Net:			
Contributions	204,091	1,270	1,337
Interest and Dividends	205,760	2,359	1,508
Security Transactions	1,136,206	13,025	8,324
Other Receivables	299,675	3,438	2,192
Total Receivables	1,845,732	20,092	13,361
Due from Other Funds	23	-	-
Due from Internal Parties (Governmental Funds and Business-type Activities)	26,069	163	172
Due from Component Units	31,664	-	-
Furniture and Equipment	32,097	-	-
Total Assets	71,432,880	816,252	523,099
Deferred Outflows of Resources			
Total Assets and Deferred Outflows of Resources	71,432,880	816,252	523,099
Liabilities and Deferred Inflows of Resources			
Accounts Payable and Accrued Expenses	26,865	268	171
Due to Internal Parties (Governmental Funds and Business-type Activities)	13,822	-	-
Obligations Under Securities Lending Program	4,709,368	53,996	34,506
Other Liabilities	361,595	3,963	2,533
Retirement Benefits Payable	318,286	5,092	3,371
Refunds Payable	5,227	-	-
Compensated Absences Payable	2,455	-	-
Insurance Premiums and Claims Payable	-	-	-
Payable for Security Transactions	1,966,289	22,245	14,216
Total Liabilities	7,403,907	85,564	54,797
Deferred Inflows of Resources			
Total Liabilities and Deferred Inflows of Resources	7,403,907	85,564	54,797
Net Position Restricted for Pensions and Other Employment Benefits	\$ 64,028,973	\$ 730,688	\$ 468,302

Virginia Law Officers' Retirement System	Political Appointees	Public School Superintendents	Virginia Supplemental Retirement Plan	Other Postemployment Retiree Health Insurance Credit	Other Employment Group Life	Other Postemployment Disability Insurance Trust Fund
\$ 8,526	\$ -	\$ -	\$ -	\$ 1,193	\$ 8,918	\$ 2,826
370,204	5,719	318	11	51,824	387,169	122,697
377,552	6,726	-	93	52,853	394,854	125,132
20,982	-	-	-	2,936	21,944	6,954
150,919	-	-	-	21,127	157,835	50,019
136,405	-	-	-	19,095	142,656	45,209
161,094	-	-	-	22,551	168,477	53,392
2,472	-	-	-	346	2,585	819
-	-	-	-	-	-	-
89,374	-	-	-	12,511	93,470	29,621
1,309,002	12,445	318	104	183,243	1,368,990	433,843
3,163	-	-	-	11,439	14,091	667
3,905	-	-	-	547	4,084	1,294
21,559	-	-	-	3,018	22,547	7,145
5,679	-	-	-	801	5,938	9,056
34,306	-	-	-	15,805	46,660	18,162
-	-	-	-	1	1	-
404	-	-	-	1,458	1,796	84
488	-	-	-	3,007	2,719	683
-	-	-	-	-	-	-
1,352,726	12,445	318	104	204,707	1,429,084	455,598
-	-	-	-	-	-	-
1,352,726	12,445	318	104	204,707	1,429,084	455,598
444	-	-	-	12,735	464	3,773
-	-	-	-	-	-	-
89,374	-	-	-	12,511	93,470	29,622
6,560	-	-	-	918	6,861	2,174
8,068	-	-	-	-	-	-
15	-	-	-	178	-	-
-	-	-	-	-	-	-
-	-	-	-	-	64,856	-
36,819	-	-	-	5,154	38,507	12,203
141,280	-	-	-	31,496	204,158	47,772
-	-	-	-	-	-	-
141,280	-	-	-	31,496	204,158	47,772
\$ 1,211,446	\$ 12,445	\$ 318	\$ 104	\$ 173,211	\$ 1,224,926	\$ 407,826

Continued on next page

Combining Statement of Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds
(Continued from previous page)

June 30, 2016

(Dollars in Thousands)

	Other Employment Volunteer Firefighters and Rescue Squad Workers	Other Postemployment Line of Duty Death and Disability	Virginia Local Disability Program
Assets and Deferred Outflows of Resources			
Cash and Cash Equivalents	\$ -	\$ 19	\$ -
Investments:			
Bonds and Mortgage Securities	105	709	-
Stocks	3,120	724	-
Fixed Income Commingled Funds	-	40	-
Index and Pooled Funds	-	289	-
Real Estate	-	261	-
Private Equity	-	308	-
Short-term Investments	-	5	-
Hybrid Defined Contribution Investments	-	-	-
Other	-	171	-
Total Investments	3,225	2,507	-
Receivables, Net:			
Contributions	-	29	687
Interest and Dividends	-	7	-
Security Transactions	-	41	-
Other Receivables	-	358	7
Total Receivables	-	435	694
Due from Other Funds	-	-	-
Due from Internal Parties (Governmental Funds and Business-type Activities)	-	3	88
Due from Component Units	-	-	-
Furniture and Equipment	-	-	-
Total Assets	3,225	2,964	782
Deferred Outflows of Resources			
Total Assets and Deferred Outflow s of Resources	3,225	2,964	782
Liabilities and Deferred Inflows of Resources			
Accounts Payable and Accrued Expenses	-	1	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	-	-	-
Obligations Under Securities Lending Program	-	173	-
Other Liabilities	-	12	782
Retirement Benefits Payable	-	-	-
Refunds Payable	-	-	-
Compensated Absences Payable	-	-	-
Insurance Premiums and Claims Payable	-	-	-
Payable for Security Transactions	-	70	-
Total Liabilities	-	256	782
Deferred Inflows of Resources			
Total Liabilities and Deferred Inflow s of Resources	-	256	782
Net Position Restricted for Pensions and Other Employment Benefits	\$ 3,225	\$ 2,708	\$ -

Total

\$ 479,216

20,812,431

21,229,198

1,179,229

8,481,970

7,666,278

9,053,853

138,912

73,913

5,023,017

73,658,801

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236,774

219,464

1,211,865

327,144

1,995,247

25

30,237

38,561

32,097

76,234,184

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-

76,234,184

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44,721

13,822

5,023,020

385,398

334,817

5,420

2,455

64,856

2,095,503

7,970,012

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7,970,012

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\$ 68,264,172

Combining Statement of Changes in Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System
Additions:			
Investment Income:			
Interest, Dividends, and Other Investment Income	\$ 1,476,407	\$ 16,975	\$ 10,843
Total Investment Income	1,476,407	16,975	10,843
Less Investment Expenses	381,178	4,340	2,706
Net Investment Income	1,095,229	12,635	8,137
Contributions:			
Member	841,115	5,759	3,503
Employer	2,352,164	33,655	41,909
Total Contributions	3,193,279	39,414	45,412
Other Revenue	1,789	-	-
Total Additions	4,290,297	52,049	53,549
Deductions:			
Retirement Benefits	4,169,852	53,515	41,341
Refunds to Former Members	99,444	584	-
Retiree Health Insurance Credits	-	-	-
Insurance Premiums and Claims	-	-	-
Administrative Expenses	39,696	591	363
Other Expenses	2,263	23	15
Long-term Disability Benefits	-	-	-
Total Deductions	4,311,255	54,713	41,719
Net Increase/(Decrease)	(20,958)	(2,664)	11,830
Net Position Restricted for Pensions and Other Employment Benefits			
July 1	64,049,931	733,352	456,472
June 30	\$ 64,028,973	\$ 730,688	\$ 468,302

Virginia Law Officers' Retirement System	Political Appointees	Public School Superintendents	Virginia Supplemental Retirement Plan	Other Postemployment Retiree Health Insurance Credit	Other Employment Group Life	Other Postemployment Disability Insurance Trust Fund
\$ 27,941	\$ 184	\$ 3	\$ 2	\$ 3,334	\$ 30,767	\$ 9,361
27,941	184	3	2	3,334	30,767	9,361
7,044	-	-	-	913	7,322	2,427
20,897	184	3	2	2,421	23,445	6,934
17,574	1,374	40	-	-	127,846	-
79,392	-	-	-	151,916	86,411	24,497
96,966	1,374	40	-	151,916	214,257	24,497
-	-	-	-	-	-	659
117,863	1,558	43	2	154,337	237,702	32,090
92,270	765	104	5	-	-	-
4,524	-	-	-	-	-	-
-	-	-	-	153,914	-	-
-	-	-	-	-	173,843	-
938	10	-	-	401	81	774
38	-	-	-	5	1,469	12
-	-	-	-	-	-	37,996
97,770	775	104	5	154,320	175,393	38,782
20,093	783	(61)	(3)	17	62,309	(6,692)
1,191,353	11,662	379	107	173,194	1,162,617	414,518
\$ 1,211,446	\$ 12,445	\$ 318	\$ 104	\$ 173,211	\$ 1,224,926	\$ 407,826

Continued on next page

Combining Statement of Changes in Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds
(Continued from previous page)

For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Other Employment Volunteer Firefighters and Rescue Squad Workers	Other Postemployment Line of Duty Death and Disability	Virginia Local Disability Program
Additions:			
Investment Income:			
Interest, Dividends, and Other Investment Income	\$ 58	\$ 149	\$ -
Total Investment Income	58	149	-
Less Investment Expenses	-	24	-
Net Investment Income	58	125	-
Contributions:			
Member	29	-	-
Employer	90	10,881	1,341
Total Contributions	119	10,881	1,341
Other Revenue	-	-	10
Total Additions	177	11,006	1,351
Deductions:			
Retirement Benefits	-	-	-
Refunds to Former Members	66	-	-
Retiree Health Insurance Credits	-	-	-
Insurance Premiums and Claims	-	8,732	-
Administrative Expenses	-	275	38
Other Expenses	-	206	-
Long-term Disability Benefits	-	-	1,313
Total Deductions	66	9,213	1,351
Net Increase/(Decrease)	111	1,793	-
Net Position Restricted for Pensions and Other Employment Benefits			
July 1	3,114	915	-
June 30	\$ 3,225	\$ 2,708	\$ -

Total	
\$	1,576,024
	1,576,024
	405,954
	1,170,070
	997,240
	2,782,256
	3,779,496
	2,458
	4,952,024
	4,357,852
	104,618
	153,914
	182,575
	43,167
	4,031
	39,309
	4,885,466
	66,558
	68,197,614
\$	68,264,172

Combining Statement of Fiduciary Net Position – Investment Trust Fund

June 30, 2016

(Dollars in Thousands)

	Local Government Investment Pool (LGIP)	Total
Assets and Deferred Outflows of Resources		
Cash and Cash Equivalents	\$ 1,964,139	\$ 1,964,139
Investments:		
Bonds and Mortgage Securities	130,284	130,284
Short-term Investments	1,247,254	1,247,254
Total Investments	1,377,538	1,377,538
Receivables, Net:		
Interest and Dividends	1,097	1,097
Total Receivables	1,097	1,097
Total Assets	3,342,774	3,342,774
Deferred Outflows of Resources		
Total Assets and Deferred Outflows of Resources	3,342,774	3,342,774
Liabilities and Deferred Inflows of Resources		
Due to Internal Parties (Governmental Funds and Business-type Activities)	1	1
Total Liabilities	1	1
Deferred Inflows of Resources		
Total Liabilities and Deferred Inflows of Resources	1	1
Net Position Restricted for Pool Participants	\$ 3,342,773	\$ 3,342,773

Combining Statement of Changes in Fiduciary Net Position - Investment Trust Fund

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Local Government Investment Pool (LGIP)	Total
Additions:		
Investment Income:		
Interest, Dividends, and Other Investment Income	\$ 7,653	\$ 7,653
Distributions to Shareholders from Net Investment Income	(7,653)	(7,653)
Total Investment Income	-	-
Net Investment Income	-	-
Shares Sold	4,891,925	4,891,925
Reinvested Distributions	7,657	7,657
Total Additions	4,899,582	4,899,582
Deductions:		
Shares Redeemed	4,284,738	4,284,738
Total Deductions	4,284,738	4,284,738
Net Increase	614,844	614,844
Net Position Restricted for Pool Participants		
July 1	2,727,929	2,727,929
June 30	<u>\$ 3,342,773</u>	<u>\$ 3,342,773</u>

Combining Statement of Fiduciary Net Position – Agency Funds

June 30, 2016

(Dollars in Thousands)

	Funds for the Collection of Taxes and Fees	Employee Benefits	Contractor Deposits	Deposits of Insurance Carriers
Assets				
Cash and Cash Equivalents	\$ 195,452	\$ 4,149	\$ 34,893	\$ 47,886
Investments:				
Short-term Investments	-	-	-	73,663
Other	-	-	-	332,617
Total Investments	-	-	-	406,280
Receivables, Net:				
Accounts	56,406	-	-	44
Total Receivables	56,406	-	-	44
Other Assets	-	-	-	-
Total Assets	<u>\$ 251,858</u>	<u>\$ 4,149</u>	<u>\$ 34,893</u>	<u>\$ 454,210</u>
Liabilities				
Accounts Payable and Accrued Expenses	\$ -	\$ 4,149	\$ -	\$ -
Amounts Due to Other Governments	251,850	-	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	-	-	-	-
Obligations Under Securities Lending Program	8	-	51	-
Other Liabilities	-	-	34,842	454,210
Insurance Premiums and Claims Payable	-	-	-	-
Total Liabilities	<u>\$ 251,858</u>	<u>\$ 4,149</u>	<u>\$ 34,893</u>	<u>\$ 454,210</u>

<u>Inmate and Ward</u>	<u>Child Support Collection</u>	<u>Behavioral Health Patient</u>	<u>Behavioral Health Non- Patient</u>	<u>Comptroller's Debt Setoff</u>	<u>Unclaimed Property of Other States</u>	<u>Legal Settlement</u>	<u>Consumer Services</u>
\$ 18,233	\$ 13,438	\$ 1,697	\$ 33	\$ 841	\$ 9,514	\$ 16,619	\$ 1,348
-	-	-	-	-	-	-	-
-	-	6	-	-	-	-	-
-	-	6	-	-	-	-	-
506	-	-	-	-	-	-	-
506	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 18,739</u>	<u>\$ 13,438</u>	<u>\$ 1,703</u>	<u>\$ 33</u>	<u>\$ 841</u>	<u>\$ 9,514</u>	<u>\$ 16,619</u>	<u>\$ 1,348</u>
\$ 2,747	-	-	-	-	-	-	2
-	-	-	-	-	9,514	-	-
168	-	-	-	-	-	-	-
-	-	-	-	-	-	6	-
15,824	13,438	1,703	33	841	-	16,613	1,346
-	-	-	-	-	-	-	-
<u>\$ 18,739</u>	<u>\$ 13,438</u>	<u>\$ 1,703</u>	<u>\$ 33</u>	<u>\$ 841</u>	<u>\$ 9,514</u>	<u>\$ 16,619</u>	<u>\$ 1,348</u>

Continued on next page

Combining Statement of Fiduciary Net Position – Agency Funds *(Continued from previous page)*

June 30, 2016

(Dollars in Thousands)

	State Asset Forfeiture	Virginia School for the Deaf and Blind	Wilson Workforce and Rehabilitation Center	Third Party Administrator
Assets				
Cash and Cash Equivalents	\$ 9,963	\$ 20	\$ 4	\$ 11,885
Investments:				
Short-term Investments	-	-	-	-
Other	-	-	-	-
Total Investments	-	-	-	-
Receivables, Net:				
Accounts	-	-	-	52
Total Receivables	-	-	-	52
Other Assets	-	-	-	49
Total Assets	<u>\$ 9,963</u>	<u>\$ 20</u>	<u>\$ 4</u>	<u>\$ 11,986</u>
Liabilities				
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ -	\$ 2
Amounts Due to Other Governments	-	-	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	-	-	-	-
Obligations Under Securities Lending Program	10	-	-	75
Other Liabilities	9,953	20	4	11,764
Insurance Premiums and Claims Payable	-	-	-	145
Total Liabilities	<u>\$ 9,963</u>	<u>\$ 20</u>	<u>\$ 4</u>	<u>\$ 11,986</u>

Department of Environmental Quality	Virginia Veterans' Care Center Resident Fund	Virginia Individual Development Account Trust Fund	E-Payables	Total
\$ 128	\$ 214	\$ -	\$ 16,378	\$ 382,695
-	-	-	-	73,663
-	-	-	-	332,623
-	-	-	-	406,286
-	-	-	-	57,008
-	-	-	-	57,008
-	-	-	-	49
\$ 128	\$ 214	\$ -	\$ 16,378	\$ 846,038
\$ -	\$ -	\$ -	\$ -	\$ 6,900
-	-	-	-	261,364
-	-	-	-	168
-	-	-	-	150
128	214	-	16,378	577,311
-	-	-	-	145
\$ 128	\$ 214	\$ -	\$ 16,378	\$ 846,038

Combining Statement of Changes in Assets and Liabilities – Agency Funds

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Balance July 1	Additions	Deletions	Balance June 30
Funds for the Collection of Taxes and Fees				
Assets:				
Cash and Cash Equivalents	\$ 192,772	\$ 1,337,127	\$ 1,334,447	\$ 195,452
Short-term Investments	1	-	1	-
Accounts Receivable	57,569	56,406	57,569	56,406
Total Assets	<u>\$ 250,342</u>	<u>\$ 1,393,533</u>	<u>\$ 1,392,017</u>	<u>\$ 251,858</u>
Liabilities:				
Amounts Due to Other Governments	\$ 250,303	\$ 1,393,525	\$ 1,391,978	\$ 251,850
Obligations Under Securities Lending Program	39	8	39	8
Total Liabilities	<u>\$ 250,342</u>	<u>\$ 1,393,533</u>	<u>\$ 1,392,017</u>	<u>\$ 251,858</u>
Employee Benefits				
Assets:				
Cash and Cash Equivalents	\$ 3,620	\$ 303,722	\$ 303,193	\$ 4,149
Total Assets	<u>\$ 3,620</u>	<u>\$ 303,722</u>	<u>\$ 303,193</u>	<u>\$ 4,149</u>
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 3,620	\$ 303,722	\$ 303,193	\$ 4,149
Total Liabilities	<u>\$ 3,620</u>	<u>\$ 303,722</u>	<u>\$ 303,193</u>	<u>\$ 4,149</u>
Contractor Deposits				
Assets:				
Cash and Cash Equivalents	\$ 34,277	\$ 11,692	\$ 11,076	\$ 34,893
Short-term Investments	11	-	11	-
Total Assets	<u>\$ 34,288</u>	<u>\$ 11,692</u>	<u>\$ 11,087</u>	<u>\$ 34,893</u>
Liabilities:				
Obligations Under Securities Lending Program	\$ 302	\$ 51	\$ 302	\$ 51
Other Liabilities	33,986	11,641	10,785	34,842
Total Liabilities	<u>\$ 34,288</u>	<u>\$ 11,692</u>	<u>\$ 11,087</u>	<u>\$ 34,893</u>
Deposits of Insurance Carriers				
Assets:				
Cash and Cash Equivalents	\$ 49,343	\$ 37,756	\$ 39,213	\$ 47,886
Short-term Investments	69,996	73,664	69,997	73,663
Other Investments	319,445	43,237	30,065	332,617
Accounts Receivable	40	505	501	44
Total Assets	<u>\$ 438,824</u>	<u>\$ 155,162</u>	<u>\$ 139,776</u>	<u>\$ 454,210</u>
Liabilities:				
Other Liabilities	\$ 438,824	\$ 155,162	\$ 139,776	\$ 454,210
Total Liabilities	<u>\$ 438,824</u>	<u>\$ 155,162</u>	<u>\$ 139,776</u>	<u>\$ 454,210</u>
Inmate and Ward				
Assets:				
Cash and Cash Equivalents	\$ 16,050	\$ 2,291	\$ 108	\$ 18,233
Accounts Receivable	599	3	96	506
Total Assets	<u>\$ 16,649</u>	<u>\$ 2,294</u>	<u>\$ 204</u>	<u>\$ 18,739</u>
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 2,464	\$ 283	\$ -	\$ 2,747
Due to Internal Parties (Governmental Funds and Business-type Activities)	71	97	-	168
Other Liabilities	14,114	1,825	115	15,824
Total Liabilities	<u>\$ 16,649</u>	<u>\$ 2,205</u>	<u>\$ 115</u>	<u>\$ 18,739</u>

	Balance July 1	Additions	Deletions	Balance June 30
Child Support Collection				
Assets:				
Cash and Cash Equivalents	\$ 16,250	\$ 650,163	\$ 652,975	\$ 13,438
Total Assets	\$ 16,250	\$ 650,163	\$ 652,975	\$ 13,438
Liabilities:				
Other Liabilities	\$ 16,250	\$ 650,163	\$ 652,975	\$ 13,438
Total Liabilities	\$ 16,250	\$ 650,163	\$ 652,975	\$ 13,438
Behavioral Health Patient				
Assets:				
Cash and Cash Equivalents	\$ 1,996	\$ 2,489	\$ 2,788	\$ 1,697
Other Investments	6	-	-	6
Total Assets	\$ 2,002	\$ 2,489	\$ 2,788	\$ 1,703
Liabilities:				
Other Liabilities	\$ 2,002	\$ 2,489	\$ 2,788	\$ 1,703
Total Liabilities	\$ 2,002	\$ 2,489	\$ 2,788	\$ 1,703
Behavioral Health Non-Patient				
Assets:				
Cash and Cash Equivalents	\$ 39	\$ 8	\$ 14	\$ 33
Total Assets	\$ 39	\$ 8	\$ 14	\$ 33
Liabilities:				
Other Liabilities	\$ 39	\$ 8	\$ 14	\$ 33
Total Liabilities	\$ 39	\$ 8	\$ 14	\$ 33
Comptroller's Debt Setoff				
Assets:				
Cash and Cash Equivalents	\$ 1,022	\$ 13,475	\$ 13,656	\$ 841
Total Assets	\$ 1,022	\$ 13,475	\$ 13,656	\$ 841
Liabilities:				
Other Liabilities	\$ 1,022	\$ 13,475	\$ 13,656	\$ 841
Total Liabilities	\$ 1,022	\$ 13,475	\$ 13,656	\$ 841
Unclaimed Property of Other States				
Assets:				
Cash and Cash Equivalents	\$ 6,006	\$ 9,514	\$ 6,006	\$ 9,514
Total Assets	\$ 6,006	\$ 9,514	\$ 6,006	\$ 9,514
Liabilities:				
Amounts Due to Other Governments	\$ 6,006	\$ 9,514	\$ 6,006	\$ 9,514
Total Liabilities	\$ 6,006	\$ 9,514	\$ 6,006	\$ 9,514
Legal Settlement				
Assets:				
Cash and Cash Equivalents	\$ 14,225	\$ 7,899	\$ 5,505	\$ 16,619
Short-term Investments	1	-	1	-
Total Assets	\$ 14,226	\$ 7,899	\$ 5,506	\$ 16,619
Liabilities:				
Obligations Under Securities Lending Program	\$ 39	\$ 6	\$ 39	\$ 6
Other Liabilities	14,187	7,893	5,467	16,613
Total Liabilities	\$ 14,226	\$ 7,899	\$ 5,506	\$ 16,619

Continued on next page

Combining Statement of Changes in Assets and Liabilities – Agency Funds (Continued from previous page)

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Balance July 1	Additions	Deletions	Balance June 30
Consumer Services				
Assets:				
Cash and Cash Equivalents	\$ 1,475	\$ 196	\$ 323	\$ 1,348
Total Assets	<u>\$ 1,475</u>	<u>\$ 196</u>	<u>\$ 323</u>	<u>\$ 1,348</u>
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 2	\$ 26	\$ 26	\$ 2
Other Liabilities	1,473	170	297	1,346
Total Liabilities	<u>\$ 1,475</u>	<u>\$ 196</u>	<u>\$ 323</u>	<u>\$ 1,348</u>
State Asset Forfeiture				
Assets:				
Cash and Cash Equivalents	\$ 9,149	\$ 7,230	\$ 6,416	\$ 9,963
Total Assets	<u>\$ 9,149</u>	<u>\$ 7,230</u>	<u>\$ 6,416</u>	<u>\$ 9,963</u>
Liabilities:				
Obligations Under Securities Lending Program	\$ -	\$ 10	\$ -	\$ 10
Other Liabilities	9,149	7,220	6,416	9,953
Total Liabilities	<u>\$ 9,149</u>	<u>\$ 7,230</u>	<u>\$ 6,416</u>	<u>\$ 9,963</u>
Virginia School for the Deaf and the Blind				
Assets:				
Cash and Cash Equivalents	\$ 19	\$ 10	\$ 9	\$ 20
Total Assets	<u>\$ 19</u>	<u>\$ 10</u>	<u>\$ 9</u>	<u>\$ 20</u>
Liabilities:				
Other Liabilities	\$ 19	\$ 10	\$ 9	\$ 20
Total Liabilities	<u>\$ 19</u>	<u>\$ 10</u>	<u>\$ 9</u>	<u>\$ 20</u>
Wilson Workforce and Rehabilitation Center				
Assets:				
Cash and Cash Equivalents	\$ 2	\$ 15	\$ 13	\$ 4
Total Assets	<u>\$ 2</u>	<u>\$ 15</u>	<u>\$ 13</u>	<u>\$ 4</u>
Liabilities:				
Other Liabilities	\$ 2	\$ 15	\$ 13	\$ 4
Total Liabilities	<u>\$ 2</u>	<u>\$ 15</u>	<u>\$ 13</u>	<u>\$ 4</u>
Third Party Administrator				
Assets:				
Cash and Cash Equivalents	\$ 12,122	\$ 4,486	\$ 4,723	\$ 11,885
Accounts Receivable	2	52	2	52
Other Assets	26	23	-	49
Total Assets	<u>\$ 12,150</u>	<u>\$ 4,561</u>	<u>\$ 4,725</u>	<u>\$ 11,986</u>
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 16	\$ 2	\$ 16	\$ 2
Obligations Under Securities Lending Program	-	75	-	75
Other Liabilities	11,827	4,498	4,561	11,764
Insurance Premiums and Claims Payable	307	-	162	145
Total Liabilities	<u>\$ 12,150</u>	<u>\$ 4,575</u>	<u>\$ 4,739</u>	<u>\$ 11,986</u>

	Balance July 1	Additions	Deletions	Balance June 30
Department of Environmental Quality				
Assets:				
Cash and Cash Equivalents	\$ 128	\$ -	\$ -	\$ 128
Total Assets	<u>\$ 128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128</u>
Liabilities:				
Other Liabilities	\$ 128	\$ -	\$ -	\$ 128
Total Liabilities	<u>\$ 128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128</u>
Virginia Veterans' Care Center Resident Fund				
Assets:				
Cash and Cash Equivalents	\$ 220	\$ 1,011	\$ 1,017	\$ 214
Total Assets	<u>\$ 220</u>	<u>\$ 1,011</u>	<u>\$ 1,017</u>	<u>\$ 214</u>
Liabilities:				
Other Liabilities	\$ 220	\$ 1,011	\$ 1,017	\$ 214
Total Liabilities	<u>\$ 220</u>	<u>\$ 1,011</u>	<u>\$ 1,017</u>	<u>\$ 214</u>
Virginia Individual Development Account Trust Fund				
Assets:				
Cash and Cash Equivalents	\$ -	\$ 97	\$ 97	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 97</u>	<u>\$ 97</u>	<u>\$ -</u>
Liabilities:				
Other Liabilities	\$ -	\$ 97	\$ 97	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 97</u>	<u>\$ 97</u>	<u>\$ -</u>
E-Payables				
Assets:				
Cash and Cash Equivalents	\$ 19,827	\$ 117,027	\$ 120,476	\$ 16,378
Total Assets	<u>\$ 19,827</u>	<u>\$ 117,027</u>	<u>\$ 120,476</u>	<u>\$ 16,378</u>
Liabilities:				
Other Liabilities	\$ 19,827	\$ 117,027	\$ 120,476	\$ 16,378
Total Liabilities	<u>\$ 19,827</u>	<u>\$ 117,027</u>	<u>\$ 120,476</u>	<u>\$ 16,378</u>
Totals - Agency Funds				
Assets:				
Cash and Cash Equivalents	\$ 378,542	\$ 2,506,208	\$ 2,502,055	\$ 382,695
Short-term Investments	70,009	73,664	70,010	73,663
Other Investments	319,451	43,237	30,065	332,623
Accounts Receivable	58,210	56,966	58,168	57,008
Other Assets	26	23	-	49
Total Assets	<u>\$ 826,238</u>	<u>\$ 2,680,098</u>	<u>\$ 2,660,298</u>	<u>\$ 846,038</u>
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 6,102	\$ 304,033	\$ 303,235	\$ 6,900
Amounts Due to Other Governments	256,309	1,403,039	1,397,984	261,364
Due to Internal Parties (Governmental Funds and Business-type Activities)	71	97	-	168
Obligations Under Securities Lending Program	380	150	380	150
Other Liabilities	563,069	972,704	958,462	577,311
Insurance Premiums and Claims Payable	307	-	162	145
Total Liabilities	<u>\$ 826,238</u>	<u>\$ 2,680,023</u>	<u>\$ 2,660,223</u>	<u>\$ 846,038</u>

Nonmajor Component Units

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

The Higher Education Institutions account for the resources received and used in the operation of the Commonwealth's institutions of higher education and medical teaching hospitals.

Higher Education Institutions included in this section are:

- University of Virginia, including the University of Virginia Medical Center, and the University of Virginia College at Wise
- Virginia Polytechnic Institute and State University
- Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority
- The College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science
- Virginia Military Institute
- Virginia State University
- Norfolk State University
- University of Mary Washington
- James Madison University
- Radford University
- Old Dominion University
- George Mason University
- Virginia Community College System
- Christopher Newport University
- Longwood University
- Southwest Virginia Higher Education Center
- Roanoke Higher Education Authority
- Innovation and Entrepreneurship Investment Authority
- Institute for Advanced Learning and Research
- Southern Virginia Higher Education Center
- New College Institute

The Virginia Economic Development Partnership works to enhance and increase the Commonwealth's commerce and trade.

The Virginia Outdoors Foundation promotes preservation and fundraising for the purchase of preservation land.

The Virginia Port Authority is empowered to maintain and operate Virginia's harbors and ports.

The Virginia Tourism Authority promotes tourism and film production industries of the Commonwealth.

The Virginia Foundation for Healthy Youth determines the appropriate recipients of monies in the Virginia Tobacco Settlement Fund.

The Tobacco Region Revitalization Commission (formerly the Tobacco Indemnification and Revitalization Commission) determines the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund.

The Hampton Roads Sanitation District Commission operates a sewage system for 17 localities in the Chesapeake Bay Area.

The Virginia Biotechnology Research Partnership Authority assists in the development of a biotechnology research park.

The Virginia Small Business Financing Authority assists small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses.

The Virginia School for the Deaf and Blind Foundation operates exclusively for the benefit of the Virginia School for the Deaf and Blind.

The Science Museum of Virginia Foundation operates to implement and fund projects and operations of the Science Museum of Virginia.

The Virginia Commercial Space Flight Authority disseminates knowledge pertaining to scientific and technological research and development among public and private entities including, but not limited to, knowledge in the area of commercial space flight, and to promote industrial and economic development.

The Danville Science Center, Inc., promotes programs, projects and operations to educate students.

The Virginia Museum of Fine Arts Foundation implements and funds programs, projects, and operations of the Virginia Museum of Fine Arts.

The A. L. Philpott Manufacturing Extension Partnership promotes industrial expansion by providing consulting services to manufacturers.

The Virginia University Research Partnership oversaw the administration of grant payments for use by a non-profit, public benefit research institute that conducted research and development for government agencies, commercial businesses, foundations, and other organizations. The Partnership ceased operations during fiscal year 2016.

The Fort Monroe Authority assists in formulating a reuse plan for Fort Monroe.

The Assistive Technology Loan Fund Authority provides assistance with loans and in the purchase of assistive technology or other equipment to enable Virginians with disabilities to become more independent.

The Virginia Sesquicentennial of the American Civil War Foundation was created to prepare for and commemorate the sesquicentennial of Virginia's participation in the American Civil War.

The Virginia Land Conservation Foundation acquires interests in preservation land and provides grants to other entities to acquire interests in preservation land.

The Virginia Arts Foundation works to promote the arts in the Commonwealth.

The Library of Virginia Foundation promotes and supports the Library of Virginia.

The Virginia Health Workforce Development Authority provides assistance to the health professions.

Combining Statement of Net Position – Nonmajor Component Units

June 30, 2016

(Dollars in Thousands)

	University of Virginia	Virginia Polytechnic Institute and State University	Virginia Commonwealth University	The College of William and Mary
Assets and Deferred Outflows of Resources				
Cash and Cash Equivalents	\$ 205,974	\$ 180,613	\$ 519,323	\$ 48,119
Investments	7,693,520	424,840	1,735,174	56,932
Receivables, Net	385,888	110,323	459,024	20,160
Contributions Receivable, Net	91,042	93,428	41,228	23,085
Due from Primary Government	5,320	33,855	7,424	-
Due from Component Units	14,238	19,731	10,796	7,227
Inventory	26,297	16,528	26,329	575
Prepaid Items	51,924	18,867	14,472	2,003
Other Assets	29,962	4,779	20,590	1,786
Restricted Cash and Cash Equivalents	12,825	117,828	64,818	42,910
Restricted Investments	740,537	822,240	538,242	673,291
Other Restricted Assets	12,566	14,821	20,013	159,603
Nondepreciable Capital Assets	424,481	280,299	247,646	217,712
Depreciable Capital Assets, Net	3,233,678	1,676,355	1,749,424	652,751
Total Assets	12,928,252	3,814,507	5,454,503	1,906,154
Deferred Outflows of Resources				
	92,864	58,078	123,070	22,685
Total Assets and Deferred Outflows of Resources	13,021,116	3,872,585	5,577,573	1,928,839
Liabilities and Deferred Inflows of Resources				
Accounts Payable	285,694	140,264	239,142	40,702
Amounts Due to Other Governments	-	-	-	-
Due to Primary Government	15,457	3,913	17,621	1,240
Due to Component Units	-	-	-	-
Due to External Parties (Fiduciary Funds)	6,490	6,734	6,342	1,406
Unearned Revenue	103,218	44,670	50,170	15,045
Obligations Under Securities Lending Program	-	-	-	1
Other Liabilities	538,201	57,845	182,236	9,386
Loans Payable to Primary Government	-	-	-	2,005
Claims Payable:				
Due Within One Year	-	-	90,466	-
Due in More Than One Year	-	-	41,161	-
Long-term Liabilities:				
Due Within One Year	141,394	66,806	96,766	26,032
Due in More Than One Year	2,754,904	1,249,733	1,485,761	436,430
Total Liabilities	3,845,358	1,569,965	2,209,665	532,247
Deferred Inflows of Resources				
	111,711	30,173	37,499	9,184
Total Liabilities and Deferred Inflows of Resources	3,957,069	1,600,138	2,247,164	541,431
Net Position				
Net Investment in Capital Assets	1,996,603	1,285,923	1,181,692	616,375
Restricted For:				
Nonexpendable:				
Higher Education	1,299,151	479,547	329,857	547,038
Other	-	-	-	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Gifts and Grants	-	-	-	-
Higher Education	3,507,927	591,304	304,633	306,487
Other	-	-	-	-
Unrestricted	2,260,366	(84,327)	1,514,227	(82,492)
Total Net Position (Deficit)	\$ 9,064,047	\$ 2,272,447	\$ 3,330,409	\$ 1,387,408

Virginia Military Institute	Virginia State University	Norfolk State University	University of Mary Washington	James Madison University	Radford University	Old Dominion University	George Mason University
\$ 23,837	\$ 25,531	\$ 19,398	\$ 17,523	\$ 176,554	\$ 99,317	\$ 121,712	\$ 260,908
73,657	801	17,435	2,345	14,345	5,567	25,290	6,704
3,091	6,283	4,825	4,057	8,955	5,730	81,691	39,221
29,971	-	934	3,280	10,585	1,843	11,684	35,950
137	396	1,169	210	18,886	7,549	1,173	48
11,461	3,316	6,239	76	7,557	3,988	6,379	9,473
6,915	-	-	579	900	515	475	1,200
1,283	2,896	2,288	845	10,690	4,023	4,715	11,537
72	82	1,416	1,102	28	4,925	332	6,487
5,941	11,127	5,336	13,962	3,977	2,073	33,554	28,352
321,110	45,194	9,482	37,738	86,485	49,040	209,713	147,304
5,708	-	-	-	6,265	202	-	10,348
100,984	26,872	29,704	57,995	135,594	69,301	128,959	103,828
230,022	284,035	234,890	387,934	909,726	278,942	525,665	1,238,900
814,189	406,533	333,116	527,646	1,390,547	533,015	1,151,342	1,900,260
3,057	9,246	5,430	4,440	27,169	10,284	27,136	40,222
817,246	415,779	338,546	532,086	1,417,716	543,299	1,178,478	1,940,482
19,457	7,488	13,337	10,346	41,807	22,282	52,254	59,897
1,359	-	-	-	-	-	-	4
296	358	402	348	1,588	683	1,163	1,500
-	-	-	-	-	-	3,225	-
235	244	544	181	3,037	287	1,157	2,657
936	2,236	3,044	1,555	16,074	4,104	14,792	50,715
94	113	73	-	686	496	413	1,029
1,113	3,484	4,224	3,806	13,448	5,624	11,461	18,922
-	-	-	-	-	-	-	12,500
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,570	8,373	3,971	6,819	20,243	3,884	24,343	45,805
109,369	191,978	140,883	337,981	484,426	134,709	473,657	1,035,436
135,429	214,274	166,478	361,036	581,309	172,069	582,465	1,228,465
2,235	5,631	7,018	3,574	10,763	4,773	9,252	19,296
137,664	219,905	173,496	364,610	592,072	176,842	591,717	1,247,761
312,701	199,983	196,993	196,107	751,437	300,507	413,470	606,946
177,689	19,938	9,532	38,793	62,504	26,845	141,368	92,259
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
156,733	23,133	17,772	14,740	68,212	30,036	103,715	97,687
-	-	-	-	-	-	-	-
32,459	(47,180)	(59,247)	(82,164)	(56,509)	9,069	(71,792)	(104,171)
\$ 679,582	\$ 195,874	\$ 165,050	\$ 167,476	\$ 825,644	\$ 366,457	\$ 586,761	\$ 692,721

Continued on next page

Combining Statement of Net Position – Nonmajor Component Units (Continued from previous page)

June 30, 2016

(Dollars in Thousands)

	Virginia Community College System	Christopher Newport University	Longwood University	Southwest Virginia Higher Education Center
Assets and Deferred Outflows of Resources				
Cash and Cash Equivalents	\$ 267,665	\$ 38,624	\$ 42,018	\$ -
Investments	77,833	204	13,224	-
Receivables, Net	16,234	1,431	5,518	1,623
Contributions Receivable, Net	10,802	14,059	2,900	-
Due from Primary Government	1,285	72	5,549	34
Due from Component Units	17,337	443	1,475	-
Inventory	1,470	246	585	-
Prepaid Items	14,402	1,751	2,896	-
Other Assets	119	2,694	1,173	352
Restricted Cash and Cash Equivalents	27,346	20,165	29,205	-
Restricted Investments	174,878	23,898	63,916	-
Other Restricted Assets	-	1,152	111	-
Nondepreciable Capital Assets	126,342	66,127	51,167	319
Depreciable Capital Assets, Net	1,263,323	549,323	273,286	10,728
Total Assets	1,999,036	720,189	493,023	13,056
Deferred Outflows of Resources	66,042	11,782	6,438	195
Total Assets and Deferred Outflows of Resources	2,065,078	731,971	499,461	13,251
Liabilities and Deferred Inflows of Resources				
Accounts Payable	88,306	16,455	7,601	339
Amounts Due to Other Governments	4,398	-	-	-
Due to Primary Government	3,260	432	405	31
Due to Component Units	-	-	-	-
Due to External Parties (Fiduciary Funds)	8,430	378	180	21
Unearned Revenue	54,537	1,255	2,131	-
Obligations Under Securities Lending Program	4	155	227	-
Other Liabilities	13,240	5,573	8,689	-
Loans Payable to Primary Government	4,400	-	-	-
Claims Payable:				
Due Within One Year	-	-	-	-
Due in More Than One Year	-	-	-	-
Long-term Liabilities:				
Due Within One Year	26,182	18,107	7,896	225
Due in More Than One Year	783,595	332,100	242,783	2,601
Total Liabilities	986,352	374,455	269,912	3,217
Deferred Inflows of Resources	45,905	3,018	2,793	197
Total Liabilities and Deferred Inflows of Resources	1,032,257	377,473	272,705	3,414
Net Position				
Net Investment in Capital Assets	1,263,286	345,205	176,725	10,580
Restricted For:				
Nonexpendable:				
Higher Education	77,521	23,963	37,486	-
Other	-	-	-	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Gifts and Grants	-	-	-	-
Higher Education	92,492	16,487	21,650	-
Other	-	-	-	-
Unrestricted	(400,478)	(31,157)	(9,105)	(743)
Total Net Position (Deficit)	\$ 1,032,821	\$ 354,498	\$ 226,756	\$ 9,837

Roanoke Higher Education Authority	Innovation and Entrepreneurship Investment Authority	Institute for Advanced Learning and Research	Southern Virginia Higher Education Center	New College Institute	Virginia Economic Development Partnership	Virginia Outdoors Foundation	Virginia Port Authority
\$ 2,640	\$ 9,112	\$ 4,342	\$ 973	\$ 2,854	\$ 2,296	\$ 2,135	\$ 104,743
-	2,236	978	-	1,045	-	-	-
13	317	267	134	9	1,198	761	87,443
-	-	-	-	259	-	-	-
-	-	-	52	273	-	-	-
124	-	53	46	28	-	-	-
-	-	-	-	-	-	-	19,580
43	105	210	-	54	432	47	5,365
127	47	-	1	-	19	1	-
-	-	321	-	-	-	1,500	146,969
-	-	-	-	552	-	-	1,188
-	-	576	-	-	-	-	-
1,786	5,401	200	-	546	-	5,417	225,186
25,722	9,514	13,017	1,388	17,869	1,764	115	558,717
30,455	26,732	19,964	2,594	23,489	5,709	9,976	1,149,191
56	-	68	450	220	1,632	-	18,284
30,511	26,732	20,032	3,044	23,709	7,341	9,976	1,167,475
157	894	218	133	1,004	438	127	44,057
-	-	-	-	-	-	-	-
-	-	-	17	5	-	-	5
-	-	-	-	-	-	-	-
-	-	-	15	5	-	117	7
26	331	1,391	-	31	75	-	-
-	-	-	-	-	-	-	341
18	240	22	-	-	-	-	12,292
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
143	200	64	119	38	556	70	26,091
735	-	21	3,212	1,480	14,824	105	556,308
1,079	1,665	1,716	3,496	2,563	15,893	419	639,101
43	-	52	190	92	1,223	-	5,486
1,122	1,665	1,768	3,686	2,655	17,116	419	644,587
26,712	14,915	13,217	1,388	18,415	1,764	5,532	299,198
-	-	-	-	552	-	-	-
-	-	-	-	-	-	47	-
-	-	-	-	-	-	-	17,257
-	-	-	-	-	-	-	44,018
-	-	-	-	-	-	-	-
-	-	877	-	1,052	-	-	-
-	-	-	-	-	-	1,526	-
2,677	10,152	4,170	(2,030)	1,035	(11,539)	2,452	162,415
\$ 29,389	\$ 25,067	\$ 18,264	\$ (642)	\$ 21,054	\$ (9,775)	\$ 9,557	\$ 522,888

Continued on next page

Combining Statement of Net Position – Nonmajor Component Units (Continued from previous page)

June 30, 2016

(Dollars in Thousands)

	Virginia Tourism Authority	Virginia Foundation for Healthy Youth	Tobacco Region Revitalization Commission	Hampton Roads Sanitation District Commission
Assets and Deferred Outflows of Resources				
Cash and Cash Equivalents	\$ 4,844	\$ 12,584	\$ 11,307	\$ 68,309
Investments	-	-	271,313	123,553
Receivables, Net	47	49	4,779	45,952
Contributions Receivable, Net	-	-	-	-
Due from Primary Government	-	-	-	-
Due from Component Units	-	-	-	-
Inventory	-	-	-	28,106
Prepaid Items	498	-	5	-
Other Assets	-	6	2,776	325
Restricted Cash and Cash Equivalents	-	-	21,929	91,559
Restricted Investments	-	-	192,682	-
Other Restricted Assets	-	-	795	-
Nondepreciable Capital Assets	811	-	-	202,995
Depreciable Capital Assets, Net	638	-	-	997,409
Total Assets	6,838	12,639	505,586	1,558,208
Deferred Outflows of Resources	919	183	145	25,638
Total Assets and Deferred Outflows of Resources	7,757	12,822	505,731	1,583,846
Liabilities and Deferred Inflows of Resources				
Accounts Payable	438	626	79	42,366
Amounts Due to Other Governments	-	-	-	-
Due to Primary Government	-	10	7	-
Due to Component Units	-	-	-	-
Due to External Parties (Fiduciary Funds)	69	11	9	-
Unearned Revenue	-	-	-	-
Obligations Under Securities Lending Program	-	80	54	-
Other Liabilities	5	819	2,660	17,880
Loans Payable to Primary Government	-	-	-	-
Claims Payable:				
Due Within One Year	-	-	-	-
Due in More Than One Year	-	-	-	-
Long-term Liabilities:				
Due Within One Year	331	36	25	81,149
Due in More Than One Year	8,311	2,080	1,540	832,337
Total Liabilities	9,154	3,662	4,374	973,732
Deferred Inflows of Resources	498	121	94	8,510
Total Liabilities and Deferred Inflows of Resources	9,652	3,783	4,468	982,242
Net Position				
Net Investment in Capital Assets	1,449	-	-	410,287
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	-	-	-	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	215,081	-
Debt Service	-	-	-	23,798
Gifts and Grants	-	-	-	-
Higher Education	-	-	-	-
Other	-	-	-	-
Unrestricted	(3,344)	9,039	286,182	167,519
Total Net Position (Deficit)	\$ (1,895)	\$ 9,039	\$ 501,263	\$ 601,604

Virginia Biotechnology Research Partnership Authority	Virginia Small Business Financing Authority	Virginia School for the Deaf and Blind Foundation	Science Museum of Virginia Foundation	Virginia Commercial Space Flight Authority	Danville Science Center, Inc.	Virginia Museum of Fine Arts Foundation	A. L. Philpott Manufacturing Extension Partnership
\$ 4,346	\$ 4,316	\$ 3,480	\$ 605	\$ 5,814	\$ 56	\$ 3,046	\$ 1,381
6,501	-	1,420	536	-	308	6,959	-
24,734	12,049	-	16	2,218	2	-	583
-	-	-	3,250	-	7	11,467	-
-	-	-	-	-	-	-	-
-	-	-	-	3,225	-	-	-
-	-	-	-	-	5	-	-
3	-	-	3	454	-	-	-
344	-	-	-	4,341	-	5,179	-
-	22,805	-	7,792	-	258	18,959	-
-	-	-	13,657	-	503	224,996	-
-	14,880	-	-	-	-	-	-
3,369	-	-	-	2,661	-	-	-
59	-	-	2	107,989	28	639	1
39,356	54,050	4,900	25,861	126,702	1,167	271,245	1,965
1,482	600	-	-	-	-	-	-
40,838	54,650	4,900	25,861	126,702	1,167	271,245	1,965
25	66	-	1	1,784	47	1,315	477
-	-	-	-	-	-	-	-
-	2	-	774	-	-	-	-
-	-	-	-	-	-	-	-
-	5	-	-	-	-	-	-
4	-	-	-	1,000	-	-	17
-	63	-	-	-	-	-	-
11	1,167	-	-	-	-	732	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,665	-	-	2	-	-	1,278	189
23,121	1,125	-	7	-	-	44,230	-
26,826	2,428	-	784	2,784	47	47,555	683
52	816	-	-	-	-	-	-
26,878	3,244	-	784	2,784	47	47,555	683
3,428	-	-	2	110,650	28	639	1
-	-	-	-	-	-	-	-
-	-	-	5,999	-	254	152,752	-
-	-	-	6,189	-	-	161	-
-	-	-	-	-	-	-	-
184	37,410	-	11,728	-	507	88,803	-
-	-	-	-	-	-	-	-
345	6,676	-	-	5,086	-	-	-
10,003	7,320	4,900	1,159	8,182	331	(18,665)	1,281
\$ 13,960	\$ 51,406	\$ 4,900	\$ 25,077	\$ 123,918	\$ 1,120	\$ 223,690	\$ 1,282

Continued on next page

Combining Statement of Net Position – Nonmajor Component Units (Continued from previous page)

June 30, 2016

(Dollars in Thousands)

	Virginia University Research Partnership	Fort Monroe Authority	Assistive Technology Loan Fund Authority	Virginia Sesquicentennial of the American Civil War Foundation
Assets and Deferred Outflows of Resources				
Cash and Cash Equivalents	\$ -	\$ 3,229	\$ 6,484	\$ 280
Investments	-	-	-	-
Receivables, Net	-	1,411	2,739	-
Contributions Receivable, Net	-	-	-	-
Due from Primary Government	-	-	-	-
Due from Component Units	-	-	-	-
Inventory	-	-	-	-
Prepaid Items	-	209	-	-
Other Assets	-	-	-	-
Restricted Cash and Cash Equivalents	-	289	-	-
Restricted Investments	-	-	-	-
Other Restricted Assets	-	-	-	-
Nondepreciable Capital Assets	-	237	-	-
Depreciable Capital Assets, Net	-	86	-	-
Total Assets	-	5,461	9,223	280
Deferred Outflows of Resources	-	333	-	-
Total Assets and Deferred Outflows of Resources	-	5,794	9,223	280
Liabilities and Deferred Inflows of Resources				
Accounts Payable	-	1,234	-	-
Amounts Due to Other Governments	-	-	-	-
Due to Primary Government	-	-	-	-
Due to Component Units	-	-	-	-
Due to External Parties (Fiduciary Funds)	-	-	-	-
Unearned Revenue	-	10	-	-
Obligations Under Securities Lending Program	-	-	-	-
Other Liabilities	-	296	-	-
Loans Payable to Primary Government	-	-	-	-
Claims Payable:				
Due Within One Year	-	-	-	-
Due in More Than One Year	-	-	-	-
Long-term Liabilities:				
Due Within One Year	-	49	6	-
Due in More Than One Year	-	2,519	-	-
Total Liabilities	-	4,108	6	-
Deferred Inflows of Resources	-	154	-	-
Total Liabilities and Deferred Inflows of Resources	-	4,262	6	-
Net Position				
Net Investment in Capital Assets	-	323	-	-
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	-	5	-	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Gifts and Grants	-	-	29	280
Higher Education	-	-	-	-
Other	-	-	-	-
Unrestricted	-	1,204	9,188	-
Total Net Position (Deficit)	\$ -	\$ 1,532	\$ 9,217	\$ 280

Virginia Land Conservation Foundation	Virginia Arts Foundation	Library of Virginia Foundation	Virginia Health Workforce Development Authority	Total Nonmajor Component Units
\$ 4,435	\$ 7	\$ 3	\$ 71	\$ 2,310,808
-	-	1,284	-	10,564,004
-	-	-	-	1,338,775
-	-	546	-	386,320
-	-	-	-	83,432
-	-	-	-	123,212
-	-	126	-	130,431
-	-	22	-	152,042
-	-	-	-	89,065
-	1,038	53	-	732,891
-	-	1,510	-	4,378,156
-	-	-	-	247,040
-	-	-	-	2,515,939
-	-	7	-	15,233,946
4,435	1,045	3,551	71	38,286,061
-	-	-	-	558,148
4,435	1,045	3,551	71	38,844,209
-	-	-	-	-
-	-	27	-	1,140,884
-	-	-	-	5,761
-	-	-	-	49,517
-	-	-	-	3,225
-	-	-	-	38,561
-	-	-	-	367,367
28	7	-	-	3,864
-	-	30	-	913,424
-	-	-	-	18,905
-	-	-	-	-
-	-	-	-	90,466
-	-	-	-	41,161
-	-	-	-	-
-	-	-	-	613,427
-	-	-	-	11,688,301
28	7	57	-	14,974,863
-	-	-	-	320,353
28	7	57	-	15,295,216
-	-	-	-	-
-	-	7	-	10,762,488
-	-	-	-	-
-	-	-	-	3,364,043
-	1,038	1,676	-	161,771
-	-	-	-	-
-	-	-	-	238,688
-	-	-	-	67,816
-	-	452	-	139,393
-	-	-	-	5,354,937
-	-	-	71	13,704
4,407	-	1,359	-	3,446,153
\$ 4,407	\$ 1,038	\$ 3,494	\$ 71	\$ 23,548,993

Combining Statement of Activities – Nonmajor Component Units

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Program Revenues				
		Charges for	Operating	Capital	Net (Expenses)
	Expenses	Services	Grants and	Grants and	Revenue
Higher Education					
University of Virginia	\$ 3,734,868	\$ 2,719,484	\$ 512,497	\$ 41,720	\$ (461,167)
Virginia Polytechnic Institute and State University	1,469,371	774,678	379,505	91,388	(223,800)
Virginia Commonwealth University	3,677,531	3,316,558	237,885	43,308	(79,780)
The College of William and Mary	485,594	272,167	62,097	53,188	(98,142)
Virginia Military Institute	98,121	49,381	9,442	57,248	17,950
Virginia State University	140,220	51,179	32,397	29,298	(27,346)
Norfolk State University	158,334	51,375	30,464	16,938	(59,557)
University of Mary Washington	139,853	81,887	3,943	10,029	(43,994)
James Madison University	508,337	380,384	36,279	71,983	(19,691)
Radford University	205,947	118,355	14,605	42,523	(30,464)
Old Dominion University	496,468	265,836	97,447	30,075	(103,110)
George Mason University	857,422	548,457	192,558	59,844	(56,563)
Virginia Community College System	1,251,474	387,505	363,081	74,163	(426,725)
Christopher Newport University	164,626	114,157	8,154	6,274	(36,041)
Longwood University	157,669	94,340	11,643	10,906	(40,780)
Southwest Virginia Higher Education Center	4,130	1,485	370	64	(2,211)
Roanoke Higher Education Authority	3,401	1,241	77	863	(1,220)
Innovation and Entrepreneurship Investment Authority	17,350	5,580	1,061	190	(10,519)
Institute for Advanced Learning and Research	8,449	2,231	1,000	258	(4,960)
Southern Virginia Higher Education Center	7,916	3,084	1,746	59	(3,027)
New College Institute	6,725	618	2,027	130	(3,950)
Total Higher Education	13,593,806	9,239,982	1,998,278	640,449	(1,715,097)
Other Nonmajor Component Units					
Virginia Economic Development Partnership	22,423	491	2,102	-	(19,830)
Virginia Outdoors Foundation	3,563	1,387	1,377	-	(799)
Virginia Port Authority	475,743	448,428	6,391	15,981	(4,943)
Virginia Tourism Authority	24,678	881	1,308	-	(22,489)
Virginia Foundation for Healthy Youth	9,376	-	50	-	(9,326)
Tobacco Region Revitalization Commission	46,825	-	-	-	(46,825)
Hampton Roads Sanitation District Commission	218,902	244,580	-	14,389	40,067
Virginia Biotechnology Research Partnership Authority	2,259	2,419	-	403	563
Virginia Small Business Financing Authority	1,932	9,241	-	-	7,309
Virginia School for the Deaf and Blind Foundation	88	-	-	-	(88)
Science Museum of Virginia Foundation	3,928	-	(392)	959	(3,361)
Virginia Commercial Space Flight Authority	33,838	600	7,050	10,261	(15,927)
Danville Science Center, Inc.	381	13	119	-	(249)
Virginia Museum of Fine Arts Foundation	24,575	-	(8,289)	-	(32,864)
A. L. Philpott Manufacturing Extension Partnership	4,645	3,040	1,703	-	98
Virginia University Research Partnership	4	-	-	-	(4)
Fort Monroe Authority	13,132	4,803	1,057	387	(6,885)
Assistive Technology Loan Fund Authority	469	-	1	-	(468)
Virginia Sesquicentennial of the American Civil War Foundation	29	-	6	-	(23)
Virginia Land Conservation Foundation	2,903	-	1,123	-	(1,780)
Virginia Arts Foundation	-	38	-	-	38
Library of Virginia Foundation	602	204	(6)	-	(404)
Virginia Health Workforce Development Authority	850	-	803	-	(47)
Total Other Nonmajor	891,145	716,125	14,403	42,380	(118,237)
Total Nonmajor Component Units	\$ 14,484,951	\$ 9,956,107	\$ 2,012,681	\$ 682,829	\$ (1,833,334)

General Revenues				Contributions to Permanent and Term Endowments	Change in Net Position	Net Position (Deficit) July 1, as restated	Net Position (Deficit) June 30
Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous				
\$ 159,757	\$ 29,231	\$ (72,776)	\$ 17,676	\$ 40,021	\$ (287,258)	\$ 9,351,305	\$ 9,064,047
250,649	7,334	6,026	20,313	26,482	87,004	2,185,443	2,272,447
206,986	1,728	(37,044)	6,317	25,082	123,289	3,207,120	3,330,409
72,407	16,179	1,552	25,783	11,644	29,423	1,357,985	1,387,408
14,169	-	(1,998)	586	24,523	55,230	624,352	679,582
46,626	2,523	(668)	2,702	565	24,402	171,472	195,874
58,429	1,997	513	1,608	569	3,559	161,491	165,050
28,632	958	(654)	868	5,202	(8,988)	176,464	167,476
93,560	536	156	2,373	4,634	81,568	744,076	825,644
56,493	174	(757)	1,613	752	27,811	338,646	366,457
138,374	-	(20)	1,665	1,865	38,774	547,987	586,761
148,917	2,020	1,962	4,539	4,810	105,685	587,036	692,721
422,530	7,049	6,673	16,811	7,957	34,295	998,526	1,032,821
31,782	534	(803)	-	2,771	(1,757)	356,255	354,498
30,699	505	(1,554)	230	1,623	(9,277)	236,033	226,756
2,100	-	-	-	-	(111)	9,948	9,837
1,216	15	11	-	-	22	29,367	29,389
9,948	-	2,473	99	-	2,001	23,066	25,067
5,817	48	(72)	21	-	854	17,410	18,264
2,468	465	-	-	-	(94)	(548)	(642)
1,937	-	68	1	-	(1,944)	22,998	21,054
1,783,496	71,296	(96,912)	103,205	158,500	304,488	21,146,432	21,450,920
20,764	-	13	340	-	1,287	(11,062)	(9,775)
1,753	66	13	-	-	1,033	8,524	9,557
42,367	-	723	156	-	38,303	484,585	522,888
23,001	-	20	-	-	532	(2,427)	(1,895)
-	9,248	60	-	-	(18)	9,057	9,039
-	-	18,151	3,293	-	(25,381)	526,644	501,263
-	-	2,313	2,399	-	44,779	556,825	601,604
-	-	489	-	-	1,052	12,908	13,960
-	-	111	1,537	-	8,957	42,449	51,406
-	2	(77)	28	-	(135)	5,035	4,900
-	1,502	(13)	-	524	(1,348)	26,425	25,077
21,600	-	-	-	-	5,673	118,245	123,918
-	110	(12)	-	42	(109)	1,229	1,120
-	8,834	(236)	62	14,956	(9,248)	232,938	223,690
399	-	-	-	-	497	785	1,282
-	-	-	-	-	(4)	4	-
5,285	-	-	168	-	(1,432)	2,964	1,532
-	-	176	-	-	(292)	9,509	9,217
-	-	-	-	-	(23)	303	280
4,000	-	-	-	-	2,220	2,187	4,407
-	-	-	7	-	45	993	1,038
-	198	(54)	11	791	542	2,952	3,494
-	-	-	-	-	(47)	118	71
119,169	19,960	21,677	8,001	16,313	66,883	2,031,190	2,098,073
\$ 1,902,665	\$ 91,256	\$ (75,235)	\$ 111,206	\$ 174,813	\$ 371,371	\$ 23,177,622	\$ 23,548,993



Debt Schedules

Summary Schedule – Total Debt and Other Long-term Obligations of the Commonwealth

Last Five Fiscal Years
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2016	2015	2014	2013	2012
Tax-Supported Debt:					
Primary Government:					
General Obligation Bonds (1):					
Section 9(b) Bonds (2)	\$ 571,915	\$ 642,181	\$ 706,192	\$ 752,493	\$ 831,148
Section 9(c) Bonds (2)	29,717	33,190	36,677	39,499	42,593
Subtotal - General Obligation Bonds	601,632	675,371	742,869	791,992	873,741
Nongeneral Obligation Debt:					
Section 9(d) Bonds (2)	5,163,651	5,175,570	4,748,217	5,029,659	5,222,270
Other Long-term Debt and Obligations (3)	5,729,566	5,366,682	3,287,907	3,004,676	2,742,274
Total Primary Government	11,494,849	11,217,623	8,778,993	8,826,327	8,838,285
Component Units:					
General Obligation Bonds (1):					
Section 9(c) Bonds (2)	877,118	936,857	925,086	877,858	906,474
Subtotal - General Obligation Bonds	877,118	936,857	925,086	877,858	906,474
Nongeneral Obligation Bonds:					
Section 9(d) Bonds (2)	4,351,059	3,839,279	3,542,518	2,990,382	2,747,447
Other Long-term Debt (3)	4,154,182	3,756,274	2,207,305	1,944,418	1,701,305
Total Component Units	9,382,359	8,532,410	6,674,909	5,812,658	5,355,226
Total Tax-Supported Debt	20,877,208	19,750,033	15,453,902	14,638,985	14,193,511
Debt Not Supported by Taxes:					
Primary Government:					
Total Primary Government (2)	3,009,647	3,472,475	3,510,428	3,320,450	2,915,671
Component Units:					
Section 9(d) Moral Obligation Bonds	907,209	877,875	831,165	836,656	801,384
Section 9(d) Other Debt	2,081,823	2,038,579	1,826,602	1,538,395	1,541,802
Other Long-term Debt (4)	14,220,896	14,113,641	14,351,277	15,341,291	15,088,830
Foundations (5)	1,714,748	1,685,948	1,669,241	1,583,178	1,570,447
Total Component Units	18,924,676	18,716,043	18,678,285	19,299,520	19,002,463
Total Debt Not Supported by Taxes	21,934,323	22,188,518	22,188,713	22,619,970	21,918,134
Total Debt of the Commonwealth	\$ 42,811,531	\$ 41,938,551	\$ 37,642,615	\$ 37,258,955	\$ 36,111,645

	2016	2015	2014	2013	2012
Section 9(b) Debt:					
Public Facilities Bonds	\$ 571,915	\$ 642,181	\$ 706,192	\$ 752,493	\$ 831,148
Subtotal 9(b) Debt	571,915	642,181	706,192	752,493	831,148
Section 9(c) Debt:					
Higher Educational Institution Bonds	877,118	936,857	925,086	877,858	906,474
Transportation Facilities Bonds	14,562	17,154	19,632	21,961	24,210
Parking Facilities Bonds	15,155	16,036	17,045	17,538	18,383
Subtotal 9(c) Debt	906,835	970,047	961,763	917,357	949,067
Total General Obligation Debt (1)	\$ 1,478,750	\$ 1,612,228	\$ 1,667,955	\$ 1,669,850	\$ 1,780,215

- (1) Total general obligation debt for the fiscal year ended.
- (2) Beginning with fiscal year 2014, GASB Statement No. 65 removed deferrals of debt defeasance from the debt balances. Balances reported in prior fiscal years netted the deferrals against the debt balances. All amounts are net of unamortized discounts and premiums.
- (3) Includes capital lease obligations, notes payable, installment purchase obligations, pension liability, and the long-term portion of the liability for compensated absences.
- (4) Includes bonds payable, notes payable, and other debt not supported by taxes.
- (5) Foundations represent FASB reporting entities defined in Note 1.B.

Tax-Supported Debt and Other Long-term Obligations

Last Five Fiscal Years
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2016	2015	2014	2013	2012
Primary Government:					
General Obligation Debt (1) (4):					
Section 9(b) Debt					
Public Facilities (2)	\$ 571,915	\$ 642,181	\$ 706,192	\$ 752,493	\$ 831,148
Subtotal Section 9(b) Debt	571,915	642,181	706,192	752,493	831,148
Section 9(c) Debt					
Parking Facilities (2)	15,155	16,036	17,045	17,538	18,383
Transportation Facilities (2)	14,562	17,154	19,632	21,961	24,210
Subtotal Section 9(c) Debt	29,717	33,190	36,677	39,499	42,593
Subtotal General Obligation Debt	601,632	675,371	742,869	791,992	873,741
Nongeneral Obligation Debt:					
Section 9(d) Debt:					
Transportation Debt (2)	2,722,238	2,552,123	2,373,382	2,495,312	2,655,481
Virginia Public Building Authority (2)	2,441,413	2,623,447	2,374,835	2,534,347	2,566,789
Subtotal Section 9(d) Debt	5,163,651	5,175,570	4,748,217	5,029,659	5,222,270
Other Long-term Debt:					
Transportation Notes Payable	-	-	-	8,000	8,000
Regional Jail Construction	-	-	-	837	2,748
Capital Lease Obligations	46,524	57,948	60,916	71,835	77,400
Installment Purchase Obligations	108,877	113,373	113,936	106,367	114,959
Economic Development Authority Obligations	44,712	51,249	57,621	77,472	81,747
Tax Refund Note	-	-	-	20,319	40,639
Aviation Notes Payable (3)	114	307	529	764	1,050
Subtotal Other Long-term Debt	200,227	222,877	233,002	285,594	326,543
Other Long-term Obligations:					
Compensated Absences	317,053	311,406	321,520	317,528	315,176
Net Pension Liability	4,419,257	4,133,117	2,114,803	1,875,011	1,660,768
OPEB Liability	734,064	654,173	568,764	493,443	406,969
Pollution Remediation Liability	11,308	11,954	13,186	3,494	5,171
Other Liabilities	47,657	33,155	36,632	29,606	27,647
Subtotal Other Long-term Obligations	5,529,339	5,143,805	3,054,905	2,719,082	2,415,731
Total Primary Government	11,494,849	11,217,623	8,778,993	8,826,327	8,838,285
Component Units:					
General Obligation Bonds (1) (4):					
Section 9(c) Debt					
Higher Educational Institutions (2)	877,118	936,857	925,086	877,858	906,474
Subtotal General Obligation Debt	877,118	936,857	925,086	877,858	906,474
Nongeneral Obligation Debt:					
Section 9(d) Debt:					
Virginia Port Authority (2)	275,256	288,446	222,044	228,619	237,321
Innovation & Entrepreneurship Investment Authority	-	-	-	1,220	2,375
Virginia College Building Authority	4,049,060	3,520,214	3,286,119	2,725,259	2,470,589
Virginia Biotechnology Research Partnership Authority	26,743	30,619	34,355	35,284	37,162
Subtotal Section 9(d) Debt	4,351,059	3,839,279	3,542,518	2,990,382	2,747,447
Other Long-term Debt:					
Capital Lease Obligations	71,403	77,456	82,189	85,631	91,166
Installment Purchase Obligations	50,825	63,812	76,526	86,315	100,161
Subtotal Other Long-term Debt	122,228	141,268	158,715	171,946	191,327
Other Long-term Obligations:					
Compensated Absences	293,026	288,320	280,237	265,246	253,845
Net Pension Liability	2,777,020	2,496,179	1,066,638	924,512	785,472
OPEB Liability	961,908	830,507	701,715	582,714	470,661
Subtotal Other Long-term Obligations	4,031,954	3,615,006	2,048,590	1,772,472	1,509,978
Total Component Units	9,382,359	8,532,410	6,674,909	5,812,658	5,355,226
Total Tax-Supported Debt	\$ 20,877,208	\$ 19,750,033	\$ 15,453,902	\$ 14,638,985	\$ 14,193,511

- (1) The general obligation debt is the only debt or long-term obligation that is backed by the full faith and credit of the Commonwealth.
- (2) Beginning with fiscal year 2014, GASB Statement No. 65 removed deferrals of debt defeasance from the debt balances. Balances reported in prior fiscal years netted the deferrals against the debt balances. All amounts are net of unamortized discounts and premiums.
- (3) Reflected as Notes Payable in Note 26, Long-term Liabilities.
- (4) See Note 1 on previous page.

Debt and Other Long-term Obligations Not Supported by Taxes

Last Five Fiscal Years
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2016	2015	2014	2013	2012
Primary Government:					
Other Long-term Debt & Obligations:					
Federal Reimbursement Anticipation Notes Payable (1)	\$ -	\$ 30,624	\$ 60,905	\$ 89,836	\$ 182,450
Grant Anticipation Notes (GARVEES) (1)	663,147	705,574	746,812	473,733	298,728
Route 460 Funding Corporation of Virginia	-	320,110	317,305	314,662	-
Net Pension Liability	140,522	125,294	57,400	48,798	42,249
OPEB Liability	25,113	22,051	18,709	15,688	12,751
Capital Lease Obligations	5,359	5,708	6,072	6,453	449
Compensated Absences	10,003	10,123	10,102	9,727	9,267
Tuition Benefits Payable	2,035,608	2,116,769	2,140,430	2,189,079	2,175,296
Lottery Prizes Payable	129,895	136,222	152,693	172,474	194,481
Total Primary Government	3,009,647	3,472,475	3,510,428	3,320,450	2,915,671
Component Units:					
Section 9(d) Moral Obligation Debt: (1)					
Virginia Resources Authority	907,209	877,875	831,165	836,656	801,384
Subtotal Section 9(d) Moral Obligation Debt	907,209	877,875	831,165	836,656	801,384
Section 9(d) Other Debt:					
Higher Educational Institutions (1):					
Auxiliary Enterprise Revenue Bonds	1,579,951	1,531,950	1,315,358	1,269,149	1,205,869
Teaching Hospitals Revenue Bonds (4)	501,872	506,629	511,244	269,246	335,933
Subtotal Section 9(d) Other Debt	2,081,823	2,038,579	1,826,602	1,538,395	1,541,802
Other Long-term Debt:					
Virginia Housing Development Authority (1) (2)	4,320,935	4,498,847	4,931,982	5,742,689	5,945,174
Hampton Roads Sanitation District Commission	879,294	748,397	766,353	790,503	639,286
Virginia Public School Authority (1) (2)	3,655,914	3,551,741	3,523,633	3,483,366	3,378,084
Virginia Port Authority	252,631	256,656	272,831	276,816	281,978
Virginia Resources Authority	2,704,321	2,631,153	2,536,711	2,582,923	2,478,243
Notes Payable	2,041,726	2,083,619	2,067,038	2,179,181	2,070,152
Net Pension Liability	44,339	41,516	-	-	-
Other Long-term Debt	321,736	301,712	252,729	285,813	295,913
Foundations (5)	1,714,748	1,685,948	1,669,241	1,583,178	1,570,447
Subtotal Other Long-term Debt	15,935,644	15,799,589	16,020,518	16,924,469	16,659,277
Subtotal Section 9(d) and Other Debt	18,017,467	17,838,168	17,847,120	18,462,864	18,201,079
Total Component Units	18,924,676	18,716,043	18,678,285	19,299,520	19,002,463
Total Debt Not Supported by Taxes (3)	\$ 21,934,323	\$ 22,188,518	\$ 22,188,713	\$ 22,619,970	\$ 21,918,134

- (1) Beginning with fiscal year 2014, GASB Statement No. 65 removed deferrals of debt defeasance from the debt balances. Balances reported in prior fiscal years netted the deferrals against the debt balances. All amounts are net of unamortized discounts and premiums.
- (2) Includes notes payable and/or installment purchase obligations.
- (3) These amounts are not backed by the full faith and credit of the Commonwealth.
- (4) Includes the Virginia Commonwealth University Health System Authority.
- (5) Foundations represent FASB reporting entities defined in Note 1.B.

Authorized and Unissued Tax-Supported Debt

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	As of June 30, 2015	New Debt Authorized	Debt Issued	Other Adjust- ments	As of June 30, 2016
Section 9(c) Debt (Primary Government):					
Higher Educational Institution Bonds	\$ 667,562	\$ 40,986	\$ -	\$ -	\$ 708,548
Parking Facilities Bonds	226	-	-	-	226
Subtotal Section 9(c) Debt	667,788	40,986	-	-	708,774
Section 9(d) Debt:					
Primary Government:					
Transportation Contract Revenue Bonds					
(Northern Virginia Transportation District					
Fund Program)	24,700	-	-	-	24,700
U.S. Route 58 Corridor Development Program	595,700	-	-	-	595,700
Transportation Capital Projects Revenue Bonds	1,187,335	-	273,740	(26,260)	887,335
Component Units:					
Virginia Public Building Authority					
(Projects)	688,763	972,167	-	32,411	1,693,341
Virginia Public Building Authority					
(Jails)	84,299	3,900	48,865	(518)	38,816
Virginia College Building Authority					
(21st Century)	1,005,656	1,536,106	568,700	(53,560)	1,919,502
Virginia College Building Authority					
(Equipment Program)	138,436	168,470	121,830	(16,606)	168,470
Subtotal Section 9(d) Debt	3,724,889	2,680,643	1,013,135	(64,533)	5,327,864
Total Authorized and Unissued					
Tax-Supported Debt	\$ 4,392,677	\$ 2,721,629	\$ 1,013,135	\$ (64,533)	\$ 6,036,638

Tax-Supported Debt – Annual Debt Service Requirements [1]

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

Fiscal Year Ending June 30	General Obligation Debt Sections 9(a), 9(b) and 9(c)			Other Tax-Supported Debt Section 9(d) [1] [2]		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 108,735	\$ 59,583	\$ 168,318	\$ 582,934	\$ 379,139	\$ 962,073
2018	101,990	54,467	156,457	555,700	358,791	914,491
2019	101,445	49,855	151,300	533,620	333,996	867,616
2020	101,385	45,200	146,585	509,343	309,394	818,737
2021	103,520	40,590	144,110	511,796	286,183	797,979
2022	98,740	35,804	134,544	490,570	262,916	753,486
2023	99,145	31,295	130,440	481,765	241,091	722,856
2024	98,770	26,819	125,589	479,446	219,564	699,010
2025	90,545	22,366	112,911	472,225	198,234	670,459
2026	85,160	18,460	103,620	476,405	177,471	653,876
2027	76,825	14,777	91,602	461,621	157,476	619,097
2028	61,410	11,317	72,727	455,425	137,236	592,661
2029	47,000	8,569	55,569	451,335	117,275	568,610
2030	37,290	6,567	43,857	433,940	97,290	531,230
2031	32,890	5,029	37,919	379,845	77,524	457,369
2032	22,855	3,699	26,554	352,765	61,499	414,264
2033	22,440	2,794	25,234	293,915	47,266	341,181
2034	20,080	1,896	21,976	280,250	34,874	315,124
2035	12,805	1,061	13,866	235,310	23,100	258,410
2036	5,210	545	5,755	156,200	13,546	169,746
2037	1,895	328	2,223	78,670	7,710	86,380
2038	1,675	244	1,919	39,195	4,662	43,857
2039	1,730	165	1,895	40,685	3,160	43,845
2040	1,785	84	1,869	24,015	1,598	25,613
2041	-	-	-	24,899	704	25,603
Subtotal	1,335,325	441,514	1,776,839	8,801,874	3,551,699	12,353,573
Add						
Accretion on						
Capital Appreciation						
Bonds	-	-	-	25,634	-	25,634
Add						
Unamortized						
Premium	143,425	-	143,425	732,119	-	732,119
Less						
Unamortized						
Discount	-	-	-	(91)	-	(91)
Total	\$ 1,478,750	\$ 441,514	\$ 1,920,264	\$ 9,559,536	\$ 3,551,699	\$ 13,111,235

[1] Includes Fairfax County Economic Development Authority and the Virginia Aviation Board. Does not include other capital leases, installment purchase obligations, regional jail reimbursements under the original treasury board program, compensated absences, pension liability, pollution remediation liability and other liabilities.

[2] Includes principal amount of \$5,208,477 (dollars in thousands) for the primary government.

Total		
Principal	Interest	Total
\$ 691,669	\$ 438,722	\$ 1,130,391
657,690	413,258	1,070,948
635,065	383,851	1,018,916
610,728	354,594	965,322
615,316	326,773	942,089
589,310	298,720	888,030
580,910	272,386	853,296
578,216	246,383	824,599
562,770	220,600	783,370
561,565	195,931	757,496
538,446	172,253	710,699
516,835	148,553	665,388
498,335	125,844	624,179
471,230	103,857	575,087
412,735	82,553	495,288
375,620	65,198	440,818
316,355	50,060	366,415
300,330	36,770	337,100
248,115	24,161	272,276
161,410	14,091	175,501
80,565	8,038	88,603
40,870	4,906	45,776
42,415	3,325	45,740
25,800	1,682	27,482
24,899	704	25,603
10,137,199	3,993,213	14,130,412
25,634	-	25,634
875,544	-	875,544
(91)	-	(91)
\$ 11,038,286	\$ 3,993,213	\$ 15,031,499

Tax-Supported Debt – Detail of Long-term Indebtedness

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2015	Issued (Retired) During Year	Outstanding June 30, 2016	Maturity
General Obligation Debt					
Section 9(b) Debt (Primary Government):					
Public Facilities Bonds					
Series 2006	\$ 117,910	\$ 5,920	\$ (5,920)	\$ -	
Series 2007	200,465	26,750	(10,250)	16,500	06/01/17-18
Series 2008	198,165	29,765	(9,925)	19,840	06/01/17-18
Series 2009	80,000	56,000	(4,000)	52,000	06/01/17-29
Series 2009 Refunding	121,765	121,295	(8,110)	113,185	06/01/17-22
Series 2009 Taxable BABs	45,000	33,175	(2,365)	30,810	06/01/17-22
Series 2012A Refunding	71,065	49,055	(4,775)	44,280	06/01/17-24
Series 2013 Refunding	128,250	128,250	(6,090)	122,160	06/01/17,19-27
Series 2014B Refunding	22,855	14,590	(9,360)	5,230	06/01/17-18
Series 2015	102,520	102,520	-	102,520	06/01/18-28
Unamortized Premium	-	74,861	(9,471)	65,390	
Total Public Facilities Bonds	1,087,995	642,181	(70,266)	571,915	
Total Section 9(b) Debt	1,087,995	642,181	(70,266)	571,915	
Section 9(c) Debt					
Higher Educational Institution bonds (Component Units)					
Series 2006 Refunding Bonds					
Christopher Newport University					
Dorm/Dining - '96 Refunding, Refunded Portion	1,725	950	(145)	805	06/01/17-21
Subtotal Series 2006 Refunding Bonds	1,725	950	(145)	805	
Series 2006 Bonds					
The College of William and Mary					
Renovate Dormitories	4,515	210	(210)	-	
George Mason University					
Construct Student Housing VII	39,080	1,350	(1,350)	-	
Renovate Housing Facilities	2,420	325	(325)	-	
James Madison University					
Renovate Residence Hall Phase III	6,230	285	(285)	-	
Longwood University					
Renovate Housing Facilities	5,900	270	(270)	-	
Old Dominion University					
Construct Residence Hall Phase II	8,785	405	(405)	-	
Virginia Polytechnic Institute and State University					
Parking Projects	685	30	(30)	-	
Virginia State University					
Construct Dining Hall	4,330	210	(210)	-	
Construct Residence Halls	16,780	815	(815)	-	
Subtotal Series 2006 Bonds	88,725	3,900	(3,900)	-	
Series 2007 Bonds					
George Mason University					
Construct Student Housing VII and Entrance Road	15,495	1,065	(520)	545	06/01/17
Construct Student Housing, VII	2,010	135	(65)	70	06/01/17
Renovate Student Housing, President's Park I	3,130	820	(400)	420	06/01/17
James Madison University					
Construct Dining Hall	20,840	1,910	(930)	980	06/01/17
Renovate Bluestone Residence Hall, Phase III	2,280	205	(100)	105	06/01/17
Longwood University					
Renovate Cox Hall	6,250	575	(280)	295	06/01/17
Old Dominion University					
Construct Residence Hall, Phase II	16,115	1,475	(720)	755	06/01/17
Virginia Commonwealth University					
Monroe Park Housing	15,525	760	(370)	390	06/01/17
Virginia Polytechnic Institute and State University					
Construct New Residence Hall	13,130	2,000	(635)	1,365	06/01/17-18
Improve Residence and Dining Halls	5,995	915	(290)	625	06/01/17-18

Series	Amount Issued	Outstanding June 30, 2015	Issued (Retired) During Year	Outstanding June 30, 2016	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution bonds (Component Units) (continued)					
Virginia State University					
Construct Residence Halls	2,020	285	(90)	195	06/01/17-18
Construct Two Residence Halls	26,160	2,615	(1,275)	1,340	06/01/17
Subtotal Series 2007 Bonds	128,950	12,760	(5,675)	7,085	
Series 2008 Bonds					
The College of William and Mary					
Renovate Graduate Student Residence Halls	2,395	330	(105)	225	06/01/17-18
George Mason University					
Renovate Commonwealth and Dominion Phase II	1,530	585	(185)	400	06/01/17-18
Renovate President's Park Phase I	3,095	1,185	(375)	810	06/01/17-18
Renovate President's Park Phase II	3,120	445	(140)	305	06/01/17-18
Student Housing VII	1,955	185	(60)	125	06/01/17-18
Student Housing VII and Entrance Road	23,870	2,320	(735)	1,585	06/01/17-18
James Madison University					
Construct New Residence Hall	19,430	2,600	(825)	1,775	06/01/17-18
Longwood University					
Renovate Cox Hall	4,630	615	(195)	420	06/01/17-18
Old Dominion University					
Quad Housing Phase II	39,960	5,355	(1,700)	3,655	06/01/17-18
Virginia Polytechnic Institute and State University					
New Residence Hall	17,185	2,375	(755)	1,620	06/01/17-18
Parking Auxiliary Projects	1,545	205	(65)	140	06/01/17-18
Subtotal Series 2008 Bonds	118,715	16,200	(5,140)	11,060	
Series 2009 Bonds					
Christopher Newport University					
Residence Hall '01 Refunded Portion	1,878	1,866	(12)	1,854	06/01/17-21
The College of William and Mary					
Dining Commons Hall Renovation '05 Refunded Portion	3,200	3,200	-	3,200	06/01/17-22
Dormitory Renovations '06B Refunded Portion	1,270	1,270	-	1,270	06/01/18-22
Dormitory Renovations '02 Refunded	2,582	2,259	(287)	1,972	06/01/17-22
Dormitory Renovations '05 Refunded	1,940	1,940	-	1,940	06/01/17-22
Dormitory Renovations '01 Refunded Portion	384	382	(3)	379	06/01/17-21
George Mason University					
Housing Building V '01 Refunded Portion	6,267	6,234	(35)	6,199	06/01/17-24
Housing Building V '02 Refunded Portion	4,448	3,889	(494)	3,395	06/01/17-22
Housing VIII	7,910	7,260	(240)	7,020	06/01/17-34
Renovate President Park Phase I	1,790	885	(205)	680	06/01/17-19
Student Housing Construction VII '05 Refunded	6,630	6,630	-	6,630	06/01/17-22
Student Housing VII C	8,255	7,215	(235)	6,980	06/01/17-34
Student Housing Construction VII '06B Refunded	8,230	8,230	-	8,230	06/01/18-22
James Madison University					
Bluestone Dorm Phase II '01 Refunded Portion	458	455	(3)	452	06/01/17-21
Renovate Bluestone Res Hall III '06B Refunded Portion	1,750	1,750	-	1,750	06/01/18-22
Renovate Bluestone Dorms '02 Refunded Portion	1,048	916	(116)	800	06/01/17-22
Renovate Bluestone Dorms II '02 Refunded Portion	1,089	951	(121)	830	06/01/17-22
Longwood University					
Housing Facilities Renovations '05 Refunded Portion	1,340	1,340	-	1,340	06/01/17-22
Renovate Housing Facilities '06B Refunded Portion	1,655	1,655	-	1,655	06/01/18-22
Old Dominion University					
Construct Residence Hall Ph II '06B Refunded Portion	2,465	2,465	-	2,465	06/01/18-22
Housing Renovations '02 Refunded Portion	1,319	1,152	(146)	1,006	06/01/17-22
Housing Renovations Ph I '05 Refunded Portion	1,625	1,625	-	1,625	06/01/17-22
University of Mary Washington					
Residence Hall Renovation '01 Refunded Portion	153	152	(1)	151	06/01/17-21
Seacobeck Dining Hall '05 Refunded Portion	1,625	1,625	-	1,625	06/01/17-22

Continued on next page

Tax-Supported Debt – Detail of Long-term Indebtedness (Continued from previous page)

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2015	Issued (Retired) During Year	Outstanding June 30, 2016	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution bonds (Component Units) (continued)					
Series 2009 Bonds (continued)					
University of Virginia					
Residence Hall Monroe Lane '01 Refunded Portion	368	366	(4)	362	06/01/17-21
Virginia Military Institute					
Crozet Hall & Parking '04A Refunded Portion	4,242	4,242	(297)	3,945	06/01/17-22
Virginia Polytechnic Institute and State University					
Parking Aux Projects '06B Refunded Portion	190	190	-	190	06/01/18-22
Improve Residence and Dining Halls	3,720	3,145	(160)	2,985	06/01/17-29
Parking Auxiliary Project '02 Refunded Portion	276	169	(84)	85	06/01/17
Parking Structure	24,590	22,010	(720)	21,290	06/01/17-34
Renovate Dietrick Servery Ph II '04A Refunded Portion	1,891	1,891	(131)	1,760	06/01/17-22
Renovate Ambler Johnston Hall	39,005	32,979	(1,684)	31,295	06/01/17-29
Virginia State University					
Construct Residence Hall '06B Refunded Portion	4,965	4,965	-	4,965	06/01/18-22
Construct Dining Hall '06B Refunded Portion	1,280	1,280	-	1,280	06/01/18-22
Subtotal Series 2009 Bonds	149,838	136,583	(4,978)	131,605	
Series 2010 Bonds					
Christopher Newport University					
Construct Residence Hall	34,480	31,905	(945)	30,960	06/01/17-40
The College of William and Mary					
Construct New Dormitory	2,010	1,630	(95)	1,535	06/01/17-30
Renovate Residence Halls	4,440	3,590	(205)	3,385	06/01/17-30
George Mason University					
Housing VIII	39,420	35,535	(1,425)	34,110	06/01/17-35
Renovate Commons	1,325	1,145	(65)	1,080	06/01/17-30
Renovate Student Housing, President's Park II	2,790	1,645	(320)	1,325	06/01/17-20
Smithsonian CRC Housing	5,415	4,880	(195)	4,685	06/01/17-35
James Madison University					
Renovate Bluestone Dormitories, Phase IV	14,890	12,060	(695)	11,365	06/01/17-30
Old Dominion University					
Renovate Student Housing, Phase I	1,975	1,595	(90)	1,505	06/01/17-30
Virginia Commonwealth University					
Construct West Grace Housing and Parking Phase I	29,130	26,250	(1,055)	25,195	06/01/17-35
Virginia Polytechnic Institute and State University					
Construct Academic and Student Affairs Building	34,650	28,715	(1,660)	27,055	06/01/17-30
Parking Auxiliary Projects	745	600	(35)	565	06/01/17-30
Subtotal Series 2010 Bonds	171,270	149,550	(6,785)	142,765	
Series 2011 Bonds					
Christopher Newport University					
Renovate Santoro Residence Hall	4,100	2,775	(430)	2,345	06/01/17-21
The College of William and Mary					
Construct New Dormitory	14,400	12,735	(595)	12,140	06/01/17-31
George Mason University					
Housing VIII	20,230	18,605	(575)	18,030	06/01/17-36
Presidential Park Housing Renovation	2,700	1,930	(305)	1,625	06/01/17-21
Renovate Commons	14,350	13,200	(620)	12,580	06/01/17-31
Smithsonian CRC Housing	4,070	3,845	(120)	3,725	06/01/17-36
Student Housing VII-C	1,045	975	(35)	940	06/01/17-36
Virginia Commonwealth University					
West Grace Housing - North	25,830	24,390	(760)	23,630	06/01/17-36
Virginia Polytechnic Institute and State University					
Renovate Ambler Johnston Hall	18,860	16,685	(795)	15,890	06/01/17-31
Virginia State University					
Construct Gateway Residence Hall Phase II	34,735	30,075	(1,435)	28,640	06/01/17-31
Construct Quad Phase II	28,555	26,270	(1,235)	25,035	06/01/17-31
Subtotal Series 2011 Bonds	168,875	151,485	(6,905)	144,580	

Series	Amount Issued	Outstanding June 30, 2015	Issued (Retired) During Year	Outstanding June 30, 2016	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution bonds (Component Units) (continued)					
Series 2012 Bonds					
The College of William and Mary					
Dining Commons Hall Renovation 2005 Refunding	1,289	1,289	-	1,289	06/01/23-24
Dorm Renovation - 2005 Refunding	780	780	(1)	779	06/01/23-24
Dorm Repairs - 2002 Refunding (96 Ref)	429	130	(130)	-	
Underground Utilities - 2002 Refunding (95 Ref)	388	120	(120)	-	
George Mason University					
Student Housing Construction, VII - 2005 Refunding	2,674	2,674	-	2,674	06/01/23-24
Longwood University					
Dining Hall - 2002 Refunding (96 Ref)	1,472	446	(446)	-	
Housing Facilities Renovation - 2005 Refunding	545	545	-	545	06/01/23-24
Old Dominion University					
Housing Renovation, Phase I - 2005 Refunding	655	655	-	655	06/01/23-24
University of Mary Washington					
Seacobeck Dining Hall - 2005 Refunding	655	655	-	655	06/01/23-24
University of Virginia					
New comb Hall - 2002 Refunding (95 Ref)	2,752	832	(832)	-	
Student Residence - 2002 Refunding (95 Ref)	1,241	376	(376)	-	
Virginia Commonwealth University					
Visitors Deck - 2002 Refunding (96 Ref)	871	265	(265)	-	
Virginia Military Institute					
Crozet Hall & Parking - 2004A Refunding	3,019	2,489	-	2,489	06/01/23-25
Virginia Polytechnic Institute and State University					
Renovate Dietrick Servery -2004A Refunding	942	705	-	705	06/01/23-24
Virginia State University					
Jones Hall - 2002 Refunding (96 Ref)	646	195	(195)	-	
Subtotal Series 2012 Bonds	18,358	12,156	(2,365)	9,791	
Series 2013 Bonds					
The College of William and Mary					
Construct New Dormitory	8,770	8,175	(315)	7,860	06/01/17-33
Dining Commons Hall Renovation - 2005A Ref Portion	1,831	1,831	(442)	1,389	06/01/25-26
Dorm Renovations - 2005A Ref Portion	1,113	1,113	(269)	844	06/01/25-26
Dorm Renovations - 2006B Ref Portion	1,412	1,412	-	1,412	06/01/17, 23-26
Renovate Dormitory	4,660	4,345	(165)	4,180	06/01/17-33
George Mason University					
Construct Student Housing VII & Entrance Rd - 2007B Ref Portion	4,579	4,579	-	4,579	06/01/19-25
Construct Student Housing VII - 2007B Refunded Portion	584	584	-	584	06/01/19-25
Construct Student Housing VII - 2006B Refunded Portion	9,187	9,187	-	9,187	06/01/17, 23-26
Student Housing Construction, VII - 2005A Ref Portion	10,504	10,504	(971)	9,533	06/01/25-30
James Madison University					
Construct Dining Hall - 2007B Refunded Portion	8,207	8,207	-	8,207	06/01/19-25
Renovate Bluestone Residence Hall, Ph 3 -2007B Ref Portion	893	893	-	893	06/01/19-25
Renovate Residence Hall - 2006B Refunded Portion	1,953	1,953	-	1,953	06/01/17, 23-26
Longwood University					
Housing Facility Renovation - 2005A Refunded Portion	472	472	(186)	286	06/01/25
Renovate Cox Hall - 2007B Refunded Portion	2,461	2,461	-	2,461	06/01/19-25
Renovate Housing Facilities - 2006B Refunded Portion	1,852	1,852	-	1,852	06/01/17, 23-26
Old Dominion University					
Construct Residence Hall, Ph II - 2007B Refunded Portion	6,344	6,344	-	6,344	06/01/19-25
Construct Residence Hall, Ph II - 2006B Refunded Portion	2,761	2,761	-	2,761	06/01/17, 23-26
Housing Renovations, Ph I - 2005A Refunded Portion	570	570	(221)	349	06/01/25
Radford University					
Washington Hall	5,040	4,700	(180)	4,520	06/01/17-33
University of Mary Washington					
Seacobeck Dining Hall - 2005A Refunded Portion	565	565	(221)	344	06/01/25
Virginia Commonwealth University					
Monroe Park Housing - 2007B Refunded Portion	3,252	3,252	-	3,252	06/01/19-25

Continued on next page

Tax-Supported Debt – Detail of Long-term Indebtedness (Continued from previous page)

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2015	Issued (Retired) During Year	Outstanding June 30, 2016	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution bonds (Component Units) (continued)					
Series 2013 Bonds (continued)					
Virginia Polytechnic Institute and State University					
Construct New Residence Hall - 2007A Refunded Portion	7,842	7,842	-	7,842	06/01/19-27
Improve Residence and Dining Halls - 2007A Refunded Portion	3,576	3,576	-	3,576	06/01/19-27
Parking Projects - 2006B Refunded Portion	217	217	-	217	06/01/17, 23-26
Virginia State University					
Construct Dining Hall - 2006B Refunded Portion	1,431	1,431	-	1,431	06/01/17, 23-26
Construct Residence Hall - 2007B Refunded Portion	1,132	1,132	-	1,132	06/01/19-27
Construct Residence Halls - 2006B Refunded Portion	5,541	5,541	-	5,541	06/01/17, 23-26
Construct Two Residence Halls - 2007B Refunded Portion	11,231	11,231	-	11,231	06/01/19-25
Subtotal Series 2013 Bonds	107,980	106,730	(2,970)	103,760	
Series 2014 Bonds					
Christopher Newport University					
New Residence Hall - 2004B Refunded Portion	8,147	7,372	(1,377)	5,995	06/01/17-20
Residence Hall II - 2004B Refunding Portion	4,210	3,698	(877)	2,821	06/01/17-19
College Of William and Mary					
Renovate Dormitories - 2004B Refunding Portion	1,666	1,506	(280)	1,226	06/01/17-20
Dormitory Renovation Phase II - 2004B Refunding Portion	120	111	(54)	57	06/01/17
Dormitory Repairs - 2004B Refunding Portion	650	492	(240)	252	06/01/17
Utility System - 2004B Refunding Portion	311	285	(142)	143	06/01/17
Dormitory Renovation - 2004B Refunding Portion	1,551	1,298	(417)	881	06/01/17-18
Renovate Dormitories	9,005	8,750	(305)	8,445	06/01/17-34
George Mason University					
Housing Building V - 2004B Refunding Portion	6,306	5,710	(1,068)	4,642	06/01/17-20
Student Housing VIII	2,235	2,170	(75)	2,095	06/01/17-34
James Madison University					
Bluestone Dormitory Phase II- 2004B Refunding Portion	1,985	1,797	(335)	1,462	06/01/17-20
Dining Hall Renovation - 2004B Refunding Portion	254	190	(93)	97	06/01/17
Residence Hall - 2004B Refunding Portion	2,232	1,690	(827)	863	06/01/17
Student Services - 2004B Refunding Portion	1,191	901	(440)	461	06/01/17
Dining Facilities Renovation - 2004B Refunding Portion	260	216	(68)	148	06/01/17-18
Student Housing Phase I	46,660	45,350	(1,570)	43,780	06/01/17-34
Longwood University					
Dining Hall - 2004B Refunding Portion	934	822	(194)	628	06/01/17-19
Residence Hall Improvements - 2004B Refunding Portion	880	773	(183)	590	06/01/17-19
Radford University					
Renovate Residence Halls	11,080	10,770	(375)	10,395	06/01/17-34
University of Mary Washington					
Residence Hall Renovation - 2004B Refunding Portion	656	596	(113)	483	06/01/17-20
University of Virginia					
Residence Hall - Monroe Lane - 2004B Refunding Portion	1,595	1,444	(270)	1,174	06/01/17-20
Residence Hall - Wise- 2004B Refunding Portion	1,512	1,329	(317)	1,012	06/01/17-19
Virginia Commonwealth University					
Academic Parking Deck - 2004B Refunding Portion	2,429	1,836	(900)	936	06/01/17
Virginia Polytechnic Institute and State University					
Parking Auxiliary Projects - 2004B Refunding Portion	300	229	(113)	116	06/01/17
Residence Hall - 2004B Refunding Portion	3,151	2,387	(1,170)	1,217	06/01/17
Dining Hall - 2004B Refunding Portion	793	663	(214)	449	06/01/17-18
Dining Hall HVAC - 2004B Refunding Portion	587	517	(124)	393	06/01/17-19
Virginia State University					
Jones Dining Hall - 2004B Refunding Portion	255	212	(68)	144	06/01/17-18
Subtotal Series 2014 Bonds	110,955	103,114	(12,209)	90,905	

Series	Amount Issued	Outstanding June 30, 2015	Issued (Retired) During Year	Outstanding June 30, 2016	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution bonds (Component Units) (continued)					
Series 2015 Bonds					
Christopher Newport University					
Construct Residential Housing	18,860	18,860	-	18,860	06/01/17-35
Expand Dining Hall	8,960	8,960	-	8,960	06/01/17-35
College of William and Mary					
Renovate Graduate St. - 2008B Ref Portion	1,482	1,482	-	1,482	06/01/19-28
Renovate Dormitories	10,980	10,980	(320)	10,660	06/01/17-35
George Mason University					
Construct Housing VII & Entrance Road - 2007B Ref Portion	6,817	6,817	-	6,817	06/01/18, 26-32
Construct Student Housing VII - 2006B Refunding Portion	11,765	11,765	-	11,765	06/01/27-31
Construct Student Housing VII - 2007B Refunding Portion	854	854	-	854	06/01/18, 26-32
Renovate President Park, Phase II - 2008B Refunding Portion	1,999	1,999	-	1,999	06/01/19-28
Student Housing VII - 2008B Refunding Portion	1,366	1,366	-	1,366	06/01/19-33
Student Housing VII - C - 2008B Refunding Portion	17,566	17,566	-	17,566	06/01/19-33
James Madison University					
Construct Dining Hall - 2007B Refunding Portion	3,650	3,650	-	3,650	06/01/18, 26-27
Construct New Residence Hall - 2008B Refunding Portion	11,695	11,695	-	11,695	06/01/19-28
Renovate Bluestone Residence Hall, Ph 3 - 2007B Ref Portion	403	403	-	403	06/01/18, 26-27
Longwood University					
Renovate Cox Hall - 2007B Refunding Portion	1,089	1,089	-	1,089	06/01/18, 26-27
Renovate Cox Hall - 2008B Refunding Portion	2,785	2,785	-	2,785	06/01/19-28
Old Dominion University					
Construct Residence Hall, Phase II - 2007B Refunding Portion	2,827	2,827	-	2,827	06/1/2018, 26-27
Quad Housing Phase II - 2008B Refunding Portion	24,074	24,074	-	24,074	06/01/19-28
Radford University					
Renovate Residence Halls	8,820	8,820	(260)	8,560	06/01/17-35
Virginia Commonwealth University					
Monroe Park Housing - 2007B Refunding Portion	6,806	6,806	-	6,806	06/01/18, 26-37
Virginia Polytechnic Institute and State					
New Residence Hall - 2008B Refunding Portion	10,671	10,671	-	10,671	06/01/19-28
Parking Auxiliary Project - 2008B Refunding Portion	921	921	-	921	06/01/19-28
Virginia State University					
Construct Two Residence Halls - 2007B Refunding Portion	4,995	4,996	(1)	4,995	
Subtotal Series 2015 Bonds	159,385	159,386	(581)	158,805	
Unamortized Premium	-	84,043	(8,086)	75,957	
Subtotal Higher Educational Institution Bonds	1,224,776	936,857	(59,739)	877,118	
Transportation Facilities Bonds (Primary Government)					
Series 2006, Coleman Refunding	31,880	16,725	(2,520)	14,205	06/01/17-21
Unamortized Premium	-	429	(72)	357	
Subtotal Transportation Facilities Bonds	31,880	17,154	(2,592)	14,562	
Parking Facilities Bonds (Primary Government)					
Series 2009	13,755	11,240	(575)	10,665	06/01/17-29
Series 2009 Refunding	2,122	2,122	(147)	1,975	06/01/17-22
Series 2012 Refunding (2004A Ref)	1,061	794	-	794	06/01/23-24
Unamortized Premium	-	1,880	(159)	1,721	
Subtotal Parking Facilities Bonds	16,938	16,036	(881)	15,155	
Total Section 9(c) Debt	1,273,594	970,047	(63,212)	906,835	
Total General Obligation Debt	2,361,589	1,612,228	(133,478)	1,478,750	

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Tax-Supported Debt – Detail of Long-term Indebtedness (Continued from previous page)

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2015	Issued (Retired) During Year	Outstanding June 30, 2016	Maturity
Nongeneral Obligation Debt					
Section 9(d) Debt					
Virginia Public Building Authority Bonds (Primary Government)					
Series 2005A Refunding	47,305	4,050	(4,050)	-	
Series 2005B Refunding	135,675	13,585	(13,585)	-	
Series 2005C	165,810	16,115	(16,115)	-	
Series 2005D	50,000	50,000	-	50,000	08/01/22-25
Series 2006A	135,000	20,935	(10,205)	10,730	08/01/16
Series 2006B	215,065	24,915	(12,145)	12,770	08/01/16
Series 2007A	242,480	46,000	(14,575)	31,425	08/01/16-17
Series 2008B	150,000	26,035	(6,070)	19,965	08/01/16-18
Series 2009A	40,995	26,885	(3,195)	23,690	08/01/16-21
Series 2009B	265,000	205,205	(13,435)	191,770	08/01/16-29
Series 2009C	10,000	6,420	(795)	5,625	08/01/16-21
Series 2009D Refunding	42,745	31,655	(4,850)	26,805	08/01/16-21
Series 2010A1	60,520	13,050	(13,050)	-	
Series 2010A2 BABs	256,710	256,710	-	256,710	08/01/16-30
Series 2010B1	87,510	48,980	(11,355)	37,625	08/01/16-18
Series 2010B2 Taxable BABs	195,310	195,260	-	195,260	08/01/19-30
Series 2010B3 Refunding	50,780	49,750	(355)	49,395	08/01/16-22
Series 2011A	280,000	253,100	(9,785)	243,315	08/01/16-31
Series 2011B	18,500	16,355	(740)	15,615	08/01/16-31
Series 2012A Refunding	72,415	72,415	-	72,415	08/01/16-24
Series 2013A	143,400	138,960	(4,645)	134,315	08/01/16-33
Series 2013B Refunding	72,370	72,370	-	72,370	08/01/19-23
Series 2014A	132,875	132,875	(4,065)	128,810	08/01/16-34
Series 2014B Taxable	29,735	29,735	(1,200)	28,535	08/01/16-34
Series 2014C Refunding	298,390	298,390	(16,255)	282,135	08/01/16-27
Series 2015A	232,980	232,980	-	232,980	08/01/16-35
Series 2015B Refunding	134,730	134,730	-	134,730	08/01/16-28
Unamortized Premium	-	205,987	(21,564)	184,423	
Total Virginia Public Building Authority					
Bonds	3,566,300	2,623,447	(182,034)	2,441,413	
Virginia College Building Authority Bonds (Component Unit) (1)					
21st Century College Program					
Series 2006BC	120,000	83,580	(6,195)	77,385	02/01/17-26
Series 2007A	59,125	57,230	(6,765)	50,465	02/01/17-22
Series 2007B	132,095	4,520	(2,215)	2,305	02/01/17
Series 2008A	144,075	24,875	(11,260)	13,615	02/01/17-19, 28
Series 2009A	284,020	104,380	(53,975)	50,405	02/01/17-20, 28-29
Series 2009B	84,680	31,750	(10,025)	21,725	02/01/17-18
Series 2009D	52,420	16,825	(8,205)	8,620	02/01/17
Series 2009E Refunding	208,860	182,325	(15,655)	166,670	02/01/17-24
Series 2009F2 Taxable BABs	390,575	370,970	(19,985)	350,985	02/01/17-30
Series 2010A	50,350	15,320	(7,470)	7,850	02/01/17
Series 2010B2 Taxable BABs	290,600	290,600	(16,475)	274,125	02/01/17-30
Series 2011A	272,515	236,720	(15,045)	221,675	02/01/17-32
Series 2012A	335,075	285,000	(16,910)	268,090	02/01/17-32
Series 2012B	349,255	330,625	(10,995)	319,630	02/01/17-33
Series 2012C	8,350	5,010	(1,670)	3,340	02/01/17-18
Series 2013A	331,705	321,500	(16,085)	305,415	02/01/17-34
Series 2014A	319,155	300,265	(15,635)	284,630	02/01/17-34
Series 2014B	27,985	21,865	(8,660)	13,205	02/01/17-20, 25
Series 2015A	373,230	373,230	(10,850)	362,380	02/01/17-35
Series 2015B Refunding	204,880	204,880	(3,670)	201,210	02/01/17-27
Series 2015C Taxable	6,785	6,785	(1,105)	5,680	02/01/17-20
Series 2015D1	233,300	-	228,540	228,540	02/01/17-35
Series 2015D2	56,765	-	53,200	53,200	02/01/17-22
Series 2016A	360,485	-	360,485	360,485	02/01/17-36
Series 2016 B Refunding	49,300	-	49,300	49,300	02/01/28-29
Series 2016C	39,980	-	39,980	39,980	02/01/17-26
Unamortized Premium	-	251,959	56,191	308,150	
Total Virginia College Building Authority					
Bonds	4,785,565	3,520,214	528,846	4,049,060	

Series	Amount Issued	Outstanding June 30, 2015	Issued (Retired) During Year	Outstanding June 30, 2016	Maturity
Nongeneral Obligation Debt (continued)					
Section 9(d) Debt (continued)					
Transportation Debt (Primary Government)					
Route 28 Refunding Bonds	111,680	84,305	(3,326)	80,979	04/01/17-32
Transportation Revenue Bonds (U.S. Route 58)	316,900	260,830	(47,535)	213,295	05/15/17-26
Northern Virginia Transportation District Program	194,060	205,660	(24,800)	180,860	05/15/17-27
Oak Grove Connector (Chesapeake)	10,100	12,885	(2,785)	10,100	05/15/17-22
Capital Projects	2,241,385	1,805,175	220,860	2,026,035	05/15/17-41
Unamortized Premium	-	183,268	27,701	210,969	
Total Section 9(d) Transportation Debt	2,874,125	2,552,123	170,115	2,722,238	
Virginia Port Authority Debt (Component Unit)					
Series 2005	60,000	1,930	(1,930)	-	
Series 2006	21,730	4,250	(2,885)	1,365	07/01/16
Series 2011	57,370	57,370	-	57,370	07/01/28-36
Series 2012	108,015	95,370	(6,400)	88,970	07/01/16-27
Series 2012B	45,230	43,885	(715)	43,170	07/01/16-29
Series 2012C	4,795	4,795	-	4,795	07/01/29-30
Series 2015	58,680	58,680	-	58,680	07/01/28-31, 37-40
Unamortized Premium	-	22,166	(1,260)	20,906	
Total Virginia Port Authority Debt	355,820	288,446	(13,190)	275,256	
Virginia Biotechnology Research Partnership Authority (Component Unit)					
Series 2009	91,010	28,250	(3,525)	24,725	09/01/16-21
Unamortized Premium	-	2,369	(351)	2,018	
Total Virginia Biotechnology Research Partnership Authority (Component Unit)	91,010	30,619	(3,876)	26,743	
Economic Development Authority Obligations					
Unamortized Premium	-	6,509	(947)	5,562	
Total Economic Development Authority Obligations	55,875	51,249	(6,537)	44,712	
Total Section 9(d) Debt	11,728,695	9,066,098	493,324	9,559,422	
Nongeneral Obligation Debt and Other Obligations					
Other Long-term Debt (1)					
Capital Leases	-	135,404	(17,477)	117,927	
Installment Purchase Obligations	-	177,185	(17,483)	159,702	
Aviation Note Payable	6,600	307	(193)	114	
Total Other Long-term Debt	6,600	312,896	(35,153)	277,743	
Other Long-term Obligations					
Compensated Absences	-	599,726	10,353	610,079	
Net Pension Liability	-	6,629,296	566,981	7,196,277	
OPEB Liability	-	1,484,680	211,292	1,695,972	
Other	-	45,109	13,856	58,965	
Total Other Long-term Obligations	-	8,758,811	802,482	9,561,293	
Total Nongeneral Obligation Debt and Other Obligations	11,735,295	18,137,805	1,260,653	19,398,458	
Total Tax-Supported Debt and Other Obligations	\$ 14,096,884	\$ 19,750,033	\$ 1,127,175	\$ 20,877,208	

- (1) These amounts are reported as notes payable on the higher education institutions' financial statements.
- (2) Pursuant to GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Governmental Activities include internal service funds.



STATISTICAL SECTION

The financial presentations included in this section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commonwealth's overall financial health.

Statistical schedules related to property taxes are not presented since the Commonwealth does not assess property taxes.

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Financial Trends

Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis
General Governmental Revenues by Source and Expenditures by Function

For Fiscal Year Ended June 30
(Dollars in Millions)

	2016	2015	2014	2013
Tax Revenues:				
Individual and Fiduciary Income	\$ 12,652	\$ 12,248	\$ 11,659	\$ 11,378
Sales and Use	4,984	4,832	4,606	3,935
Motor Fuels	977	887	793	879
Corporation Income	773	797	774	778
Public Service Corporations	108	119	119	116
Motor Vehicle Sales and Use	910	846	781	582
Communications Sales and Use	405	416	422	425
Gross Premiums of Insurance Companies	490	454	449	396
Alcoholic Beverage Sales	148	140	132	127
Deeds, Contracts, Wills, and Suits	471	441	395	436
Beer and Beverage Excise	43	43	43	43
Estate	-	-	-	-
Tobacco Products	176	179	182	182
Bank Stock	18	19	23	20
Wine and Spirits/ABC Liter	26	26	26	25
Other Taxes	115	110	95	78
Total Tax Revenues	22,296	21,557	20,499	19,400
Other Revenues:				
Federal Grants and Contracts	9,885	9,727	9,681	9,913
Institutional Revenue	267	303	325	360
Sales of Property and Commodities	56	38	56	35
Rights and Privileges	977	978	950	957
Interest, Dividends, and Rents	134	91	144	83
Fines, Forfeitures, Costs, Penalties and Escheats	347	352	435	366
Assessments	137	137	132	125
Other Revenues	995	987	739	824
Total Other Revenues	12,798	12,613	12,462	12,663
Total Revenues	\$ 35,094	\$ 34,170	\$ 32,961	\$ 32,063
Percentage Increase Over Previous Year	2.7%	3.7%	2.8%	1.8%
Expenditures by Function:				
Education	\$ 9,373	\$ 9,372	\$ 8,970	\$ 8,886
Administration of Justice	2,801	2,690	2,724	2,566
Individual and Family Services	14,186	13,421	13,196	13,039
Resources and Economic Development	915	929	912	876
Transportation	5,817	5,348	5,057	4,613
General Government (1)	3,527	3,261	3,238	3,187
Capital Outlay	331	251	194	219
Total Expenditures	\$ 36,950	\$ 35,272	\$ 34,291	\$ 33,386
Percentage Increase Over Previous Year	4.8%	2.9%	2.7%	2.7%

Includes all General, Special Revenue, Debt Service, Capital Project, and Permanent Funds

(1) General Government expenditure amounts include debt service principal retirement and interest charges.

Source: Department of Accounts

2012	2011	2010	2009	2008	2007
\$ 10,714	\$ 10,050	\$ 8,730	\$ 9,471	\$ 10,084	\$ 9,629
3,866	3,674	3,553	3,568	3,820	3,760
900	903	891	889	924	930
950	827	833	642	767	889
115	113	112	103	106	89
538	495	440	406	534	588
425	556	453	-	-	-
391	412	391	387	397	385
121	114	111	110	106	100
371	335	326	351	457	584
44	44	44	45	44	44
-	2	6	4	136	140
195	175	178	182	183	188
19	25	24	21	14	13
24	23	21	20	19	18
75	77	74	77	68	79
18,748	17,825	16,187	16,276	17,659	17,436
9,933	10,749	10,628	8,113	6,627	6,204
385	384	403	409	390	360
41	36	32	26	29	24
921	917	870	889	933	826
164	159	294	218	452	532
362	368	343	349	394	334
120	122	116	113	109	110
814	712	704	611	645	558
12,740	13,447	13,390	10,728	9,579	8,948
\$ 31,488	\$ 31,272	\$ 29,577	\$ 27,004	\$ 27,238	\$ 26,384
0.7%	5.7%	9.5%	-0.9%	3.2%	3.6%
\$ 8,733	\$ 8,682	\$ 8,843	\$ 9,260	\$ 8,940	\$ 8,700
2,422	2,398	2,399	2,531	2,543	2,398
12,682	12,688	12,236	10,764	9,345	8,996
870	886	897	990	868	812
4,474	3,860	3,401	3,704	3,883	3,141
3,007	3,129	2,932	2,512	2,612	2,545
330	439	619	612	845	808
\$ 32,518	\$ 32,082	\$ 31,327	\$ 30,373	\$ 29,036	\$ 27,400
1.4%	2.4%	3.1%	4.6%	6.0%	8.3%

Net Position by Component
Accrual Basis of Accounting

Last Ten Fiscal Years
(Dollars in Millions)

	2016	2015	2014	2013
Governmental Activities:				
Net Investment in Capital Assets (1)	\$ 24,309	\$ 23,407	\$ 22,317	\$ 20,259
Restricted	1,365	1,436	1,465	1,456
Unrestricted	(5,560)	(5,406)	(2,820)	(1,531)
Total Governmental Activities Net Position	20,114	19,437	20,962	20,184
Business-type Activities:				
Net Investment in Capital Assets (1)	33	34	12	30
Restricted	1,045	845	587	371
Unrestricted	508	500	563	261
Total Business-type Activities Net Position	1,586	1,379	1,162	662
Primary Government:				
Net Investment in Capital Assets (1)	24,342	23,441	22,329	20,289
Restricted	2,410	2,281	2,052	1,827
Unrestricted	(5,052)	(4,906)	(2,257)	(1,270)
Total Primary Government Net Position	\$ 21,700	\$ 20,816	\$ 22,124	\$ 20,846

- (1) Beginning with fiscal year 2013, GASB Statement No. 63 changed the title of Invested in Capital Assets, Net of Related Debt to Net Investment in Capital Assets. Balances reported in prior fiscal years were not affected.

Source: Department of Accounts

2012	2011	2010	2009	2008	2007
\$ 19,891	\$ 18,320	\$ 17,424	\$ 16,209	\$ 15,241	\$ 13,835
1,648	1,171	1,160	1,421	1,641	1,893
(2,216)	(1,596)	(1,887)	(1,555)	516	944
19,323	17,895	16,697	16,075	17,398	16,672
34	35	31	23	26	30
179	16	16	372	816	872
143	70	(169)	(180)	59	212
356	121	(122)	215	901	1,114
19,925	18,355	17,455	16,232	15,267	13,865
1,827	1,187	1,176	1,793	2,457	2,765
(2,073)	(1,526)	(2,056)	(1,735)	575	1,156
\$ 19,679	\$ 18,016	\$ 16,575	\$ 16,290	\$ 18,299	\$ 17,786

Changes in Net Position
Accrual Basis of Accounting

Last Ten Fiscal Years
(Dollars in Millions)

	2016	2015	2014	2013
Expenses				
Governmental Activities:				
General Government	\$ 3,230	\$ 3,267	\$ 3,362	\$ 3,019
Education	10,178	9,845	9,431	9,281
Transportation	4,528	4,369	3,602	3,307
Resources and Economic Development	1,008	970	940	928
Individual and Family Services	14,024	13,277	13,116	12,941
Administration of Justice	2,922	2,751	2,927	2,760
Interest and Charges on Long-term Debt	240	224	238	255
Total Governmental Activities Expenses	36,130	34,703	33,616	32,491
Business-type Activities:				
Virginia Lottery	1,415	1,300	1,266	1,194
Virginia College Savings Plan	103	155	104	156
Unemployment Compensation	390	431	536	584
Alcoholic Beverage Control	615	580	555	533
Risk Management	14	10	13	12
Local Choice Health Care	412	350	308	296
Route 460 Funding Corporation of Virginia	1	13	82	67
Virginia Industries for the Blind	42	43	38	31
Consolidated Laboratory	10	9	9	8
eVA Procurement System	23	23	20	20
Department of Environmental Quality Title V	11	10	12	11
Wireless E-911	42	37	37	42
Museum and Library Gift Shops	7	7	6	7
Behavioral Health Canteen and Work Activity	-	-	1	1
Total Business-type Activities Expenses	3,085	2,968	2,987	2,962
Total Primary Government Expenses	\$ 39,215	\$ 37,671	\$ 36,603	\$ 35,453
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$ 306	\$ 297	\$ 255	\$ 250
Education	563	545	518	448
Transportation	675	691	652	680
Resources and Economic Development	375	379	359	345
Individual and Family Services	365	366	376	413
Administration of Justice	284	316	401	322
Operating Grants and Contributions	9,147	8,915	8,732	8,820
Capital Grants and Contributions	1,467	1,619	1,509	1,754
Total Governmental Activities Program Revenues	13,182	13,128	12,802	13,032

Source: Department of Accounts

2012	2011	2010	2009	2008	2007
\$ 2,878	\$ 2,917	\$ 2,829	\$ 2,541	\$ 2,470	\$ 2,645
9,181	9,086	9,312	9,566	9,300	9,542
3,030	2,839	2,311	2,786	3,054	2,256
985	1,006	1,107	1,003	878	841
12,712	12,663	12,285	10,757	9,249	9,022
2,639	2,641	2,741	2,611	2,607	2,659
229	228	206	201	205	203
31,654	31,380	30,791	29,465	27,763	27,168
1,121	1,030	998	920	936	929
96	243	294	115	244	180
640	662	923	881	433	382
507	479	469	467	457	434
13	8	7	6	6	3
267	230	231	231	202	179
-	-	-	-	-	-
32	28	28	24	24	20
7	7	6	6	6	6
19	17	19	18	18	19
11	10	10	11	12	11
41	38	48	53	50	47
6	7	2	1	2	2
1	-	1	1	-	1
2,761	2,759	3,036	2,734	2,390	2,213
\$ 34,415	\$ 34,139	\$ 33,827	\$ 32,199	\$ 30,153	\$ 29,381
\$ 255	\$ 254	\$ 248	\$ 243	\$ 229	\$ 216
397	388	380	373	379	350
645	650	611	643	709	583
393	309	306	299	297	299
429	430	411	415	389	370
323	322	308	321	387	292
9,178	9,950	9,951	7,584	6,067	5,870
1,267	1,324	1,603	997	1,152	851
12,887	13,627	13,818	10,875	9,609	8,831

Continued on next page

Changes in Net Position
Accrual Basis of Accounting (Continued from previous page)

Last Ten Fiscal Years
(Dollars in Millions)

	2016	2015	2014	2013
Business-type Activities:				
Charges for Services:				
Virginia Lottery	2,007	1,844	1,811	1,690
Virginia College Savings Plan	146	188	408	301
Unemployment Compensation	594	693	761	790
Alcoholic Beverage Control	772	730	689	662
Risk Management	9	8	9	5
Local Choice Health Care	393	343	321	285
Virginia Industries for the Blind	42	44	36	30
Consolidated Laboratory	9	10	9	7
eVA Procurement System	21	20	16	16
Department of Environmental Quality Title V	11	11	11	11
Wireless E-911	58	55	54	62
Museum and Library Gift Shops	7	8	6	8
Behavioral Health Canteen and Work Activity	-	-	-	-
Operating Grants and Contributions	-	-	-	-
Capital Contributions	-	-	70	61
Total Business-type Activities Program Revenue	4,069	3,954	4,201	3,928
Total Primary Government Program Revenues	\$ 17,251	\$ 17,082	\$ 17,003	\$ 16,960
Net (Expense)/Revenue				
Governmental Activities	\$ (22,948)	\$ (21,575)	\$ (20,814)	\$ (19,459)
Business-type Activities	984	986	1,214	966
Total Primary Government Net Expense	\$ (21,964)	\$ (20,589)	\$ (19,600)	\$ (18,493)
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Individual and Fiduciary Income	\$ 12,685	\$ 12,266	\$ 11,681	\$ 11,400
Sales and Use	4,994	4,830	4,597	3,941
Corporation Income	773	801	770	805
Motor Fuel	976	888	792	879
Motor Vehicle Sales and Use	910	846	781	582
Communications Sales and Use	405	416	420	424
Premiums of Insurance Companies	485	453	460	407
Public Service Corporations	108	119	119	116
Other Taxes	1,001	959	896	909
Unrestricted Grants and Contributions	48	49	49	74
Investment Earnings	63	16	44	6
Miscellaneous	282	206	234	306
Special Item	-	(134)	-	-
Transfers	787	728	724	670
Contributions to Permanent and Term Endowments	-	-	-	-
Total Governmental Activities	23,517	22,443	21,567	20,519
Business-type Activities:				
Other Taxes	9	9	9	9
Investment Earnings	1	2	2	1
Miscellaneous	-	-	1	-
Special Items	-	34	-	-
Transfers	(787)	(728)	(724)	(670)
Total Business-type Activities	(777)	(683)	(712)	(660)
Total Primary Government	\$ 22,740	\$ 21,760	\$ 20,855	\$ 19,859
Change in Net Position				
Governmental Activities	\$ 569	\$ 868	\$ 753	\$ 1,060
Business-type Activities	207	303	502	306
Total Primary Government	\$ 776	\$ 1,171	\$ 1,255	\$ 1,366

Source: Department of Accounts

2012	2011	2010	2009	2008	2007
1,616	1,483	1,436	1,366	1,389	1,366
160	459	371	(117)	70	328
853	686	524	341	350	438
633	598	584	573	552	525
5	4	5	6	7	7
259	247	241	226	216	207
32	28	30	24	24	21
8	8	7	9	8	7
16	19	17	27	26	29
8	7	10	9	10	10
55	53	53	51	51	50
7	8	2	2	2	2
1	-	-	-	1	1
-	1	4	105	39	36
-	-	-	-	-	-
3,653	3,601	3,284	2,622	2,745	3,027
\$ 16,540	\$ 17,228	\$ 17,102	\$ 13,497	\$ 12,354	\$ 11,858
\$ (18,767)	\$ (17,753)	\$ (16,973)	\$ (18,590)	\$ (18,154)	\$ (18,337)
892	842	248	(112)	355	814
\$ (17,875)	\$ (16,911)	\$ (16,725)	\$ (18,702)	\$ (17,799)	\$ (17,523)
\$ 10,814	\$ 10,050	\$ 8,779	\$ 9,559	\$ 10,100	\$ 9,639
3,885	3,669	3,569	3,554	3,821	3,756
979	852	846	546	772	906
900	903	891	889	924	930
538	495	440	406	534	588
423	557	456	-	-	-
391	406	414	365	356	385
115	113	112	103	106	89
849	795	777	814	1,025	1,161
49	48	49	60	54	50
84	63	205	143	349	477
465	286	427	237	224	154
-	-	-	-	-	-
668	615	597	591	593	564
-	-	-	-	-	20
20,160	18,852	17,562	17,267	18,858	18,719
9	9	10	13	12	12
1	1	2	4	12	11
-	-	-	-	1	-
-	-	-	-	-	-
(668)	(614)	(597)	(591)	(593)	(563)
(658)	(604)	(585)	(574)	(568)	(540)
\$ 19,502	\$ 18,248	\$ 16,977	\$ 16,693	\$ 18,290	\$ 18,179
\$ 1,394	\$ 1,099	\$ 589	\$ (1,323)	\$ 704	\$ 381
234	238	(337)	(686)	(213)	274
\$ 1,628	\$ 1,337	\$ 252	\$ (2,009)	\$ 491	\$ 655

**Changes in Fund Balance, Governmental Funds
Modified Accrual Basis of Accounting**

Last Ten Fiscal Years
(Dollars in Millions)

	2016	2015	2014	2013
Revenues				
Taxes	\$ 22,296	\$ 21,557	\$ 20,499	\$ 19,400
Rights and Privileges	977	978	950	957
Institutional Revenue	267	303	325	360
Interest, Dividends, Rents, and Other Investment Income	134	91	144	83
Federal Grants and Contracts	9,885	9,727	9,681	9,913
Other	1,535	1,514	1,362	1,350
Total Revenues	35,094	34,170	32,961	32,063
Expenditures				
General Government	2,821	2,544	2,538	2,424
Education	9,373	9,372	8,970	8,886
Transportation	5,817	5,348	5,057	4,613
Resources and Economic Development	915	929	912	876
Individual and Family Services	14,186	13,421	13,196	13,039
Administration of Justice	2,801	2,690	2,724	2,566
Capital Outlay	331	251	194	219
Debt Service:				
Principal Retirement	424	441	421	474
Interest and Charges	282	276	279	289
Total Expenditures	36,950	35,272	34,291	33,386
Revenues Over (Under) Expenditures	(1,856)	(1,102)	(1,330)	(1,323)
Other Financing Sources (Uses)				
Transfers In	1,673	1,706	1,661	1,625
Transfers Out	(884)	(972)	(927)	(940)
Notes Issued	4	7	16	22
Insurance Recoveries	1	1	-	1
Capital Leases Issued	1	-	-	-
Bonds Issued	274	671	273	264
Premium on Debt Issuance	45	150	75	85
Refunding Bonds Issued	76	536	277	201
Sale of Capital Assets	15	24	16	96
Payments to Refunded Bond Escrow Agents	(93)	(618)	(337)	(258)
Total Other Financing Sources (Uses)	1,112	1,505	1,054	1,096
Net Change in Fund Balances	\$ (744)	\$ 403	\$ (276)	\$ (227)
 Debt Service as a Percentage of Noncapital Expenditures (1)				
	2.05%	2.22%	2.21%	2.58%

(1) Noncapital expenditures exclude expenditures for capital outlay, which are recorded by function. The majority of these expenditures were for Transportation.

Source: Department of Accounts

2012	2011	2010	2009	2008	2007
\$ 18,748	\$ 17,825	\$ 16,187	\$ 16,276	\$ 17,659	\$ 17,436
921	917	869	889	933	826
385	384	403	409	390	360
164	159	294	218	452	532
9,933	10,749	10,628	8,112	6,627	6,203
1,337	1,238	1,196	1,100	1,177	1,027
31,488	31,272	29,577	27,004	27,238	26,384
2,322	2,439	2,306	1,889	2,047	2,030
8,733	8,683	8,842	9,260	8,940	8,700
4,474	3,860	3,401	3,704	3,883	3,141
870	886	897	990	868	812
12,682	12,688	12,236	10,764	9,345	8,996
2,422	2,398	2,399	2,531	2,543	2,398
330	439	619	612	845	809
423	456	420	416	362	322
262	233	206	207	203	192
32,518	32,082	31,326	30,373	29,036	27,400
(1,030)	(810)	(1,749)	(3,369)	(1,798)	(1,016)
1,770	1,498	1,624	1,571	1,663	1,637
(1,097)	(876)	(1,022)	(976)	(1,070)	(1,072)
10	37	20	21	-	16
3	8	5	8	6	7
1	2	1	1	5	4
1,196	883	941	646	416	593
217	71	44	46	23	40
319	51	124	68	59	123
4	3	4	4	7	8
(373)	(55)	(146)	(74)	(62)	(131)
2,050	1,622	1,595	1,315	1,047	1,225
\$ 1,020	\$ 812	\$ (154)	\$ (2,054)	\$ (751)	\$ 209
2.29%	2.30%	2.04%	2.09%	2.00%	1.93%

Fund Balance, Governmental Funds
Modified Accrual Basis of Accounting

Last Ten Fiscal Years
(Dollars in Millions)

	2016	2015	2014	2013
General Fund				
Reserved (1)	\$ -	\$ -	\$ -	\$ -
Unreserved (1)	-	-	-	-
Nonspendable	114	120	111	120
Restricted	908	1,086	971	962
Committed	397	296	330	503
Unassigned	(709)	(653)	(782)	(947)
Total	\$ 710	\$ 849	\$ 630	\$ 638
All Other Governmental Funds				
Special Revenue Funds				
Reserved (1)	\$ -	\$ -	\$ -	\$ -
Unreserved (1)	-	-	-	-
Nonspendable	159	128	104	118
Restricted	583	759	880	588
Committed	2,094	2,244	2,145	2,556
Assigned	29	29	17	14
Unassigned	-	(60)	-	-
Debt Service Funds				
Reserved (1)	-	-	-	-
Restricted	22	45	44	35
Capital Projects Funds				
Unreserved (1)	-	-	-	-
Restricted	40	288	53	214
Permanent Funds				
Unreserved (1)	-	-	-	-
Nonspendable	34	35	34	31
Restricted	1	1	1	1
Total	\$ 2,962	\$ 3,469	\$ 3,278	\$ 3,557

- (1) GASB Statement No. 54 changes in fund balance information presented in this section began with fiscal year 2011. Fund balances prior to fiscal year 2011 were not reclassified because this was deemed impractical. The nature of the difference between fiscal year 2011 forward and all prior years relates to fund balances for those prior years not being reclassified to GASB Statement No. 54 fund classifications. For additional information on fund balance classifications, see Note 3, Fund Balance Classifications.

Source: Department of Accounts

2012	2011	2010	2009	2008	2007
\$ -	\$ -	\$ 395	\$ 670	\$ 1,125	\$ 1,420
-	-	(1,069)	(928)	78	564
118	113	-	-	-	-
729	464	-	-	-	-
486	410	-	-	-	-
(821)	(1,046)	-	-	-	-
\$ 512	\$ (59)	\$ (674)	\$ (258)	\$ 1,203	\$ 1,984
\$ -	\$ -	\$ 410	\$ 204	\$ 242	\$ 280
-	-	2,502	2,325	3,072	3,060
105	111	-	-	-	-
567	422	-	-	-	-
2,923	2,683	-	-	-	-
12	10	-	-	-	-
-	-	-	-	-	-
-	-	105	102	101	97
79	68	-	-	-	-
-	-	206	331	134	81
202	145	-	-	-	-
-	-	47	45	52	53
28	29	-	-	-	-
1	1	-	-	-	-
\$ 3,917	\$ 3,469	\$ 3,270	\$ 3,007	\$ 3,601	\$ 3,571

Comparison of General Fund Balance

Last Ten Fiscal Years
(Dollars in Millions)

Fiscal Year Ended June 30,	Fund Balance	
	Budgetary Basis	Modified Accrual Basis
2016	\$ 1,478.4	\$ 710.3
2015	1,759.2	848.4
2014	1,349.3	629.6
2013	1,820.6	637.9
2012	1,683.4	512.4
2011	1,297.6	(58.8)
2010	870.9	(674.3)
2009	823.5	(258.5)
2008	2,219.8	1,202.9
2007	2,955.1	1,984.0

Source: Department of Accounts

Revenue Capacity

Personal Income Tax Rates

Last Ten Fiscal Years
(Dollars in Millions)

For the Fiscal Year Ended June 30,	Personal Income Tax Collections (1)	Personal Income (2)(3)	Average Effective Rate (3)(4)
2016	\$ 12,556	\$ 449,181	2.80%
2015	12,329	435,029	2.83%
2014	11,253	415,205	2.71%
2013	11,340	399,887	2.84%
2012	10,613	401,097	2.65%
2011	9,944	383,411	2.59%
2010	9,088	362,706	2.51%
2009	9,481	351,561	2.70%
2008	10,115	362,092	2.79%
2007	9,788	344,190	2.84%

- (1) Tax revenues from individual and fiduciary income tax.
(2) Personal income amounts provided by U.S. Bureau of Economic Analysis website.
(3) Amounts for fiscal years 2007-2015 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.
(4) Average effective rate equals tax collections divided by income.

Sources: Department of Taxation
U.S. Bureau of Economic Analysis

Effective Tax Rates (1)

Tax Years 2006-2015

Income Tax Bracket	Tax Rate
\$0 - \$3,000	2.00%
\$3,000 - \$5,000	2.00% - 2.40%
\$5,000 - \$17,000	2.40% - 4.23%
\$17,000 - \$30,000	4.23% - 4.89%
\$30,000 - \$50,000	4.89% - 5.23%
\$50,000 - \$100,000	5.23% - 5.49%
Over \$100,000	5.49% up to 5.75%

- (1) Amounts shown are for all filing status returns.

Source: Department of Taxation

Personal Income Tax Filers and Liability by Income Level (1)

Current Year and Ten Years Ago

Income Level	Tax Year Ended December 31, 2014 (2)				Tax Year Ended December 31, 2005			
	Number of Returns	% of Total	Income Tax Liability	% of Total	Number of Returns	% of Total	Income Tax Liability	% of Total
\$100,000 and higher	729,316	19.0%	\$ 7,954,296,230	68.4%	464,289	13.7%	\$ 5,128,222,757	60.9%
\$75,000 - \$99,999	325,035	8.4%	1,188,418,789	10.2%	283,099	8.4%	982,404,173	11.7%
\$50,000 - \$74,999	492,931	12.8%	1,174,418,065	10.1%	463,435	13.7%	1,053,851,173	12.5%
\$25,000 - \$49,999	864,225	22.5%	1,034,891,163	8.9%	825,910	24.4%	953,104,088	11.3%
\$10,000 - \$24,999	768,379	20.0%	267,188,081	2.3%	734,833	21.7%	280,980,498	3.4%
\$9,999 and lower	665,767	17.3%	4,764,992	0.1%	614,465	18.1%	16,169,192	0.2%
Total	3,845,653	100.0%	\$ 11,623,977,320	100.0%	3,386,031	100.0%	\$ 8,414,731,881	100.0%

- (1) Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the state's revenue.
- (2) Tax year 2014 is the most recent year for which data are available.

Source: Department of Taxation

Personal Income by Industry

Last Ten Fiscal Years
(Dollars in Millions)

	<u>2016 (1)</u>	<u>2015 (2)</u>	<u>2014 (2)</u>	<u>2013 (2)</u>	<u>2012 (2)</u>
Farm Earnings	\$ 289	\$ 348	\$ 648	\$ 681	\$ 599
Agricultural/Forestry,					
Fishing, and Other	491	460	386	340	318
Mining	101	249	597	937	1,095
Construction	17,310	16,684	15,706	15,340	14,710
Manufacturing	17,629	18,250	17,509	17,190	16,535
Transportation, Warehousing,					
Information and Public Utilities	18,577	17,979	16,574	15,642	15,488
Wholesale Trade	10,706	10,581	10,228	9,934	9,748
Retail Trade	16,074	15,628	15,155	14,714	14,051
Finance, Insurance, Real Estate,					
Rental and Leasing	21,468	20,684	19,216	18,767	20,659
Services	136,569	130,586	123,260	121,776	118,805
Federal, Civilian	25,989	25,019	23,920	23,174	23,328
Military	12,916	12,690	12,754	12,765	13,281
State and Local Government	35,710	34,535	33,761	32,631	31,429
Other (3)	135,352	131,336	125,491	115,996	121,051
Total Personal Income	<u>\$ 449,181</u>	<u>\$ 435,029</u>	<u>\$ 415,205</u>	<u>\$ 399,887</u>	<u>\$ 401,097</u>

(1) Personal income figures for fiscal year 2016 are estimated.

(2) Amounts for fiscal years 2007-2015 were revised to reflect the incorporation of newly available and revised source data.

(3) Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

Source: U.S. Bureau of Economic Analysis (BEA)

Note: Details may not agree to BEA due to rounding.

<u>2011 (2)</u>	<u>2010 (2)</u>	<u>2009 (2)</u>	<u>2008 (2)</u>	<u>2007 (2)</u>
\$ 513	\$ 255	\$ 227	\$ 312	\$ 221
267	264	251	242	309
982	880	704	869	711
13,568	13,259	13,383	16,244	17,854
16,124	15,834	15,619	16,950	17,248
16,009	16,263	16,823	17,133	17,381
9,795	9,190	9,235	9,651	9,665
13,562	13,307	12,823	13,472	13,994
17,526	17,151	14,951	16,450	16,915
114,884	110,115	106,876	104,439	98,077
22,952	22,206	20,113	19,045	18,012
13,399	13,833	13,326	13,048	12,474
30,908	31,074	30,780	29,697	28,256
112,922	99,075	96,450	104,540	93,073
<u>\$ 383,411</u>	<u>\$ 362,706</u>	<u>\$ 351,561</u>	<u>\$ 362,092</u>	<u>\$ 344,190</u>

Taxable Sales by Business Class (1) (2)

Last Ten Calendar Years
(Dollars in Millions)

	2015	2014	2013	2012	2011
Alcoholic Beverage	718	676	640	559	567
Apparel	5,001	4,918	6,668	6,545	4,749
Automotive	3,159	3,024	2,945	2,860	2,717
Food	30,627	28,972	27,924	27,150	25,691
Fuel	1,967	1,864	1,880	1,899	1,828
Furniture, Home Furnishings, and Equipment	2,840	2,663	2,645	2,612	2,538
General Merchandise	21,917	21,693	21,852	21,568	20,635
Hotels, Motels, Tourist Camps, etc.	3,452	3,238	3,098	3,107	2,988
Lumber, Building Materials, and Supply	8,865	8,589	8,513	8,112	7,750
Machinery, Equipment, and Supplies	330	303	300	357	309
Miscellaneous	19,067	17,994	16,031	16,228	16,341
Other Miscellaneous and Unidentifiable	2,273	2,270	2,088	2,321	2,955
Total	\$ 100,216	\$ 96,204	\$ 94,584	\$ 93,318	\$ 89,068
 Direct Sales Tax Rate (2)	 5.3%	 5.3%	 5.3%	 5.0%	 5.0%

(1) Retail sales information is available only on a calendar-year basis.

(2) Effective July 1, 2013, the sales tax rate increased from 5.0 percent to 5.3 percent.

Source: Department of Taxation

2010	2009	2008	2007	2006
545	532	517	487	457
4,601	4,494	5,015	5,191	4,917
2,555	2,397	2,440	2,563	2,416
24,617	24,134	23,721	22,502	19,856
1,691	1,582	1,539	1,729	1,778
2,442	2,519	3,013	3,448	3,684
19,836	19,577	19,387	19,574	17,104
2,837	2,804	3,066	3,079	3,000
7,652	7,369	8,140	9,354	9,805
243	173	241	238	213
16,402	16,780	18,527	18,301	17,479
2,997	3,505	4,495	5,577	8,765
<u>\$ 86,418</u>	<u>\$ 85,866</u>	<u>\$ 90,101</u>	<u>\$ 92,043</u>	<u>\$ 89,474</u>
5.0%	5.0%	5.0%	5.0%	5.0%

Sales Tax Revenue by Business Class (1)

Tax Year 2015 and Nine Years Ago

	Tax Year Ended December 31, 2015				Tax Year Ended December 31, 2006			
	Number of Filers	% of Total	Tax Liability	% of Total	Number of Filers	% of Total	Tax Liability	% of Total
Alcoholic Beverage	374	0.4%	\$ 717,921,706	0.7%	317	0.3%	\$ 456,404,615	0.5%
Apparel	3,850	3.7%	5,000,883,378	5.0%	4,712	3.9%	4,917,431,135	5.5%
Automotive	3,041	2.9%	3,158,633,082	3.2%	3,764	3.1%	2,415,925,850	2.7%
Food	22,522	21.8%	30,627,212,807	30.6%	18,907	15.6%	19,855,604,835	22.2%
Fuel	2,411	2.3%	1,967,286,467	2.0%	4,116	3.4%	1,778,139,865	2.0%
Furniture, Home Furnishings, and Equipment	3,449	3.4%	2,840,442,973	2.8%	5,285	4.4%	3,683,945,994	4.1%
General Merchandise	15,995	15.5%	21,917,025,013	21.9%	16,817	13.8%	17,104,195,349	19.1%
Hotels, Motels, Tourist Camps, etc.	2,293	2.2%	3,452,147,590	3.4%	2,187	1.8%	2,999,808,374	3.4%
Lumber, Building Materials, and Supply	5,501	5.3%	8,865,389,639	8.8%	6,725	5.6%	9,805,089,203	11.0%
Machinery, Equipment, and Supply	156	0.2%	329,523,658	0.3%	217	0.2%	213,283,319	0.2%
Miscellaneous	36,861	35.8%	19,066,564,673	19.0%	46,178	38.1%	17,478,765,385	19.5%
Other Miscellaneous and Unidentifiable	6,674	6.5%	2,272,470,388	2.3%	11,851	9.8%	8,765,152,972	9.8%
Total	103,127	100.0%	\$ 100,215,501,374	100.0%	121,076	100.0%	\$ 89,473,746,896	100.0%

(1) Due to confidentiality issues, the names of the ten largest revenue payers are not presented. The categories presented are intended to provide alternative information regarding the sources of the state's revenue.

Sources: Department of Taxation
Weldon Cooper Center for Public Service, University of Virginia

Debt Capacity

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts in Thousands except Per Capita)

For the Fiscal Year Ended June 30,	Governmental Activities			Business-type Activities		Total Primary Government	Debt as a Percentage of Personal Income (2)	Amount Per Capita (3)
	General Obligation Bonds	Non- General Obligation Bonds	Other Long-term Obligations (1)	Non-General Obligation Bonds	Other Long-term Obligations (1)			
2016	\$ 601,632	\$ 5,826,798	\$ 200,227	\$ -	\$ 5,359	\$ 6,634,016	1.48%	\$ 787
2015	675,371	5,911,768	222,877	320,110	5,708	7,135,834	1.64%	850
2014	742,869	5,555,935	233,002	317,305	6,072	6,855,183	1.65%	823
2013	791,992	5,593,228	285,594	314,662	6,453	6,991,929	1.75%	849
2012	873,741	5,703,448	326,543	-	449	6,904,181	1.72%	844
2011	960,374	4,701,764	348,972	-	918	6,012,028	1.57%	749
2010	1,049,386	4,120,056	366,170	-	1,594	5,537,206	1.53%	702
2009	1,077,520	3,549,958	373,594	-	2,883	5,003,955	1.42%	638
2008	1,001,989	3,345,259	312,890	-	4,082	4,664,220	1.29%	601
2007	900,329	3,363,275	341,574	-	2,610	4,607,788	1.34%	599

(1) Pension, compensated absences, other postemployment benefits, other liabilities, lottery prizes payable, tuition benefits payable, and pollution remediation obligations have been excluded.

(2) Personal income amounts used for this calculation were obtained from the U. S. Bureau of Economic Analysis.

(3) Population statistics used in this calculation were provided by the Department of Taxation. Fiscal year 2016 population was estimated.

Sources: Department of Accounts
Department of Taxation
U. S. Bureau of Economic Analysis

Ratios of General Obligation Bonded Debt Outstanding

Last Ten Fiscal Years

(Amounts in Thousands except Per Capita)

For the Fiscal Year Ended June 30,	General Bonded Debt Outstanding [1] [2]				Percentage of Tax Revenues [5]	Amount Per Capita [6]
	Governmental		Higher Education			
	9(b) [3]	9(c) [4]	9(c)	Total		
2016	\$ 571,915	\$ 29,717	\$ 877,118	\$ 1,478,750	11.78%	\$ 175
2015	642,181	33,190	936,857	1,612,228	13.08%	192
2014	706,192	36,677	925,086	1,667,955	14.82%	200
2013	752,493	39,499	877,858	1,669,850	14.73%	203
2012	831,148	42,593	906,474	1,780,215	16.77%	218
2011	914,574	45,800	765,280	1,725,654	17.35%	215
2010	999,841	49,545	631,275	1,680,661	18.49%	213
2009	1,040,636	36,884	573,550	1,651,070	17.41%	211
2008	935,105	66,884	487,296	1,489,285	14.72%	192
2007	821,563	78,766	411,842	1,312,171	13.41%	171

- [1] Beginning with fiscal year 2014, GASB Statement No. 65 removed deferrals of debt defeasance from the debt balances. Balances reported in prior fiscal years netted the deferrals against the debt balances. Amounts are net of unamortized premiums, discounts, deferrals on debt defeasance, and/or issuance expenses.
- [2] There are currently no Section 9(a) bonds outstanding.
- [3] Section 9(b) bonds have been authorized by the citizens of Virginia through bond referenda to finance capital projects. These bonds are retired through the use of state appropriations.
- [4] Section 9(c) bonds are issued to finance capital projects which, when completed, will generate revenue to repay the debt.
- [5] Individual and fiduciary Income tax collections were used for this calculation.
- [6] Population statistics used in this calculation are provided by the Department of Taxation. Fiscal year 2016 population was estimated.

Source: Department of Accounts

Computation of Legal Debt Limit and Margin

Last Ten Fiscal Years
(Dollars in Thousands)

Tax Revenues Required for Computation	2016	2015	2014	2013
Taxes on Income and Retail Sales:				
Individual and Fiduciary Income Tax [1]	\$ 12,555,624	\$ 12,328,675	\$ 11,253,348	\$ 11,339,965
Corporate Income Tax [2]	764,948	831,907	757,491	796,728
State Sales and Use Tax [3]	3,651,400	3,587,849	3,399,223	3,419,489
Total	<u>\$ 16,971,972</u>	<u>\$ 16,748,431</u>	<u>\$ 15,410,062</u>	<u>\$ 15,556,182</u>
Average Tax Revenues (Three Fiscal Years)	<u>\$ 16,376,822</u>	<u>\$ 15,904,892</u>	<u>\$ 15,251,227</u>	<u>\$ 14,766,900</u>
Section 9(a) [2] General Obligation Debt Limit [4]				
Debt Issuance Limit				
(30% of 1.15 times annual tax revenues)	\$ 5,855,330	\$ 5,778,209	\$ 5,316,471	\$ 5,366,883
Less Bonds Outstanding:	-	-	-	-
Debt Issuance Margin for Section 9(a) [2]				
General Obligation Bonds	<u>\$ 5,855,330</u>	<u>\$ 5,778,209</u>	<u>\$ 5,316,471</u>	<u>\$ 5,366,883</u>
Debt Applicable to Limit as a % Limit	0.00%	0.00%	0.00%	0.00%
Section 9(b) General Obligation Debt Limit				
Debt Issuance Limit				
(1.15 times average tax revenues for three fiscal years)	\$ 18,833,345	\$ 18,290,626	\$ 17,538,911	\$ 16,981,935
Less Bonds Outstanding:**				
Public Facilities Bonds [6]	571,915	642,181	706,192	752,493
Transportation Facilities Refunding Bonds [5] [6]	-	-	-	-
Debt Issuance Margin for Section 9(b)				
General Obligation Bonds	<u>\$ 18,261,430</u>	<u>\$ 17,648,445</u>	<u>\$ 16,832,719</u>	<u>\$ 16,229,442</u>
Debt Applicable to Limit as a % Limit	3.04%	3.51%	4.03%	4.43%
Additional Section 9(b) Debt Borrowing Restriction:				
Four-year Authorization Restriction (25% of 9(b) Debt Limit)	\$ 4,708,336	\$ 4,572,656	\$ 4,384,728	\$ 4,245,484
Less 9(b) Debt authorized in past three fiscal years	-	-	-	-
Maximum Additional Borrowing Restriction (amount that may be authorized by the General Assembly)	<u>\$ 4,708,336</u>	<u>\$ 4,572,656</u>	<u>\$ 4,384,728</u>	<u>\$ 4,245,484</u>
Section 9(c) General Obligation Debt Limit				
Debt Issuance Limit				
(1.15 times average tax revenues for three fiscal years)	\$ 18,833,345	\$ 18,290,626	\$ 17,538,911	\$ 16,981,935
Less Bonds Outstanding:**				
Parking Facilities Bonds [6]	15,155	16,036	17,045	17,538
Transportation Facilities Bonds [6]	14,562	17,154	19,632	21,961
Higher Educational Institution Bonds [6]	877,118	936,857	925,086	877,858
Debt Issuance Margin for Section 9(c)				
General Obligation Bonds	<u>\$ 17,926,510</u>	<u>\$ 17,320,579</u>	<u>\$ 16,577,148</u>	<u>\$ 16,064,578</u>
Debt Applicable to Limit as a % Limit	4.82%	5.30%	5.48%	5.40%

**Bonds included on this schedule are only those which are backed by the full faith and credit of the Commonwealth.

[1] Includes taxes imposed pursuant to Articles 2 and 9 of Chapter 3, Title 58.1 of the *Code of Virginia*.

[2] Includes taxes imposed pursuant to Article 10 of Chapter 3, Title 58.1 of the *Code of Virginia*.

[3] Includes taxes imposed pursuant to Chapter 6, Title 58.1 of the *Code of Virginia*, less taxes identified in Sections 58.1-605 and 58.1-638.

[4] Debt limit applies only to debt authorized pursuant to Article X, Section 9(a)(2) of the Constitution of Virginia.

[5] These bonds refunded certain Section 9(c) debt, and because the Governor did not certify the feasibility of the refinanced project, it must be applied against the Section 9(b) Debt Limit.

[6] Beginning with fiscal year 2014, GASB Statement No. 65 removed deferrals of debt defeasance from the debt balances. Balances reported in prior fiscal years netted the deferrals against the debt balances. Net of unamortized discounts, premiums, and/or deferral on debt defeasance.

Sources: Department of Accounts
Department of the Treasury

2012	2011	2010	2009	2008	2007
\$ 10,612,836	\$ 9,944,370	\$ 9,088,252	\$ 9,481,109	\$ 10,114,833	\$ 9,787,592
859,923	822,259	806,473	648,033	807,852	879,575
3,314,677	3,190,452	3,264,210	3,116,831	3,302,181	3,274,286
\$ 14,787,436	\$ 13,957,081	\$ 13,158,935	\$ 13,245,973	\$ 14,224,866	\$ 13,941,453
\$ 13,967,817	\$ 13,453,996	\$ 13,543,258	\$ 13,804,097	\$ 13,792,131	\$ 13,071,436
\$ 5,101,665	\$ 4,815,193	\$ 4,539,833	\$ 4,569,861	\$ 4,907,579	\$ 4,809,801
-	-	-	-	-	-
\$ 5,101,665	\$ 4,815,193	\$ 4,539,833	\$ 4,569,861	\$ 4,907,579	\$ 4,809,801
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$ 16,062,990	\$ 15,472,096	\$ 15,574,747	\$ 15,874,712	\$ 15,860,950	\$ 15,032,151
831,148	914,574	993,372	1,027,941	916,483	797,300
-	-	6,469	12,696	18,622	24,263
\$ 15,231,842	\$ 14,557,522	\$ 14,574,906	\$ 14,834,075	\$ 14,925,845	\$ 14,210,588
5.17%	5.91%	6.42%	6.56%	5.90%	5.47%
\$ 4,015,747	\$ 3,868,024	\$ 3,893,687	\$ 3,968,678	\$ 3,965,238	\$ 3,758,038
-	-	-	-	-	-
\$ 4,015,747	\$ 3,868,024	\$ 3,893,687	\$ 3,968,678	\$ 3,965,238	\$ 3,758,038
\$ 16,062,990	\$ 15,472,096	\$ 15,574,747	\$ 15,874,712	\$ 15,860,950	\$ 15,032,151
18,383	19,445	21,151	6,527	7,590	8,804
24,210	26,355	28,394	30,358	59,294	69,962
906,474	765,280	631,275	573,550	487,296	411,842
\$ 15,113,923	\$ 14,661,016	\$ 14,893,927	\$ 15,264,277	\$ 15,306,770	\$ 14,541,543
5.91%	5.24%	4.37%	3.85%	3.49%	3.26%

Schedule of Pledged Revenue Bond Coverage
Primary Government 9(d) General Long-term Debt

Last Ten Fiscal Years

(Dollars in Thousands except Coverage)

	For the Fiscal Year Ended June 30,	Beginning Balance, as restated (1)	Pledged Revenues	Operating Expenses (2)	Net Available for Debt Service	Debt Service Requirements (3) (4)		Coverage
						Principal	Interest	
Primary Government Revenue Bonds:								
Route 460 Funding Corporation of	2016	\$ 1,261	\$ -	\$ 436	\$ 825	\$ -	\$ -	-
Virginia (4) (5)	2015	(20,991)	-	524	(21,515)	-	11,726	(1.83)
(Series 2012A and 2012B CAB)	2014	(8,958)	-	448	(9,406)	-	12,084	(0.78)
	2013	-	-	130	(130)	-	-	-

(1) The Route 460 Funding Corporation of Virginia was restated due to the implementation of GASB Statement No. 65 in fiscal year 2014.

(2) Operating expenses are exclusive of principal and interest.

(3) Includes principal and interest of revenue bonds only. Does not include debt defeasance transactions.

(4) This entity was established in fiscal year 2013. No debt service payments were required during fiscal year 2013.

(5) The Route 460 Funding Corporation of Virginia continuing operations ceased during fiscal year 2016.

Source: Department of Accounts

Demographic and Economic Information

Schedule of Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population In Thousands (1)	Personal Income In Thousands (2)(3)	Per Capita Income (3)	Public Primary and Secondary School Enrollment	Unemployment Rate
2016	8,433	\$ 449,180,761	\$ 53,265	1,267,591	4.1 %
2015	8,392	435,028,664	51,838	1,279,773	4.9 %
2014	8,332	415,205,288	49,833	1,273,211	5.2 %
2013	8,235	399,886,844	48,559	1,264,880	5.6 %
2012	8,178	401,096,804	49,046	1,258,521	6.0 %
2011	8,029	383,411,012	47,753	1,253,038	6.5 %
2010	7,886	362,705,744	45,994	1,245,937	7.0 %
2009	7,839	351,561,032	44,848	1,236,546	5.6 %
2008	7,758	362,092,108	46,673	1,232,436	3.4 %
2007	7,694	344,189,984	44,735	1,221,939	3.1 %

(1) Population figure for fiscal year 2016 is estimated.

(2) Personal income amount for fiscal year 2016 is estimated.

(3) Amounts for fiscal years 2007-2015 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.

Sources: Department of Education
Department of Taxation
Virginia Employment Commission
U.S. Bureau of Economic Analysis

Principal Employers (1)

Current Year and Nine Years Ago

Employer	2015 Rank (2)	2006 Rank
U.S. Department of Defense	1	1
Wal-Mart	2	2
Fairfax County Public Schools	3	3
Sentara Healthcare	4	8
Huntington Ingalls Industries, Inc.	5	4
Food Lion	6	5
U. S. Postal Service	7	7
County of Fairfax	8	6
U. S. Department of Homeland Defense (3)	9	-
HCA Virginia Health System (3)	10	-

(1) The Virginia Employment Commission is precluded from disclosing the actual number of employees per the Confidential Information Protection and Statistical Efficiency Act – Title V of Public Law 107-347. All Employers above have an employment size of 1,000 or more.

(2) Calendar year 2015 is the most recent information available.

(3) Previous ranking not available.

Source: Virginia Employment Commission (1)

Operating Information

State Employees by Function (1)

Last Ten Fiscal Years

	2016	2015	2014	2013	2012
General Government					
Virginia Information Technologies Agency	213	260	263	270	262
Department of Taxation	862	855	877	873	917
Department of General Services	594	608	614	621	624
All other	1,730	1,675	1,663	1,677	1,571
Education					
Colleges and Universities	64,450	56,777	56,086	55,223	53,979
All other	2,714	2,634	2,663	2,662	2,667
Transportation					
Department of Transportation	7,601	7,372	7,365	7,212	7,167
Department of Motor Vehicles	2,078	2,023	2,040	1,999	1,926
All other	317	263	198	193	190
Resources and Economic Development					
Department of Conservation & Recreation	1,130	1,106	747	1,165	933
Department of Environmental Quality	814	826	822	779	731
All other	2,935	2,957	2,950	2,898	2,957
Individual and Family Services					
Department of Health	3,408	3,565	3,593	3,646	3,784
Behavioral Health Agencies	6,628	7,378	7,629	8,314	8,803
All other	5,539	5,505	5,545	5,804	5,740
Administration of Justice					
Department of State Police	2,725	2,773	2,792	2,779	2,640
Department of Juvenile Justice	2,057	2,086	2,339	2,405	2,499
Correctional Facilities	9,731	9,272	9,922	9,738	9,656
All other	6,552	6,505	6,579	6,606	6,363
Business-type Activities					
Department of Alcoholic Beverage Control	2,737	2,294	2,272	2,182	3,306
Virginia Lottery	285	284	279	275	270
All other	96	100	94	84	81
State Total (2)	125,196	117,118	117,332	117,405	117,066

(1) Includes salaried and wage employees but excludes adjunct faculty.

(2) Totals have been rounded and may vary slightly from the Department of Human Resource Management reports.

Source: Department of Human Resource Management

2011	2010	2009	2008	2007
261	295	353	377	400
976	1,044	947	1,014	927
634	654	618	624	634
1,936	1,608	1,918	1,960	1,915
49,107	47,981	48,485	48,032	48,004
3,287	3,276	3,551	3,806	3,811
7,024	6,852	8,261	8,680	8,824
1,949	1,900	1,931	2,001	2,044
242	233	215	239	231
909	930	953	960	753
743	768	800	842	882
3,001	2,874	3,334	3,369	3,412
3,827	3,856	3,750	3,800	3,943
8,757	8,635	8,355	8,341	8,361
5,576	5,622	5,957	5,550	5,540
2,627	2,533	2,671	2,668	2,700
2,380	2,442	2,314	2,457	2,295
9,656	9,623	10,437	10,802	10,456
6,262	6,314	6,285	6,441	6,454
2,483	2,461	2,581	2,472	1,938
267	257	252	241	265
82	77	74	50	48
111,986	110,235	114,042	114,726	113,837

Operating Indicators by Function

Last Ten Fiscal Years

	2016	2015	2014	2013
General Government				
Virginia Department of Taxation				
Number of Returns Processed (calendar year) (1)	Not yet available	7,746,235	7,575,225	7,520,463
Department of Accounts				
Number of Payments Processed Via Check	1,100,507	1,297,646	1,466,309	1,530,548
Number of Payments Processed Electronically	8,955,761	9,047,340	9,729,332	9,552,890
Percentage Processed Electronically	89.1%	87.5%	86.9%	86.2%
Education				
State Council of Higher Education				
Number of Students Enrolled at State-supported Colleges and Universities	528,673	534,280	537,370	539,025
Department of Education				
Number of Public Primary and Secondary School Enrollment	1,267,591	1,279,773	1,273,211	1,264,880
Resources and Economic Development				
Department of Environmental Quality				
Number of Permits Issued	2,564	7,173	5,890	1,750
Number of Inspections Conducted	7,962	7,848	8,307	9,044
Department of Housing and Community Development				
Number of Housing Units Improved to Define Standards through Housing Programs	3,031	3,491	3,677	7,396
Department of Agriculture and Consumer Services				
Number of Food Inspections Conducted	8,246	5,583	8,886	10,441
Number of Weights/Measure Equipment Inspected	79,876	82,355	76,342	62,488
Department of Forestry				
Number of Firefighters Trained in Forest Fire Control	892	1,178	1,233	1,197
Individual and Family Services				
Comprehensive Services for At-Risk Youth and Families				
Number of Youth Served	16,135	15,700	15,025	13,516
Department for Aging and Rehabilitative Services				
Number of Medicare Recipients	1,358,179	1,328,435	1,203,462	1,244,136
Department of Medical Assistance Services				
Number of Medicaid Recipients	1,319,227	1,255,960	1,177,922	1,046,790
Department of Behavioral Health and Developmental Services (2)				
Number of Patients Served	2,104	2,229	2,269	2,455
Number of Beds Used	2,619	2,813	2,822	3,071
Department of Social Services				
Average Number of Households Receiving Food Stamps	391,632	411,768	451,640	453,244
Number of Households Receiving Child Support Enforcement Assistance	310,933	314,377	320,942	347,729
Department of Health				
Number of WIC Participants	239,711	249,499	244,181	267,465
Number of Childhood Immunizations Administered	1,371,582	1,534,373	1,675,572	1,736,396

2012	2011	2010	2009	2008	2007
7,446,060	6,969,581	6,998,747	7,079,611	6,893,047	6,746,596
1,624,902	1,658,227	1,625,763	1,715,164	2,597,746	1,431,918
9,856,757	9,912,627	11,141,067	10,059,109	8,065,038	2,861,979
85.8%	85.7%	87.2%	85.4%	75.6%	66.7%
535,294	519,772	501,866	467,093	449,671	428,642
1,258,521	1,253,038	1,245,937	1,236,546	1,232,436	1,221,939
4,063	2,486	2,780	1,925	2,389	3,491
9,834	10,441	11,804	11,599	11,721	11,730
7,279	7,675	7,231	5,198	3,248	3,392
12,966	12,003	13,516	14,639	17,551	14,623
68,292	66,760	53,329	57,275	84,481	77,921
1,178	1,192	1,123	1,034	1,200	1,300
15,425	16,617	17,242	17,957	19,658	18,498
1,190,827	1,143,243	1,122,522	1,104,765	1,071,681	1,039,059
996,835	992,816	937,522	857,662	818,452	805,458
2,608	2,724	2,754	2,877	2,915	3,003
3,471	3,317	3,396	3,533	2,891	2,988
434,223	396,613	350,599	277,498	240,821	228,116
349,661	352,825	359,317	359,487	359,977	363,272
270,962	270,219	275,580	270,378	258,593	270,918
1,439,233	1,773,402	1,602,907	1,470,403	1,455,166	1,076,412

Continued on next page

Operating Indicators by Function (Continued from previous page)

Last Ten Fiscal Years

	2016	2015	2014	2013
Administration of Justice				
Supreme Court				
Number of Criminal Trials (calendar year)	642,216	686,795	699,270	720,630
Number of Civil Trials (calendar year)	1,166,073	1,171,042	1,232,899	1,264,219
Number of Traffic Hearings (calendar year)	1,714,779	1,903,845	1,887,252	1,891,207
Compensation Board				
Number of Constitutional Officers Receiving Financial Support	649	650	649	651
Department of State Police				
Number of Traffic Citations Issued (calendar year)	592,670	644,218	686,812	588,307
Number of Arrests (calendar year)	22,320	20,608	21,777	19,611
Department of Corrections				
Number of Inmates	30,038	30,258	30,275	29,803
Business-type Activities				
Virginia Lottery				
Number of Plays Sold - Pick 3	272,748,955	272,253,482	265,144,318	253,682,839
Number of Plays Sold - Pick 4	279,841,494	268,645,030	244,143,030	232,184,205
Number of Plays Sold - Cash 5	30,419,782	29,895,533	30,114,799	28,302,849
Number of Plays Sold - Megamillions	87,404,430	94,283,607	115,298,827	89,518,093
Number of Plays Sold - Win for Life (3)	-	2,979,902	14,870,716	15,950,166
Number of Plays Sold - Decades of Dollars (3)	-	9,365,110	12,236,092	13,243,504
Number of Plays Sold - Millionaire Raffle	6,600,000	6,600,000	6,600,000	6,945,500
Number of Plays Sold - Fast Play Bingo	29,243,465	24,205,141	20,095,274	16,581,338
Number of Plays Sold - Powerball (4)	163,892,079	96,580,238	113,724,880	145,690,841
Number of Plays Sold - Bank A Million (5)	14,520,460	-	-	-
Number of Plays Sold - Money Ball (6)	2,616,104	16,766,958	-	-
Number of Plays Sold - Cash 4 Life (6)	19,037,030	3,812,708	-	-
Number of Tickets Sold - Instant Tickets	1,100,574,151	1,018,488,394	988,592,675	887,139,810
Virginia College Savings Plan				
Number of Virginia529 prePAID Tuition Contractholders	65,101	66,364	70,490	68,637
Virginia Employment Commission				
Number of Individuals Receiving Unemployment Benefits	87,685	92,762	115,155	127,091
New Unemployment Benefit Claims	185,558	202,040	253,310	284,218

- (1) Information for fiscal year 2016 is not yet available.
- (2) This agency is structured to provide services primarily in a community setting. Although they have a significant amount of capital and operating costs in facility operations, inpatient treatment methodology is being deemphasized over time. Their inpatient census will continue to decline in the future. Over \$250 million of community funding (state and Federal dollars) each fiscal year supports 40 community services boards across the Commonwealth. These entities serve approximately 300,000 Virginians each year.
- (3) Win for Life and Decades for Dollars ended during fiscal year 2015; therefore, information for fiscal year 2016 and thereafter is not available.
- (4) Powerball began during fiscal year 2010; therefore, information for fiscal year 2009 and prior years is not available.
- (5) Bank A Million began during fiscal year 2016; therefore, information for fiscal year 2015 and prior years is not available.
- (6) Money Ball and Cash 4 Life began during fiscal year 2015; therefore, information for fiscal year 2014 and prior years is not available.

2012	2011	2010	2009	2008	2007
708,943	697,360	705,777	731,609	741,701	733,714
1,299,053	1,289,633	1,372,483	1,397,850	1,366,596	1,335,192
1,956,836	2,069,668	2,143,109	2,050,896	2,019,753	1,973,047
650	650	650	654	649	650
550,122	567,480	686,173	647,396	652,837	646,166
19,460	20,132	22,713	23,996	22,475	23,348
29,685	32,116	31,735	32,708	33,157	31,647
243,270,273	241,963,816	246,899,030	250,634,329	256,605,411	265,398,821
222,774,015	207,174,550	197,460,420	185,418,033	183,990,214	179,922,714
26,677,286	26,657,009	28,242,740	29,267,637	29,022,974	27,520,707
140,240,940	138,496,457	174,882,294	162,095,735	166,144,927	130,299,581
17,682,922	21,052,138	28,440,948	32,128,730	37,717,958	41,323,625
15,467,376	8,377,354	-	-	-	-
6,625,456	6,600,000	6,600,000	8,905,555	8,798,720	13,005,307
12,094,785	8,915,566	6,884,748	6,772,764	9,229,805	6,600,000
89,046,990	66,614,340	34,562,352	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
842,121,604	756,837,222	711,155,383	690,382,366	694,902,491	698,271,837
69,847	70,955	71,373	71,898	71,812	71,382
136,753	162,025	190,370	219,646	122,144	106,554
318,935	360,657	418,431	474,777	279,939	260,804

Sources: Compensation Board
 Comprehensive Services for At-Risk Youth and Families
 Department for Aging and Rehabilitative Services
 Department of Agriculture and Consumer Services
 Department of Behavioral Health and Developmental Services
 Department of Corrections
 Department of Education
 Department of Environmental Quality
 Department of Forestry
 Department of Health
 Department of Housing and Community Development
 Department of Medical Assistance Services
 Department of Social Services
 Department of State Police
 Department of Taxation
 Department of Transportation
 State Council of Higher Education
 Supreme Court
 Virginia College Savings Plan
 Virginia Employment Commission
 Virginia Lottery

Capital Asset Statistics by Function (1)

Last Ten Fiscal Years

	2016	2015	2014	2013
General Government				
Department of General Services				
Number of Buildings	64	65	63	62
Total Square Footage of Buildings	4,901,754	5,032,991	5,026,991	4,961,416
Vehicles	14,519	14,669	14,769	14,424
Education				
State Council of Higher Education				
Campuses of In-State Institutions	246	231	276	252
Campuses of Out-of-State Institutions	129	132	146	142
Transportation				
Department of Transportation				
Bridges Maintained (1)	Not yet available	13,098	13,089	13,049
State Maintained Highway Lane Miles (calendar year) (1)	Not yet available	72,210	72,089	71,937
Vehicles	7,754	7,503	7,768	7,762
Number of Buildings (2)	3,489	3,492	3,488	3,501
Total Square Footage of Buildings	8,262,042	8,269,556	8,158,974	8,119,018
Resources and Economic Development				
Department Conservation & Recreation				
State Parks	39	39	37	37
Acres of State Parks (in thousands)	73	71	68	67
Natural Area Preserves	39	39	39	39
Acres of Natural Area Preserves (in thousands)	34	34	34	35
Historic Sites	3	3	3	3
Acres of Historic Sites (in thousands)	0.3	0.3	0.3	0.3
Number of Buildings (3)	1,359	1,360	1,345	1,345
Total Square Footage of Buildings	2,562,851	2,583,309	2,560,662	2,560,662
Department of Forestry				
State Forests	23	23	23	23
Buildings	295	295	295	295
Total Square Footage of Buildings	600,602	600,602	600,602	600,602
Individual and Family Services				
Department of Behavioral Health and Developmental Services				
Number of Buildings	407	409	409	408
Total Square Footage of Buildings	5,568,709	5,571,068	5,534,625	5,523,762
Administration of Justice				
Department of State Police				
Number of Stations	66	65	65	65
Number of Buildings	147	147	147	148
Total Square Footage of Buildings	685,109	685,109	685,109	681,987
Department of Corrections				
Number of Buildings	1,858	1,823	1,843	1,881
Total Square Footage of Buildings	12,105,357	11,826,751	11,799,780	11,889,055
Business-type Activities				
Department of Alcoholic Beverage Control				
Number of Buildings	24	24	24	24
Total Square Footage of Buildings	1,180,501	1,180,501	1,180,501	1,180,501

(1) Information not yet available for fiscal year 2016.

(2) Includes storage sheds

(3) Includes cabins

2012	2011	2010	2009	2008	2007
62	54	55	48	48	47
4,961,416	5,259,506	5,053,912	4,718,480	4,409,026	4,358,746
14,161	13,983	13,534	13,322	13,262	12,779
262	250	244	254	258	207
158	166	121	87	67	63
13,042	12,926	12,949	12,912	12,603	12,603
71,779	71,668	71,561	71,349	71,091	70,784
7,797	7,593	7,734	8,185	9,060	9,443
3,487	3,520	3,513	3,526	3,562	3,595
7,830,447	7,916,019	7,713,617	7,683,384	7,734,267	7,750,199
37	37	37	37	37	37
69	69	71	69	68	67
39	39	39	39	38	35
31	30	30	29	28	25
3	3	3	3	3	3
0.3	0.3	0.3	0.3	0.3	0.3
1,164	1,164	1,164	1,168	991	991
1,152,257	1,152,257	1,152,257	1,154,487	1,223,427	1,223,427
22	22	19	19	19	17
295	295	295	295	295	295
600,602	600,602	600,602	600,602	600,602	600,602
407	429	438	435	441	449
5,169,937	5,901,505	5,744,389	5,743,088	6,037,953	6,161,843
65	65	64	66	66	66
144	145	145	145	145	143
562,736	562,736	562,736	550,736	550,736	526,617
1,858	1,820	1,835	1,826	1,817	1,809
11,872,765	11,771,319	11,920,234	12,160,909	11,963,087	11,787,810
25	25	25	24	22	21
1,185,501	1,185,501	1,185,501	1,142,273	787,348	784,548

Sources: Department of Conservation and Recreation
Department of Forestry
Department of Motor Vehicles
Department of State Police

Department of Transportation
Department of the Treasury
State Council of Higher Education for Virginia

Employees of the Department of Accounts

Deborah J. Abbott — Marla L. Anderson — Srikanth R. Annem — Diana K. Atusso — Kayla B. Barton — Demetria R. Baugh — Pamela P. Benos — Kristen N. Bolden — Henry A. Bosman — Jonolyn Brevard-Wills — Hope A. Broughman — Donna R. Brown — Maria A. Bryant — Megan R. Buchanan — Rudy B. Burgess — Rebecca G. Burton — Amy C. Butler — George W. Byrd — William H. Campbell — Adrian L. Carr — Donna L. Choice — David W. Clark — Kevita L. Clayborne — Sharon H. Cole — Shauntell D. Cox — Teresa P. Cox — Joseph M. Crawford — Monica T. Darden — Pamela W. Dodson — Keadra S. Dorman — Geneva G. Douglass — Bryan L. Duffee — Sarah B. Duncan — Valerie Dunmars-Hurdle — Robert D. Eddleton — Christine K. Elam — Constance H. Fisher — Lanine M. Fisher — Gwendolyn T. Fleming — Abigail C. Folliard — LaTanya M. Foreman — Wayne A. Gabbert — Kimberly M. Ganzert — Lora L. George — Cheryl M. Gibson — Hannah M. Goodman — Cathy P. Gravatt — Virginia G. Grigsby — Shannon M. Gulasky — Denise L. Halderman — Michael D. Hall — Michael J. Hall — Daniel J. Heilbronner — Dymesha J. Henderson — Tanesha N. Hill — Aimee N. Holland — Tiffany D. Hopkins — Robbin C. Huddleston — Rhonda S. Hutsell — Ashlyn S. Jinnette — Connie T. Jones — Marcy D. Jones — Shirleen L. Jones — Susan L. Jones — Lance O. Kaeberle — Christopher K. Kain — Jane V. Kearney — Esther Kim — Sharon H. Lawrence — Verna P. Left — Betsy M. Lewerenz — Steven W. Lewerenz — Alex C. Link — Shawn E. Livingston — Lewis R. McCabe, Jr. — Andrew C. McCarty — Nilca K. McClatchie — Stacy D. McCracken — Cathy C. McGill — Carlton R. McKinnon — JoAnne T. Macklin — Marianne P. Madison — Keeya L. Majors — Jessica B. Martin — Nancy W. Martin — Joan K. Matanic — Cynthia D. Matthews — William E. Matthews — Thomas E. Mays — Amanda R. Morris — Sandra Muir — Sarah K. Nearhood — Dirk K. North — Austin F. Oakes — Barbara S. Orndorff — Anne C. Pace — Douglas N. Page — Sara L. G. Page — Aneri Patel — Melinda L. Pearson — Richard M. Perconte — Kimberly T. Phillips — Frank J. Pitera — David E. Porter — Donna K. Rabender — Robert E. Ramey — Norma J. Roberts — Patrice A. Robinson — Catherine A. Royal — Timothy N. Sartini — Linda W. Scott — Joseph P. Schiavone — Brandon W. Shearin — Andrew Short — Felecia S. Smith — John J. Sotos — Jamie Z. Spears — Erin E. Sprouse — Fredrica J. Spurlock — Christina A. Stickler — Laura L. Swecker — Pamela W. Tauer — Joseph J. Teleoglou — Audra M. Terrell — Andrea P. Thornton — Imelda B. Tran — M. Christy Tuck — Jean S. Turlington — Elizabeth J. Vlahos — David A. Von Moll — Denise B. Waddy — Brandon W. Walton — Nekheeta S. Washington — Lynn K. Watley — Kim G. Webster — Kimberly N. White — Matthew K. Wiggins — John C. Willard — Eunice R. Williams — Lori L. Williams — Penny B. Williams — Raymond L. Williams, Jr. — Taylor E. Williams — Vera D. Williams — Lisa Wilson — Kim G. Wood — Jennifer A. Wykoff — Carol H. York — Janet L. Yu

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