

A Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2012



Robert F. McDonnell
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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COMPTROLLER

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RICHMOND, VIRGINIA 23218-1971

December 14, 2012

The Honorable Robert F. McDonnell
Governor of the Commonwealth of Virginia
State Capitol
Richmond, Virginia 23219

Dear Governor McDonnell:

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012, 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 2012 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.

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, 2012. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. The auditor's opinion is included in the Financial Section of this report. Audit testing for compliance with the Federal Single Audit Act Amendments of 1996 and the related OMB Circular A-133 is performed at the statewide level. The Commonwealth's Single Audit Report will be issued at a later date. I would like to acknowledge the Auditor of Public Accounts' staff for their many contributions to the preparation of this report.

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

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

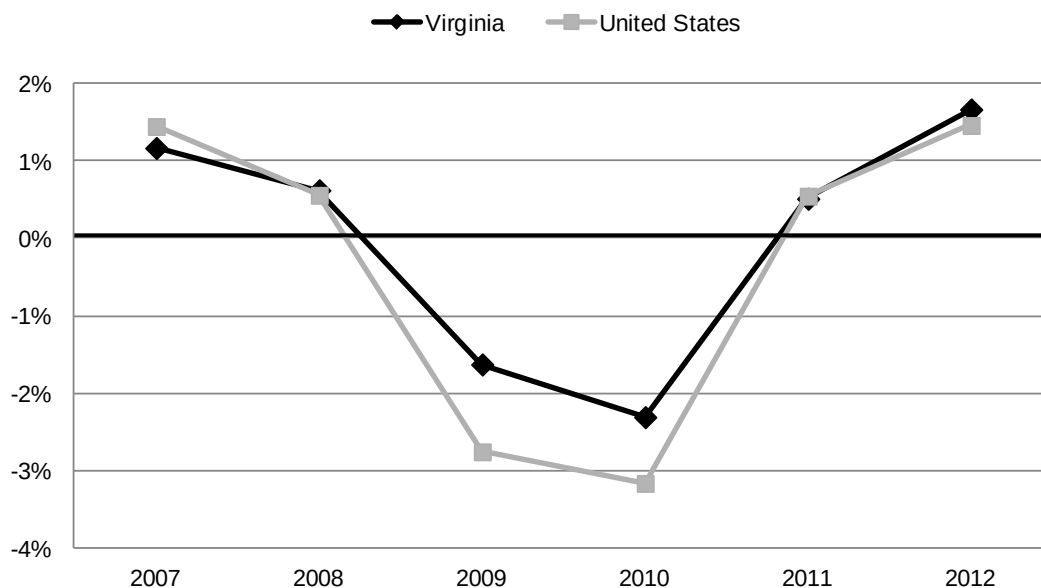
Introduction

This economic overview for the Commonwealth of Virginia was prepared by the economics research team at Virginia Commonwealth University's Center for Urban Development. In fiscal year 2012, Virginia's economy confirmed what was observed during the previous year – a slow but consistent recovery from the so-called “Great Recession.” The Great Recession has been the worst financial and economic downturn in the United States since the “Great Depression” of the 1930s. We are still far from the economic performances registered in fiscal years 2007 and 2008, before the crisis hit the nation, but it appears that the Commonwealth is on the path to recovery. Data presented in this report allows us to be fairly optimistic – particularly for Virginia, where the upturn in economic indicators continues to be generally greater than at the national level.

Employment

After a dramatic decline of 3.9 percent and the loss of almost 150,000 jobs between fiscal years 2008 and 2010, Virginia's nonfarm payroll employment experienced slight growth of 0.5 percent in fiscal year 2011 and a more substantial increase of 1.6 percent in fiscal year 2012 (see **Figure 1**). This growth was higher than the 1.5 percent registered at national level. The change in number of people employed was considerable, with about 60,000 jobs added during fiscal year 2012. This allows for some optimism, although the slow and difficult recovery from the economic downturn still calls for caution. Even so, the increase in employment for two years in a row – and the fact that employment has grown even within a global economic framework that is still rather uncertain – is important because it suggests that Virginia is on the right path for an economic recovery.

Figure 1
Annual Percentage Change in Nonfarm Payroll Employment
Fiscal Years 2007 - 2012



Source: U.S. Bureau of Labor Statistics

Figure 2 shows changes in Virginia's nonfarm employment by industry for fiscal years 2007 - 2012, along with the employment change between fiscal years 2011 and 2012 for Virginia and the U.S. Data from fiscal year 2011 had already shown timid signs of economic recovery from the three-year recession, during which almost all industry groups experienced considerable job losses. The upturn suggested in fiscal 2011 was more evident in fiscal year 2012, at both the state and national levels. This was especially true in sectors such as Transportation and Utilities (5.1 percent growth in Virginia and 2.4 percent in the U.S.), Mining and Logging (4.8 percent increase in Virginia and 10.5 nationally), Financial Activities (an increase of 4.6 percent for the state and 1.2 percent nationally), Educational and Health Services (a sector that experienced a net job gain in the Commonwealth of more than 15,000 units, with state-level growth of 3.3 percent and national-level growth of 1.7), Leisure and Hospitality (which also added around 15,000 jobs across the state and had 4.4 percent growth, compared with 2.8 percent growth nationally), and Federal Government, Local Government, and Other Services (which each gained jobs in Virginia, while still declining nationally). Slight increases were also apparent in Professional and Business Services (with a modest gain of 1.0 percent in Virginia and 4.1 at the national level) and Retail Trade (which had a small increase of 0.5 percent for the state and 1.7 percent nationally). There are still some industries at the state level that are struggling, including Construction, Manufacturing, Wholesale Trade, Information Services and State Government. During fiscal year 2012, these sectors, combined, lost more than 8,700 jobs.

Figure 2
Nonfarm Payroll Employment
Fiscal Years 2007 - 2012

NAICS Industry*	Virginia Employment (000)						Change, Fiscal Year 2012 over Fiscal Year 2011		
							Virginia		U. S.
	2007	2008	2009	2010	2011	2012	Number (000)	Percent	Percent
Mining and Logging	11.2	10.8	10.9	10.1	10.4	10.9	0.5	4.8	10.5
Construction	244.7	232.7	206.2	184.0	183.5	178.8	(4.7)	(2.6)	0.3
Manufacturing	282.8	271.5	252.5	233.1	230.9	228.9	(2.0)	(0.9)	2.0
Wholesale Trade	120.6	120.5	116.6	109.9	111.0	110.5	(0.5)	(0.5)	1.5
Retail Trade	425.4	426.2	409.3	396.9	402.3	404.4	2.1	0.5	1.7
Transportation and Utilities	119.4	119.7	116.2	111.8	112.3	118.0	5.7	5.1	2.4
Information Services	91.2	89.1	84.5	77.9	74.5	73.2	(1.3)	(1.7)	(2.0)
Financial Activities	195.1	191.1	184.5	177.9	177.4	185.6	8.2	4.6	1.2
Professional and Business Services	637.6	653.3	649.9	640.4	657.2	663.7	6.5	1.0	4.1
Educational and Health Services	411.9	430.4	444.9	452.8	459.3	474.4	15.1	3.3	1.7
Leisure and Hospitality	342.4	348.6	345.1	339.4	335.3	350.1	14.8	4.4	2.8
Other Services	183.6	187.3	187.8	185.0	185.5	187.1	1.6	0.9	(1.1)
Federal Government	156.3	157.4	163.2	171.0	173.3	175.5	2.2	1.3	(1.3)
State Government	153.2	153.2	153.5	152.8	156.0	155.8	(0.2)	(0.1)	(1.2)
Local Government	370.1	377.0	382.3	379.1	371.9	381.5	9.6	2.6	(1.0)
Total	3,745.5	3,768.8	3,707.4	3,622.1	3,640.8	3,698.4	57.6	1.6	1.5

Source: U.S. Bureau of Labor Statistics

* North American Industry Classification System

Figure 3 shows the annual percentage change in nonfarm employment for ten of the eleven Metropolitan Statistical Areas (MSAs) in Virginia. The Kingston-Bristol MSA is not included in this table because most of it is located in Tennessee and data for this indicator are not reported separately for the Virginia portion of the MSA. The timid signs of recovery witnessed in fiscal 2011 through this economic indicator were more pronounced in fiscal year 2012. Except for the Lynchburg MSA, which experienced a job loss of 1.3 percent, the level of employment increased in each MSA. Of particular significance are the performances of Richmond MSA and Northern Virginia MSA (an increase of 2.1 percent and 2.5 percent, respectively). Together with the Virginia Beach-Norfolk-Newport News MSA (typically referred to as the "Hampton Roads" MSA), these MSAs have accounted for more than 80 percent of Virginia's nonfarm payroll employment in recent years. During fiscal year 2012 alone, these three MSAs added around 50,000 jobs.

Figure 3
Nonfarm Payroll Employment in Virginia's MSAs
Fiscal Years 2007 - 2012

Area	Percent Change					
	2007	2008	2009	2010	2011	2012
Virginia	1.2	0.6	(1.6)	(2.3)	0.5	1.6
Metropolitan areas^(a)						
Blacksburg-Christiansburg-Radford	(0.6)	(0.0)	(0.6)	(3.8)	(0.1)	7.7
Charlottesville	4.0	1.4	(1.6)	(1.9)	0.8	3.1
Danville	(4.7)	0.4	(1.4)	(4.1)	1.7	1.8
Harrisonburg	3.6	(1.4)	(1.7)	(1.7)	1.3	1.9
Lynchburg	1.5	1.1	(1.5)	(4.1)	1.1	(1.3)
Northern Virginia	1.6	0.8	(0.9)	(0.8)	1.1	2.5
Richmond	1.8	0.3	(2.0)	(3.2)	(0.1)	2.1
Roanoke	1.2	(0.1)	(2.2)	(3.0)	(0.5)	1.2
Virginia Beach-Norfolk-Newport News ^(b)	0.8	0.2	(2.4)	(2.6)	(0.3)	0.7
Winchester ^(c)	2.9	(2.0)	(3.5)	(2.8)	2.4	2.8

Source: U.S. Bureau of Labor Statistics

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

(b) Includes portion in North Carolina

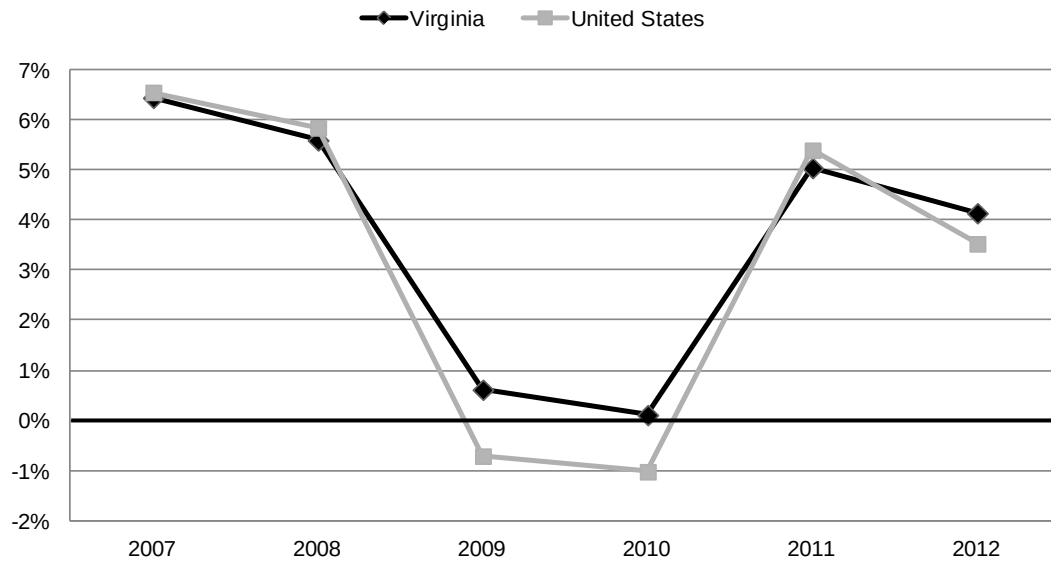
(c) Includes portion in West Virginia

Personal Income

Personal income is an important indicator of Virginia's economy because most of the state government revenues – income taxes and retail taxes in particular – are directly or indirectly related to personal income. As shown in **Figure 4**, personal income increased dramatically in fiscal year 2011, after the stagnation experienced during the recession, and had a slightly lower rate during fiscal year 2012. In Virginia there was 4.1 percent growth during fiscal year 2012, compared with 5.0 percent growth in fiscal year 2011. For the nation, the growth rates were 3.5 percent for fiscal 2012 and 5.4 percent in fiscal year 2011. These positive growth rates are still lower than pre-recession levels (in Virginia, 6.4 percent in 2007 and 5.6 percent in 2008). Nevertheless, this indicator reinforces the idea of a slow economic recovery at both the state and national levels.

Each of the three major components of personal income – net earnings by place of residence; dividends, interest and rent; and transfer payments – experienced a significant increase during fiscal year 2012. The most important of these three components (net earnings by place of residence) grew 5.0 percent in Virginia and 5.3 percent nationwide.

Figure 4
Percentage Change in Personal Income
 Fiscal Years 2007 - 2012

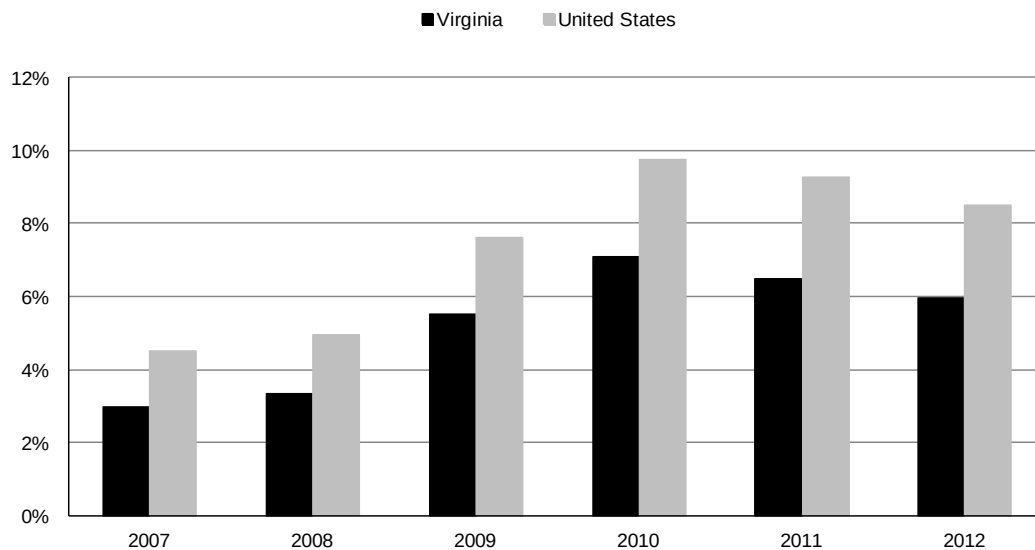


Source: U.S. Bureau of Economic Analysis, Regional Economic Information System

Unemployment

After the three fiscal years of recession (2008, 2009, and 2010) during which unemployment grew dramatically and the slow turn-around during fiscal year 2011, the unemployment rate continued to decline during fiscal year 2012. Unemployment reached 6.0 percent in Virginia and 8.5 percent nationally. Although these values are still far from the low unemployment rates of the period before the recent recession (during 2007, the rates were 3.0 percent in Virginia and 4.5 percent in the U.S.), this decline seems constant and structural, which allows us to be optimistic for the future of Virginia's economy.

Figure 5
Civilian Unemployment Rate
 Fiscal Years 2007 - 2012



Source: U.S. Bureau of Labor Statistics

Figure 6 shows unemployment rates for each of Virginia's MSAs over a period of six fiscal years. From this perspective, it is clear that the unemployment rates have been declining consistently in each MSA. The lowest unemployment rates in fiscal year 2012 were in the Northern Virginia (4.5 percent) and Charlottesville (5.1 percent) MSAs.

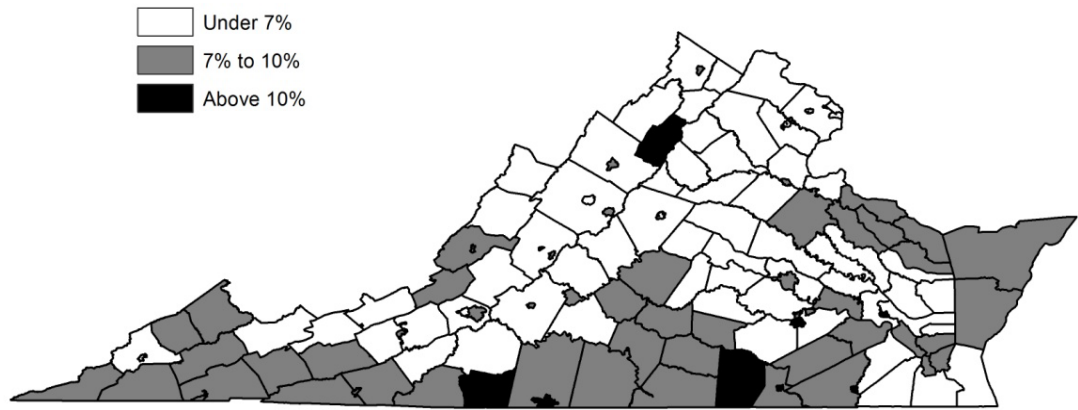
Figure 6
Civilian Unemployment Rate for Virginia's MSAs
 Fiscal Years 2007 - 2012

Area	Unemployment Rate (Percent)					
	2007	2008	2009	2010	2011	2012
Virginia	3.0	3.3	5.5	7.1	6.5	6.0
Metropolitan areas						
Blacksburg-Christiansburg-Radford	3.7	4.0	7.0	8.6	7.4	6.3
Charlottesville	2.5	2.7	4.6	6.0	5.4	5.1
Danville	6.7	6.4	10.3	12.0	10.4	8.9
Harrisonburg	2.5	3.0	5.2	6.6	6.2	6.0
Kingsport-Bristol*	4.4	4.8	7.2	9.3	8.6	7.7
Lynchburg	3.3	3.6	6.0	7.9	7.2	6.8
Northern Virginia	2.2	2.5	4.2	5.3	4.8	4.5
Richmond	3.1	3.5	6.0	8.0	7.3	6.6
Roanoke	3.1	3.4	5.7	7.7	6.9	6.3
Virginia Beach-Norfolk-New port News*	3.2	3.6	5.7	7.4	7.1	6.8
Winchester*	2.8	3.5	6.4	7.6	6.5	6.0

Source: U.S. Bureau of Labor Statistics
 * Includes only the portion of the MSA located in Virginia

In **Figure 7**, each of Virginia's localities (95 counties and 39 independent cities) is color coded according to its unemployment rate. Three categories are represented on the map: unemployment rates that are under 7 percent, 7 to 10 percent, and above 10 percent. The map for fiscal year 2012 includes localities with higher unemployment rates (between 7 and 10 percent) in multiple regions of Virginia, especially in the south central and southwestern parts of the Commonwealth.

Figure 7
Unemployment Rate by Locality
 Fiscal Year 2012

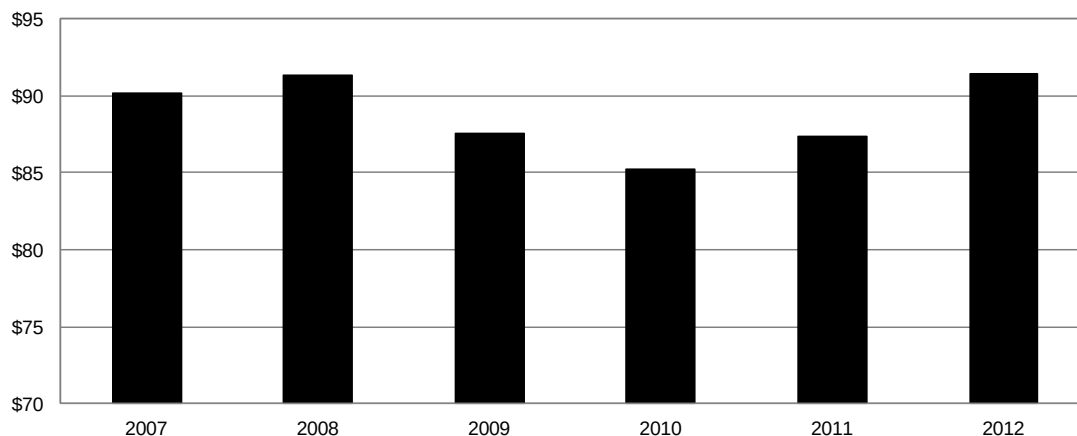


Source: Virginia Employment Commission

Taxable Sales

Since current data on retail sales are not produced for states, this report follows the approach used in previous years and presents information on taxable sales. These data are used as a proxy for retail sales, even though they do not include motor vehicle and motor fuel sales. Taxable sales data includes sales at restaurants and lodging places. **Figure 8** shows that after two years of sharp decline in 2009 and 2010, and a slight upturn registered in fiscal year 2011, that Virginia's taxable sales have returned to pre-recession levels. During fiscal year 2012, Virginia had taxable sales around \$91.0 billion, a substantial increase of 4.7 percent over fiscal 2011.

Figure 8
Taxable Sales in Virginia
Fiscal Years 2007 – 2012
(Billions of Dollars)

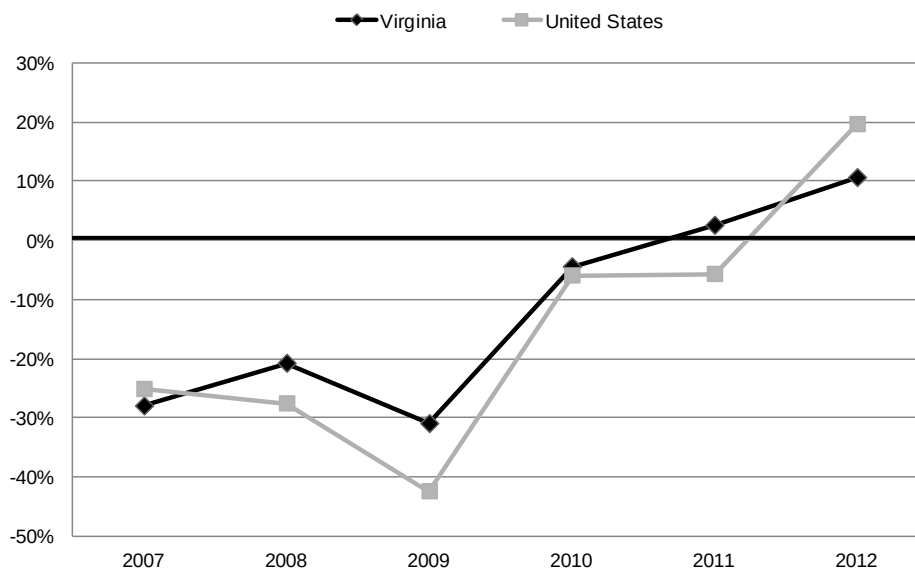


Source: Weldon Cooper Center for Public Service, University of Virginia.
Originally from the Virginia Department of Taxation.

Housing Market

After three fiscal years of dramatic decline (fiscal years 2007 to 2009) where the annual percentage change in new privately owned housing units authorized in Virginia ranged between negative 20.0 percent and negative 31.0 percent – and following the timid signs of recovery (especially in Virginia) registered during fiscal years 2010 and 2011 – data for fiscal year 2012 showed a sharp increase in new units authorized at both the state and national level (see **Figure 9**). The increases for Virginia and the U.S. were 10.6 percent and 19.7 percent, respectively.

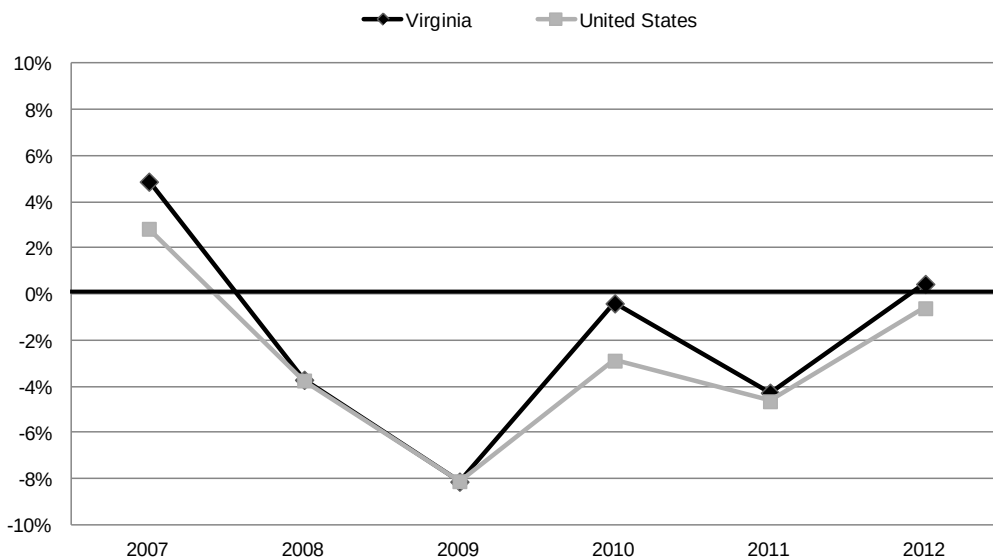
Figure 9
New Privately Owned Housing Units Authorized
Annual Percentage Change
Fiscal Years 2007 - 2012



Source: U.S. Census Bureau

Another indicator for understanding Virginia's housing market is the percentage change in house prices published by the Federal Housing Finance Agency. **Figure 10** shows a positive change in the Virginia economy for fiscal year 2012. Following a steep decline during the economic recession (a drop of almost 8.0 percent at both state and national levels) and some fluctuations during fiscal years 2010 and 2011, housing prices in Virginia increased (i.e., had a percentage change above 0.0 percent) during fiscal year 2012 – the first time since fiscal year 2007. The increase is rather limited at only 0.4 percent in Virginia. When compared to national data (negative 0.6 percent), however, this can still be considered a step in the right direction.

Figure 10
Percentage Change in Housing Prices
Fiscal Years 2007 - 2012



Source: Federal Housing Finance Agency

Conclusion

Fiscal year 2012, overall, can be considered as a year of economic growth, where some of the positive results observed during fiscal year 2011 have been confirmed and strengthened. While it is still not safe to assume that the effects of the economic recession are over, the continuing positive trend for the second year in a row (for most of the indicators presented in this report) is a very good sign. It is important to keep in mind that most of the data presented for fiscal year 2012 (as well as for fiscal year 2011) are at lower levels than they were before the recession. Even so, this information still allows us to be optimistic for Virginia and to look toward fiscal year 2013 as the year that confirms an economic recovery.

MAJOR INITIATIVES

The CAFR has received unqualified audit opinions from fiscal year 1986 through fiscal year 2011. During this period, the Commonwealth has also received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. While we are very proud of these unqualified audit opinions and awards, we must be mindful of the fact that they are not automatic. The successes of the State Comptroller's office are directly attributable not only to the professionalism, experience and integrity of the State Comptroller's technical and accounting personnel, but also to the professionalism, experience and integrity of the financial and accounting personnel throughout the Commonwealth. These major initiatives will support efforts to continue our legacy of quality financial management.

LONG-TERM FINANCIAL PLANNING

In 1992, an amendment to the Constitution of Virginia required the establishment of a Revenue Stabilization Fund. Annually, revenue collections are evaluated to determine whether deposits are required to the Fund. Withdrawals can only occur if the general fund revenues appropriated exceed the revised general fund revenue forecast by more than two 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 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 percent.

ENTERPRISE APPLICATION PROJECT

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

AMERICAN RECOVERY AND REINVESTMENT ACT

In February 2009, the United States Congress and the President passed the American Recovery and Reinvestment Act (ARRA) to help facilitate recovery for the nation's economy. In order to provide reporting transparency and appropriate use of these monies, stringent reporting requirements accompanied these federal funds. In order to help ensure the Commonwealth complied with the ARRA reporting requirements, the Comptroller's staff facilitated collaboration through a variety of communications with fiscal officers throughout the Commonwealth and modified the General Ledger to allow separate reporting for each individual ARRA grant. Further, the Comptroller's staff performed validation reviews of information being reported to the Office of Management and Budget throughout fiscal year 2012.

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, 2011. 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 26 consecutive years (fiscal years 1986-2011). 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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Dandson

President

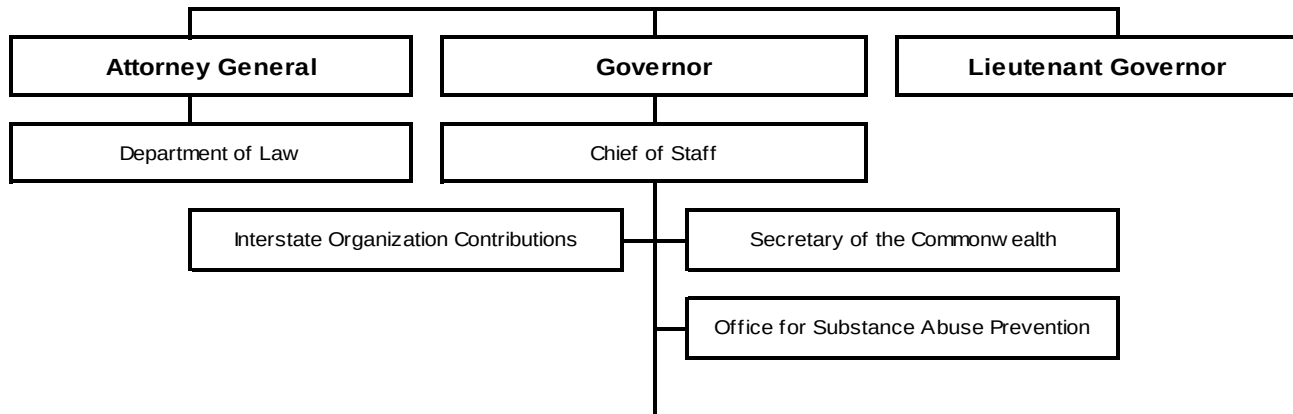
Jeffrey R. Enner

Executive Director

Organization Charts

Organization of Executive Branch of Government

As of June 30, 2012



Secretary of Administration

Compensation Board
Department of Employment Dispute Resolution
Department of General Services
Department of Human Resource Management
Department of Minority Business Enterprise
Human Rights Council
State Board of Elections

Secretary of Agriculture and Forestry

Agricultural Council
Department of Agriculture and Consumer Services
Department of Forestry

Secretary of Commerce and Trade

Board of Accountancy
Department of Business Assistance
Department of Housing and Community Development
Department of Labor and Industry
Department of Mines, Minerals and Energy
Department of Professional and Occupational Regulation
Virginia Economic Development Partnership
Virginia Employment Commission
Virginia Housing Development Authority
Virginia National Defense Industrial Authority
Virginia Racing Commission
Virginia Tourism Authority

Secretary of Health and Human Resources

Assistive Technology Loan Fund Authority
Comprehensive Services for At-Risk Youth and Families
Department for the Aging
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 Rehabilitative Services
Department of Social Services
Virginia Board for People with Disabilities
Virginia Foundation for Healthy Youth

Secretary of Education

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

Secretary of Finance

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

Secretary of Natural Resources

Chippokes Plantation Farm Foundation
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

Board of Towing and Recovery Operators
Commonwealth's Attorneys' Services Council
Department of Alcoholic Beverage Control
Department of Correctional Education
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

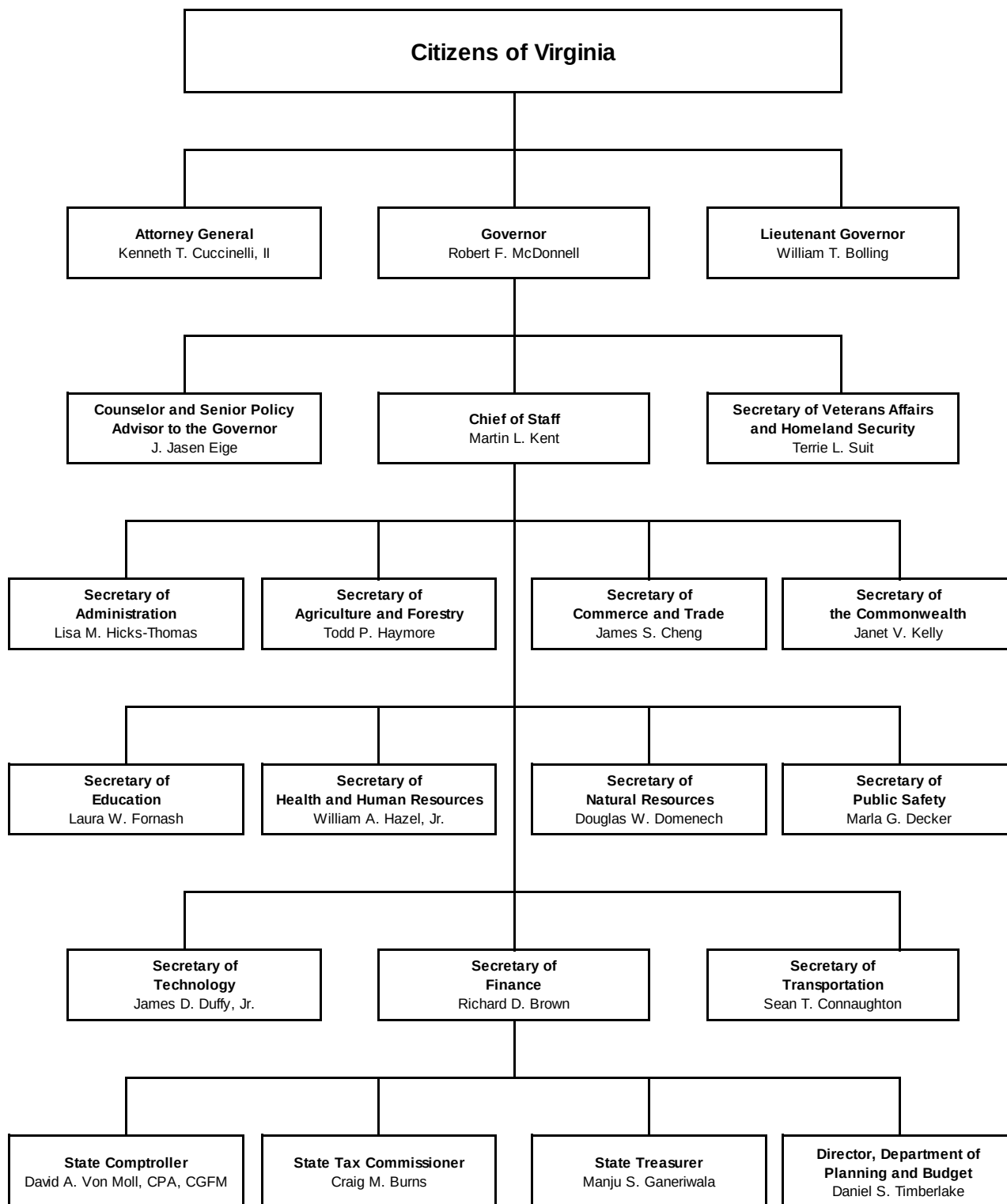
Secretary of Veterans Affairs and Homeland Security

Department of Veterans Services

Organization of Government

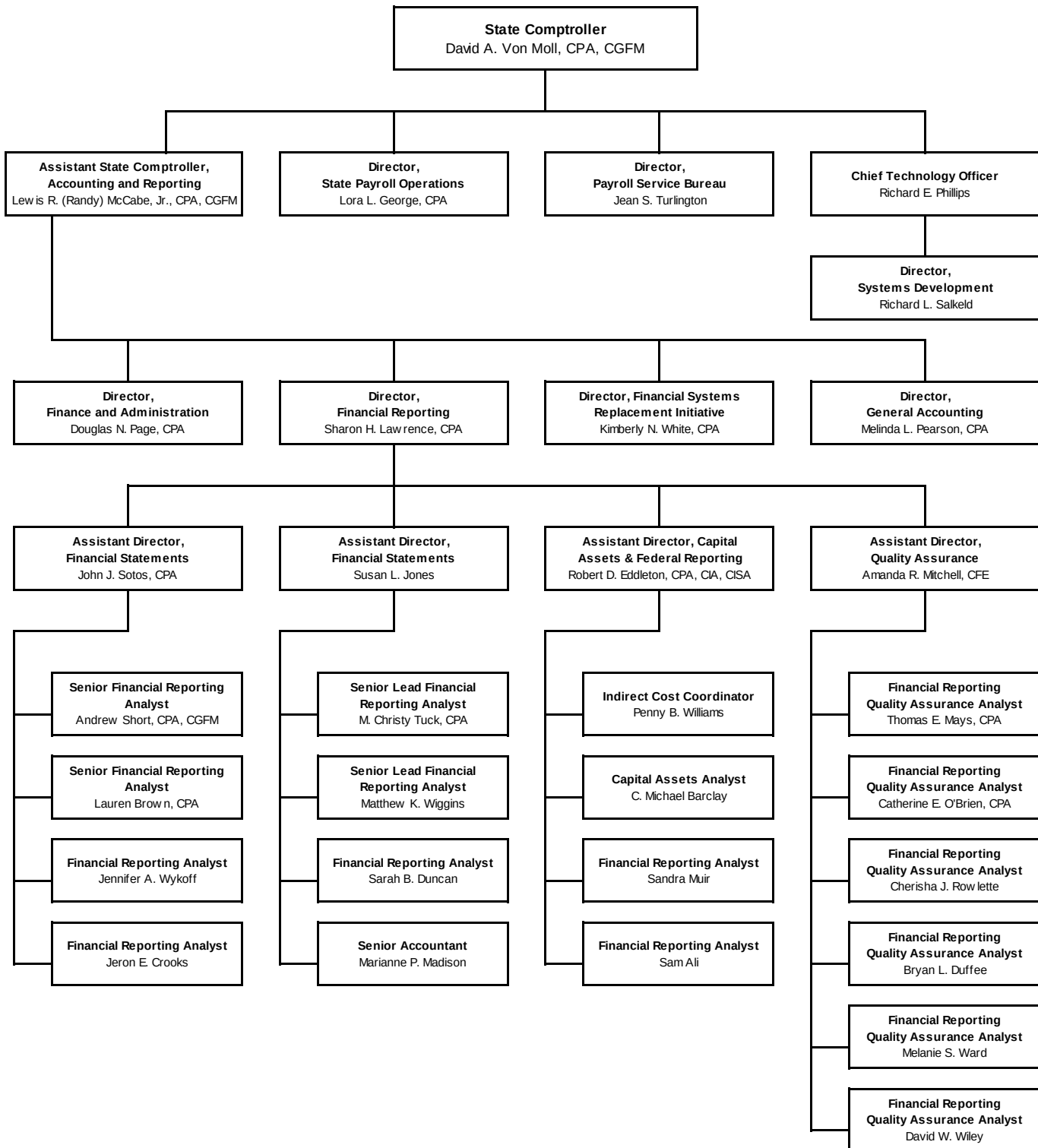
Selected Government Officials - Executive Branch

As of December 14, 2012



Organization of the Department of Accounts

As of December 14, 2012



FINANCIAL SECTION

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



Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 14, 2012

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon, III
Chairman, Joint Legislative Audit and Review Commission

INDEPENDENT AUDITOR'S REPORT

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, 2012, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commonwealth of Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain component units of the Commonwealth discussed in Note 1.B., which represent 33.20 percent, 23.54 percent, and 11.61 percent, respectively, of the assets, net assets, and 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, Virginia Museum of Fine Arts Foundation, Science Museum of Virginia 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, funding progress for defined benefit pension plans, schedule of employer contributions for defined benefit pension plans, funding progress for other post-employment benefit plans, schedule of employer contributions for other post-employment benefit plans, and claims development information on pages 27 through 37 and 174 through 188 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 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.

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 supplementary information, such as the combining and individual fund financial statements and schedules, and other information, such as the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund financial statements and schedules have 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 previously, and the reports of the other auditors, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements 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.

In accordance with Government Auditing Standards, our report dated December 14, 2012, 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 under separate cover 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 and should be considered in assessing the results of our audit.

WALTER J. KUCHARSKI
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, 2012. 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 exceeded its liabilities at June 30, 2012, by \$19.7 billion. Net assets of governmental activities increased by \$1.4 billion and net assets of business-type activities increased by \$234.8 million. Component units reported an increase in net assets of \$438.0 million from June 30, 2011.

Fund Highlights

At the end of the fiscal year, the Commonwealth's governmental funds reported a combined ending fund balance of \$4.4 billion, an increase of \$1.0 billion in comparison with the prior year. Of this total fund balance, \$251.0 million represents nonspendable fund balance, \$1.6 billion represents restricted fund balance, \$3.4 billion represents committed fund balance, and \$11.8 million represents assigned fund balance. These amounts are offset by a negative \$820.9 million unassigned fund balance. The Enterprise Funds reported net assets at June 30, 2012, of \$359.0 million, an increase of \$237.7 million during the year which is primarily attributable to the Unemployment Compensation Fund. See page 33 for additional information.

The General Fund recognized higher fund assets, liabilities, revenues, and expenditures when compared to fiscal year 2011. See page 34 for additional information.

Long-term Debt

The Commonwealth's total debt rose during the fiscal year to \$36.1 billion, an increase of \$2.4 billion, or 7.1 percent. During the fiscal year, the Commonwealth issued new debt in the amount of \$1.8 billion for the primary government and \$5.5 billion for the component units. These debt issuances increased the debt balances to \$11.7 billion for the primary government and \$24.4 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 Assets (pages 40 and 41) presents information on all of the Commonwealth's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during fiscal year 2012. All changes in net assets 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 Assets 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 State Lottery, Virginia College Savings Plan, and Unemployment Compensation Fund.

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

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

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Long-term liabilities, unless due and payable, are not included in the fund financial statements. These liabilities are only included in the government-wide statements.
- Internal service funds are reported as governmental activities in the government-wide statements, but are reported as proprietary funds in the fund financial statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in the governmental fund statements, but not deferred in the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but are 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 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 State 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 22 individual proprietary funds. Information is presented separately in the proprietary fund statements for the State Lottery Department, 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 Assets and Changes in Fiduciary Net Assets 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 12 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, University of Virginia, Virginia Polytechnic Institute and State University, and Virginia Commonwealth University, 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 for pension and other postemployment benefits, 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 189 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 exceeded its liabilities by \$19.7 billion during the fiscal year. The net assets of the governmental activities increased \$1.4 billion or 7.8 percent, primarily due to increases in current and other assets offset by increases in long-term liabilities. The asset increase is primarily due to unspent bond proceeds, and the long-term liabilities are discussed further on page 36. Business-type activities had an increase of \$234.8 million or 193.9 percent, primarily due to an increase for the Unemployment Compensation Fund. The government-wide beginning balance was restated for the correction of prior year errors to arrive at a restated beginning balance of \$18.1 billion.

Figure 11
Net Assets as of June 30, 2012 and 2011
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011 as restated	2012	2011	2012	2011 as restated
Current and other assets	\$ 10,607,730	\$ 8,809,085	\$ 3,161,983	\$ 3,149,480	\$ 13,769,713	\$ 11,958,565
Capital assets	24,015,151	22,452,549	34,359	36,256	24,049,510	22,488,805
Total assets	34,622,881	31,261,634	3,196,342	3,185,736	37,819,223	34,447,370
Long-term liabilities outstanding	9,319,463	8,059,198	2,434,493	2,484,784	11,753,956	10,543,982
Other liabilities	5,980,535	5,273,348	405,905	579,825	6,386,440	5,853,173
Total liabilities	15,299,998	13,332,546	2,840,398	3,064,609	18,140,396	16,397,155
Net assets:						
Invested in capital assets, net of related debt	19,891,265	18,353,426	33,910	35,338	19,925,175	18,388,764
Restricted	1,647,731	1,171,700	178,916	15,730	1,826,647	1,187,430
Unrestricted	(2,216,113)	(1,596,038)	143,118	70,059	(2,072,995)	(1,525,979)
Total net assets	\$ 19,322,883	\$ 17,929,088	\$ 355,944	\$ 121,127	\$ 19,678,827	\$ 18,050,215

The largest portion of the primary government's net assets 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 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 investment in capital assets amount exceeds total net assets due to a negative unrestricted net asset amount unrelated to capital assets.

An additional portion of the primary government's net assets represents restricted net assets. These resources are subject to external restrictions or constitutional provisions specifying how they may be used. The remaining balance of (\$2.1 billion) is unrestricted net assets (**Figure 11**).

Approximately 52.4 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 2012, governmental program and general revenues exceeded governmental expenses by \$725.3 million. Program revenues exceeded expenses from business-type activities by \$892.6 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 assets (see page 42).

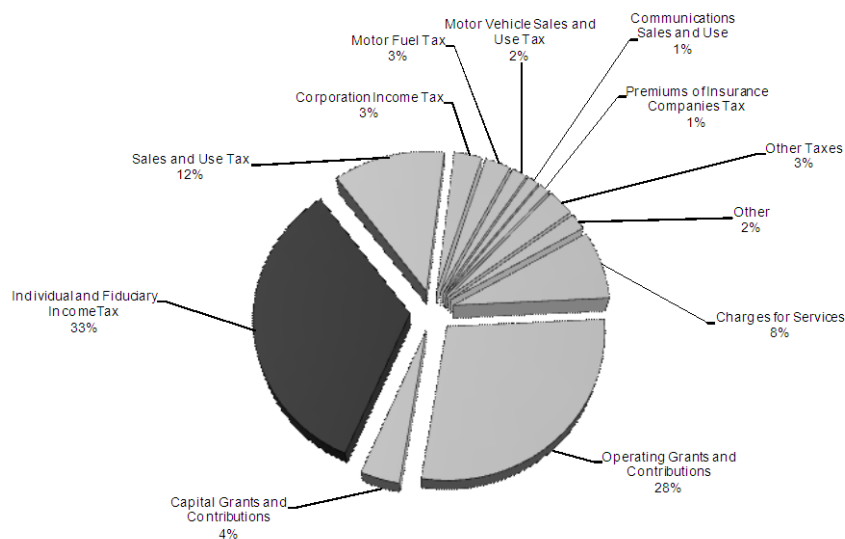
Figure 12
Changes in Net Assets for the Fiscal Years Ended June 30, 2012 and 2011
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011 as restated	2012	2011	2012	2011 as restated
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,442,024	\$ 2,352,638	\$ 3,652,941	\$ 3,601,117	\$ 6,094,965	\$ 5,953,755
Operating Grants and Contributions	9,178,384	9,950,314	447	575	9,178,831	9,950,889
Capital Grants and Contributions	1,266,700	1,324,192	-	-	1,266,700	1,324,192
General Revenues:						
Taxes:						
Individual and Fiduciary Income	10,813,550	10,050,404	-	-	10,813,550	10,050,404
Sales and Use	3,885,137	3,706,197	-	-	3,885,137	3,706,197
Corporation Income	978,690	851,630	-	-	978,690	851,630
Motor Fuel	900,199	903,108	-	-	900,199	903,108
Motor Vehicle Sales and Use	538,126	495,437	-	-	538,126	495,437
Communications Sales and Use	422,807	443,188	-	-	422,807	443,188
Deeds, Contracts, Wills, and Suits	370,620	335,526	-	-	370,620	335,526
Premiums of Insurance Companies	390,950	406,113	-	-	390,950	406,113
Alcoholic Beverage Sales	120,989	114,202	-	-	120,989	114,202
Tobacco Products	195,554	175,365	-	-	195,554	175,365
Estate	1,493	1,787	-	-	1,493	1,787
Public Service Corporations	114,972	113,260	-	-	114,972	113,260
Beer and Beverage Excise	43,659	43,873	-	-	43,659	43,873
Wine and Spirits/ABC Liter	24,297	22,924	-	-	24,297	22,924
Bank Stock	18,729	24,580	-	-	18,729	24,580
Other Taxes	73,613	76,592	9,141	9,141	82,754	85,733
Unrestricted Grants and Contributions	49,203	48,314	-	-	49,203	48,314
Investment Earnings	84,094	63,040	1,248	1,062	85,342	64,102
Miscellaneous	465,189	285,486	357	253	465,546	285,739
Total Revenues	32,378,979	31,788,170	3,664,134	3,612,148	36,043,113	35,400,318
Expenses:						
General Government	2,877,588	2,838,981	-	-	2,877,588	2,838,981
Education	9,181,575	9,086,399	-	-	9,181,575	9,086,399
Transportation	3,030,002	2,817,764	-	-	3,030,002	2,817,764
Resources and Economic Development	984,557	1,002,189	-	-	984,557	1,002,189
Individual and Family Services	12,712,219	12,663,265	-	-	12,712,219	12,663,265
Administration of Justice	2,639,166	2,632,736	-	-	2,639,166	2,632,736
Interest and Charges on Long-term Debt	228,580	228,207	-	-	228,580	228,207
State Lottery	-	-	1,121,043	1,030,374	1,121,043	1,030,374
Virginia College Savings Plan	-	-	96,158	243,271	96,158	243,271
Unemployment Compensation	-	-	639,824	661,739	639,824	661,739
Alcoholic Beverage Control	-	-	507,180	479,393	507,180	479,393
Risk Management	-	-	13,169	8,360	13,169	8,360
Local Choice Health Care	-	-	266,719	229,545	266,719	229,545
Virginia Industries for the Blind	-	-	32,091	28,148	32,091	28,148
Consolidated Laboratory	-	-	6,964	6,642	6,964	6,642
eVA Procurement System	-	-	19,370	17,199	19,370	17,199
Department of Environmental Quality Title V	-	-	10,939	10,173	10,939	10,173
Wireless E-911	-	-	40,761	38,415	40,761	38,415
Museum and Library Gift Shops	-	-	6,146	6,697	6,146	6,697
Behavioral Health Canteen and Work Activity	-	-	450	13	450	13
Total Expenses	31,653,687	31,269,541	2,760,814	2,759,969	34,414,501	34,029,510
Excess before transfers	725,292	518,629	903,320	852,179	1,628,612	1,370,808
Transfers	668,503	614,637	(668,503)	(614,637)	-	-
Increase in net assets	1,393,795	1,133,266	234,817	237,542	1,628,612	1,370,808
Net assets (deficit), July 1, as restated	17,929,088	16,795,822	121,127	(116,415)	18,050,215	16,679,407
Net assets, June 30	\$ 19,322,883	\$ 17,929,088	\$ 355,944	\$ 121,127	\$ 19,678,827	\$ 18,050,215

Governmental Activities Revenues

Figure 13 is a graphical representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by \$590.8 million, or 1.9 percent. The net increase is mainly attributable to increases in the General Fund, which are discussed on page 34.

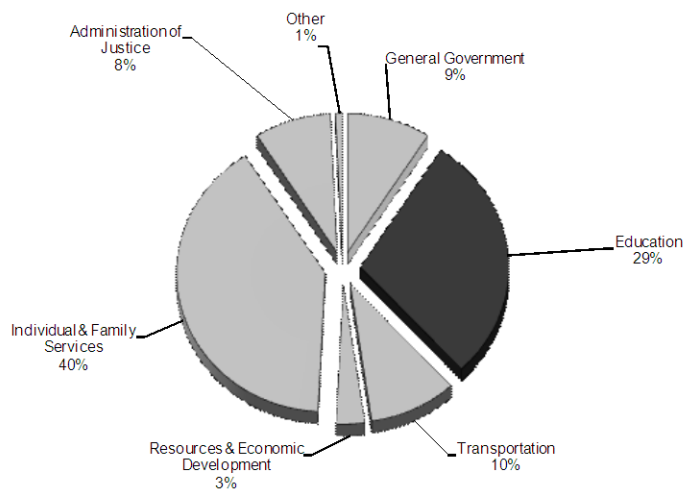
Figure 13
Revenues by Source – Governmental Activities
Fiscal Year 2012



Governmental Activities Expenses

Figure 14 is a graphical representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses increased by \$384.1 million or 1.2 percent. This change is primarily attributable to increases in all expense types with the exception of Resources and Economic Development. See pages 34 and 35 for additional information.

Figure 14
Expenses by Type – Governmental Activities
Fiscal Year 2012



Net Assets of Business-type Activities

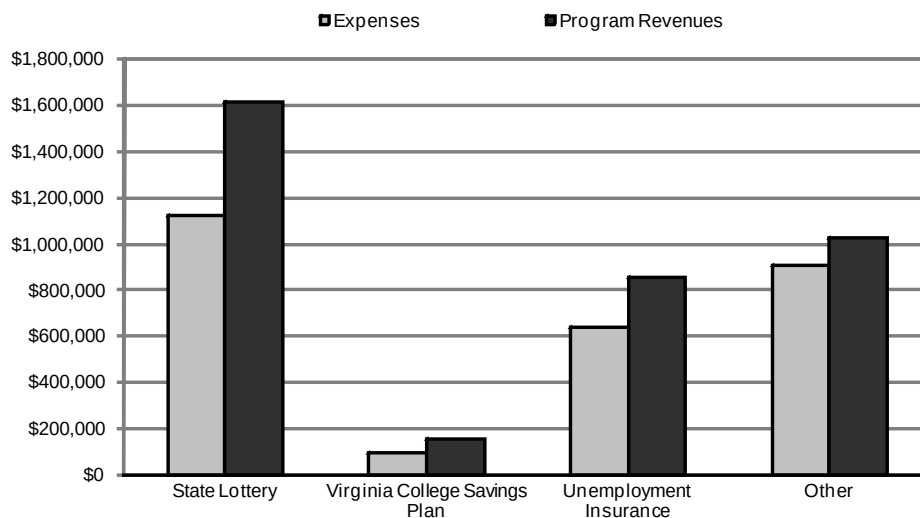
Net assets of business-type activities increased by \$234.8 million during the fiscal year. As shown in **Figure 15**, highlights of the changes in net assets for the major enterprise funds were as follows:

- Lottery sales were \$1.6 billion, an increase of \$133.3 million over the prior year. Net income was \$497.3 million, an increase of \$43.5 million (9.6 percent) from fiscal year 2011. Sales of scratch games increased by \$85.3 million (11.3 percent) and online sales increased by \$48.0 million (6.6 percent). This is offset by an increase of \$90.1 million (8.8 percent) in total expenses, primarily attributable to the cost of prizes and claims.
- Virginia College Savings Plan's net assets increased by \$63.3 million (863.4 percent). This change is primarily attributable to decreases in investment income and tuition benefits expense.
- Unemployment Compensation Fund net assets increased by \$202.6 million during fiscal year 2012, primarily as a result of an increase in the Employer Contribution rate for the Virginia Unemployment Trust Fund. Other factors adding to the fund were that it received a one-time \$68.0 million Federal Unemployment Tax credit and operating expenses decreased by \$21.9 million. These factors combined give the Trust Fund the large increase.

The Trust Fund became insolvent in October 2009, which required obtaining Federal repayable advances under Title XII of the Social Security Act totaling \$804.1 million during fiscal years 2010, 2011 and 2012. The advances enabled the Fund to continue benefit payments to claimants, and the Fund repaid the outstanding advance of \$445.8 million during fiscal year 2012. Additionally, the Fund received approval for a maximum of \$63.0 million in short-term Commonwealth Treasury Loans to meet cash flow needs and anticipates additional Federal advances in fiscal year 2013. See Note 37, "Subsequent Events," for additional information.

Over the one year period July 1, 2011 to June 30, 2012, the unemployment rate declined from 6.5 percent to 6.0 percent. Additionally, there were approximately 26,650 fewer initial unemployment claims filed than in the previous year. These declines were offset by increases in the average weekly benefit amounts from \$271.75 to \$280.60 and the average benefit duration from 14.8 weeks to 16.0 weeks in fiscal year 2012. These multiple influences led to a decrease in the total benefit payments of \$23.8 million over the prior year.

Figure 15
Business-type Activities
Program Revenues and Expenses
For the Fiscal Year Ended June 30, 2012
(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 \$4.4 billion, including a negative unassigned fund balance of \$820.9 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 \$512.4 million, an increase of \$571.1 million in comparison with the prior year. Of this total fund balance, \$117.9 million represents nonspendable fund balance, \$729.3 million represents restricted fund balance, and \$486.1 million represents committed fund balance. These amounts are offset by a negative \$820.9 million unassigned fund balance.

Fiscal year 2012 General Fund revenues were 5.9 percent or \$971.6 million higher than fiscal year 2011 revenues. This revenue change results from increases of \$1.0 billion primarily attributable to individual and fiduciary income taxes (\$664.0 million), sales and use tax (\$129.3 million), and corporation income taxes (\$123.1 million) offset by decreases of \$68.5 million primarily attributable to premiums of insurance companies (\$28.3 million) and communication sales and use tax (\$17.5 million).

Fiscal year 2012 expenditures increased by \$864.4 million as compared to fiscal year 2011. This was primarily attributable to increases in individual and family services expenditures, education, and resources and economic development expenditures of \$625.5 million, \$211.6 million, and \$49.1 million, respectively, offset by decreases to general government expenditures of \$37.8 million. Net other financing sources and uses decreased by \$52.1 million which is primarily due to higher transfers out to nongeneral funds.

Budget Highlights

The General Fund began the year with an original revenue budget that was \$903.0 million or 5.7 percent higher than the final fiscal year 2011 revenue budget. Additionally, the final revenue budget was slightly higher (\$167.3 million or 1.0 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 \$196.8 million offset by a decrease in the final budget for sales and use taxes of \$58.5 million. Total actual General Fund revenues were greater than final budgeted revenues by \$242.6 million.

Total final budget expenditures were less than original budget expenditures by \$14.9 million or 0.1 percent. This decrease was primarily attributable to general government expenditures of \$137.6 million and individual and family services expenditures of \$66.4 million offset by increases in education expenditures of \$95.0 million, administration of justice expenditures of \$58.9 million and resources and economic development expenditures of \$32.1 million.

The Commonwealth spent less than planned so actual expenditures were \$495.9 million or 2.9 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 several temporary budget solutions such as, accelerated sales taxes, temporary pension funding strategy modifications (discussed further on the next page) and the continued receipt of additional federal funding. As a result of the Commonwealth's improving economy, these temporary budget solutions are being phased-out.

The economic indicators for fiscal year 2012 reflect a growing economy. Rising employment levels, faster income growth, higher consumer confidence, and the continued upward trends in the housing market drove growth in withholding, sales, and recordation taxes. During fiscal year 2012, the two General Fund revenue sources most closely tied to current economic activity – retail sales taxes and payroll withholding – experienced growth rates exceeding the annual estimate by \$55.5 million (1.8 percent) and \$33.7 million (0.3 percent), respectively. There is planned growth in the adopted budget for the 2012-2014 biennium (fiscal years 2013 and 2014). Based on the most recent General Fund revenue estimate, fiscal year 2013 revenue is projected to increase 2.9 percent over the fiscal year 2012 revenue collections.

While this revenue growth is expected to continue during the 2012-2014 biennium, pressures on the economic recovery persist due to the effect of federal budget uncertainties. In response to this uncertainty, the Commonwealth created the Federal Action Contingency Trust Fund and deposited \$30.0 million to assist in mitigating the potential effect of federal budget uncertainties on the Virginia economy. In addition the Governor instructed Cabinet Secretaries to prepare and submit plans for 4.0 percent reductions in General Fund spending for the fiscal year 2014. The Governor will release his final amendments to the 2012-2014 biennial budget on December 17, 2012.

Pension Funding

Effective for fiscal year 2012, the Commonwealth has approved a VRS contribution rate that is lower than the certified rate. VRS will receive contributions computed using the lower rate from all participating funds. In certain instances, the General Fund will receive the monetary differential between the certified and approved contribution rates. Additional information on all plans and the impact of funding rates on the Commonwealth's liability can be found in Note 14, "Retirement and Pension Systems."

Major Special Revenue Fund Highlights

The Commonwealth Transportation Fund ended the fiscal year with a fund balance of \$2.7 billion, an increase of \$312.1 million from the prior year. Approximately \$2.9 billion is contractually committed for various highway, public transportation, and rail preservation projects (see Note 19). The increase in fund balance was primarily due to the issuance of capital projects revenue bonds in the amount of \$897.6 million. Additionally, revenues and expenditures increased \$22.3 million, or 0.6 percent and \$603.8 million, or 15.5 percent, respectively. This increased activity is primarily due to expenditures for highway maintenance, acquisition and construction.

The Federal Trust Fund balance, as restated, increased by \$66.0 million, or 195.8 percent. A decrease in Federal Grants and Contracts revenue of approximately \$790.7 million, or 8.2 percent, was offset by a decrease in total expenditures of approximately \$863.0 million, or 8.9 percent. The decrease in Federal Grants and Contracts revenue was primarily due to the receipt of \$635.2 million in American Recovery and Reinvestment Act revenue which was \$947.5 million less than the previous fiscal year. Also contributing to the overall reduction were decreases of \$56.5 million for Medicaid funding and \$139.2 million for unemployment insurance. These decreases were offset by increases in food and home energy assistance programs of \$179.9 million and education grants of \$98.8 million.

The Literary Fund's fund balance decreased by \$22.0 million, or 18.4 percent, in fiscal year 2012 from fiscal year 2011. The decrease is the result of net disbursements exceeding net receipts by \$33.7 million, offset by a cash transfer in of \$11.3 million from the State Lottery representing unclaimed prizes.

Capital Asset and Long-term Debt

Capital Assets. The primary government's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$24.0 billion (net of accumulated depreciation totaling \$13.6 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 current and other assets coupled with increases in capital assets resulted in an increase in net assets of the governmental activities of \$1.4 billion or 7.8 percent. The increase in the primary government's investment in capital assets was primarily attributable to increases in infrastructure and buildings of \$940.5 million and \$263.0 million, respectively. These increases are primarily attributable to transportation. The primary government reports equipment with a value of \$50,000 or greater and an expected useful life of two or more years. The primary government capitalizes all land, buildings, infrastructure, and intangible assets that have a cost or value greater than \$100,000 and an expected useful life of two or more years. Additional information on the primary government's capital assets can be found in Note 12, "Capital Assets."

Figure 16
Capital Assets as of June 30, 2012
(Net of Depreciation)
(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total
Land	\$ 2,612,758	\$ 1,977	\$ 2,614,735
Buildings	2,382,526	12,789	2,395,315
Equipment	469,082	17,238	486,320
Water Rights/Easements	48,449	-	48,449
Infrastructure	14,746,302	-	14,746,302
Software	210,282	1,621	211,903
Construction-in-Progress	3,545,752	734	3,546,486
Total	\$ 24,015,151	\$ 34,359	\$ 24,049,510

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 \$36.1 billion, including total tax-supported debt of \$14.2 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 \$1.8 billion. Debt is considered tax-supported if Commonwealth tax revenues are used or pledged for debt service payments. An additional \$801.4 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 2012, the Commonwealth issued \$7.3 billion of new debt for various projects. \$1.8 billion of the new debt was for the primary government and \$5.5 billion for the component units. Additional information on the Commonwealth's outstanding debt can be found on page 145 in Note 25, "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 percent of 1.15 times the annual tax revenues for fiscal year 2012. 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 2010, 2011, and 2012. 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 2010, 2011, and 2012. The current debt limitation for the Commonwealth is \$5.1 billion, \$15.2 billion, and \$15.1 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, 2012
General Obligation Bonds
(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
General obligation bonds				
9(b)	\$ 831,148	\$ -	\$ 831,148	\$ -
9(c)	42,593	-	42,593	906,474
Total	\$ 873,741	\$ -	\$ 873,741	\$ 906,474

Economic Factors and Review

In fiscal year 2012, the nation continued its slow recovery from what is considered the worst financial and economic downturn since the "Great Depression" of the 1930s. Economic data show that the upward trend continues to be better in the Commonwealth than at the national level. During the fiscal year, the Commonwealth's nonfarm employment growth rate improved slightly for the second year in a row, increasing by 1.6 percent as compared to 1.5 percent at the national level. The Commonwealth's personal income in current dollars also continued to increase, but only by 4.1 percent during the fiscal year. Unemployment in the Commonwealth and at the national level continued to decline during the fiscal year, reaching 6.0 percent and 8.5 percent, respectively. Total taxable sales in the Commonwealth experienced an increase of 4.7 percent over fiscal year 2011. Economic indicators show that the housing market in the Commonwealth and at the national level experienced increases of 10.6 percent and 19.7 percent, respectively, during fiscal year 2012. Following a small decline in 2011, fiscal year 2012 saw housing prices experience a very slight increase of 0.4 percent in the Commonwealth. However, this is better than the national level, which also improved, but which was still a negative 0.6 percent. Overall, the Commonwealth has continued to perform better than the nation in many areas of growth. This continuing positive trend is a good sign of the economic recovery. For a more in-depth discussion on the Commonwealth's economy see "Economic Review" beginning on page 8.

In August 2011, Moody's revised the Commonwealth's credit outlook to negative due to the Commonwealth's reliance on federal employment and procurement and uncertainties surrounding the federal budget. In response to this uncertainty, the Commonwealth created the Federal Action Contingency Trust Fund and deposited \$30.0 million to assist in mitigating the potential effect on the economy of the Commonwealth. Additionally, the Governor instructed Cabinet Secretaries to prepare and submit plans for 4.0 percent reductions in General Fund spending for the fiscal year 2014.

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 Assets

June 30, 2012

(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 3,872,045	\$ 544,898	\$ 4,416,943	\$ 2,076,738
Investments (Notes 1 and 6)	1,824,323	2,136,193	3,960,516	10,913,135
Receivables, Net (Notes 1 and 7)	3,051,910	489,435	3,541,345	13,023,564
Contributions Receivable, Net (Notes 1 and 8)	-	-	-	326,150
Internal Balances (Note 1)	62,338	(62,338)	-	
Due from Primary Government (Note 9)	-	-	-	21,848
Due from Component Units (Note 9)	12,884	-	12,884	115,559
Due from External Parties (Fiduciary Funds) (Note 9)	1,117	-	1,117	-
Inventory (Note 1)	152,549	51,727	204,276	96,516
Prepaid Items (Note 1)	93,947	1,898	95,845	106,932
Other Assets (Notes 1 and 10)	6,858	170	7,028	169,481
Loans Receivable from Primary Government (Notes 1 and 9)	-	-	-	161,170
Loans Receivable from Component Units (Notes 1 and 9)	5,090	-	5,090	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	1,455,058	-	1,455,058	2,313,108
Restricted Investments (Notes 6 and 11)	69,611	-	69,611	3,953,485
Other Restricted Assets (Note 11)	-	-	-	319,024
Nondepreciable Capital Assets (Notes 1 and 12)	6,206,959	2,711	6,209,670	2,734,279
Depreciable Capital Assets, Net (Notes 1 and 12)	17,808,192	31,648	17,839,840	12,162,284
Total Assets	34,622,881	3,196,342	37,819,223	48,493,273
Deferred Outflow s (Note 13)	-	-	-	113,415
Total Assets and Deferred Outflow s	34,622,881	3,196,342	37,819,223	48,606,688
Liabilities				
Accounts Payable (Notes 1 and 23)	995,491	43,776	1,039,267	978,823
Amounts Due to Other Governments	721,845	11,022	732,867	82,031
Due to Primary Government (Note 9)	-	-	-	12,884
Due to Component Units (Note 9)	21,848	-	21,848	115,559
Due to External Parties (Fiduciary Funds) (Note 9)	17,966	481	18,447	9,814
Unearned Revenue (Note 1)	164,098	4,611	168,709	335,954
Obligations Under Securities Lending Program (Notes 1 and 6)	1,264,193	209,245	1,473,438	52,629
Other Liabilities (Notes 1, 13, and 24)	1,915,619	87,274	2,002,893	1,276,735
Loans Payable to Primary Government (Notes 1 and 9)	-	-	-	5,090
Loans Payable to Component Units (Notes 1 and 9)	161,170	-	161,170	-
Claims Payable (Notes 1 and 22):				
Due Within One Year	185,243	33,836	219,079	48,221
Due in More Than One Year	533,062	15,660	548,722	35,494
Long-term Liabilities (Notes 1, 20, 21, and 25):				
Due Within One Year	656,914	233,584	890,498	1,481,220
Due in More Than One Year	8,662,549	2,200,909	10,863,458	22,876,469
Total Liabilities	15,299,998	2,840,398	18,140,396	27,310,923

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

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Assets				
Invested in Capital Assets, Net of Related Debt	19,891,265	33,910	19,925,175	8,666,344
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	2,679,448
Permanent Funds	28,000	-	28,000	-
Other	-	-	-	154,085
Expendable:				
Agriculture and Forestry	1,104	-	1,104	-
Bond Indenture	-	-	-	2,279,519
Capital Projects/Construction/Capital Acquisition	202,477	-	202,477	1,636,357
Debt Service	78,969	-	78,969	84,265
Economic and Technological Development	1,056	-	1,056	-
Educational and Training Programs	7,133	-	7,133	-
Environmental Quality and Natural Resource Preservation	11,719	-	11,719	-
Gifts and Grants	144,389	-	144,389	99,320
Health and Public Safety	121,720	-	121,720	-
Higher Education	-	-	-	4,404,386
Literary Fund	114,539	-	114,539	-
Lottery Proceeds Fund	35,131	-	35,131	-
Permanent Funds	1,366	-	1,366	-
Revenue Stabilization Fund	680,907	-	680,907	-
Transportation Activities	204,681	-	204,681	-
Unemployment Compensation Trust Fund	-	178,916	178,916	-
Virginia Pooled Investment Program	-	-	-	7,449
Virginia Water Supply Assistance Grant Fund	13,231	-	13,231	-
Other	1,309	-	1,309	13,778
Unrestricted	(2,216,113)	143,118	(2,072,995)	1,270,814
Total Net Assets	\$ 19,322,883	\$ 355,944	\$ 19,678,827	\$ 21,295,765

Statement of Activities

For the Fiscal Year Ended June 30, 2012
(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	\$ 2,877,588	\$ 254,840	\$ 163,656	\$ 19,556
Education	9,181,575	397,436	1,230,669	286
Transportation	3,030,002	644,740	47,170	1,226,315
Resources and Economic Development	984,557	393,297	227,493	20,344
Individual and Family Services	12,712,219	429,034	7,470,703	199
Administration of Justice	2,639,166	322,677	38,693	-
Interest and Charges on Long-term Debt	228,580	-	-	-
Total Governmental Activities	31,653,687	2,442,024	9,178,384	1,266,700
Business-type Activities				
State Lottery	1,121,043	1,616,400	-	-
Virginia College Savings Plan	96,158	160,062	-	-
Unemployment Compensation	639,824	852,756	-	-
Alcoholic Beverage Control	507,180	632,671	447	-
Risk Management	13,169	5,019	-	-
Local Choice Health Care	266,719	259,135	-	-
Virginia Industries for the Blind	32,091	31,842	-	-
Consolidated Laboratory	6,964	8,472	-	-
eVA Procurement System	19,370	16,346	-	-
Department of Environmental Quality Title V	10,939	7,875	-	-
Wireless E-911	40,761	55,229	-	-
Museum and Library Gift Shops	6,146	6,661	-	-
Behavioral Health Canteen and Work Activity	450	473	-	-
Total Business-type Activities	2,760,814	3,652,941	447	-
Total Primary Government	\$ 34,414,501	\$ 6,094,965	\$ 9,178,831	\$ 1,266,700
Component Units				
Virginia Housing Development Authority	\$ 620,290	\$ 533,820	\$ 156,225	\$ -
Virginia Public School Authority	149,111	141,610	5,030	-
Higher Education:				
Major	6,803,884	4,989,845	1,260,957	174,796
Nonmajor	4,974,252	2,144,976	937,513	369,685
Other Nonmajor	956,632	661,266	64,198	82,089
Total Component Units	\$ 13,504,169	\$ 8,471,517	\$ 2,423,923	\$ 626,570

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,439,536)	\$ -	\$ (2,439,536)	\$ -
(7,553,184)	-	(7,553,184)	-
(1,111,777)	-	(1,111,777)	-
(343,423)	-	(343,423)	-
(4,812,283)	-	(4,812,283)	-
(2,277,796)	-	(2,277,796)	-
(228,580)	-	(228,580)	-
(18,766,579)	-	(18,766,579)	-
-	495,357	495,357	-
-	63,904	63,904	-
-	212,932	212,932	-
-	125,938	125,938	-
-	(8,150)	(8,150)	-
-	(7,584)	(7,584)	-
-	(249)	(249)	-
-	1,508	1,508	-
-	(3,024)	(3,024)	-
-	(3,064)	(3,064)	-
-	14,468	14,468	-
-	515	515	-
-	23	23	-
-	892,574	892,574	-
(18,766,579)	892,574	(17,874,005)	-
-	-	-	69,755
-	-	-	(2,471)
-	-	-	(378,286)
-	-	-	(1,522,078)
-	-	-	(149,079)
-	-	-	(1,982,159)

Continued on next page

Statement of Activities (Continued from previous page)

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
General Revenues				
Taxes				
Individual and Fiduciary Income	10,813,550	-	10,813,550	-
Sales and Use	3,885,137	-	3,885,137	-
Corporation Income	978,690	-	978,690	-
Motor Fuel	900,199	-	900,199	-
Motor Vehicle Sales and Use	538,126	-	538,126	-
Communications Sales and Use	422,807	-	422,807	-
Deeds, Contracts, Wills, and Suits	370,620	-	370,620	-
Premiums of Insurance Companies	390,950	-	390,950	-
Alcoholic Beverage Sales	120,989	-	120,989	-
Tobacco Products	195,554	-	195,554	-
Estate	1,493	-	1,493	-
Public Service Corporations	114,972	-	114,972	-
Beer and Beverage Excise	43,659	-	43,659	-
Wine and Spirits/ABC Liter	24,297	-	24,297	-
Bank Stock	18,729	-	18,729	-
Other Taxes	73,613	9,141	82,754	-
Operating Appropriations from Primary Government	-	-	-	1,757,572
Unrestricted Grants and Contributions	49,203	-	49,203	80,187
Investment Earnings	84,094	1,248	85,342	240,579
Miscellaneous	465,189	357	465,546	88,584
Transfers	668,503	(668,503)	-	-
Contributions to Permanent and Term Endowments	-	-	-	253,247
Total General Revenues, Transfers, and Contributions	20,160,374	(657,757)	19,502,617	2,420,169
Change in Net Assets	1,393,795	234,817	1,628,612	438,010
Net Assets, July 1, as restated (Note 2)	17,929,088	121,127	18,050,215	20,857,755
Net Assets, June 30	\$ 19,322,883	\$ 355,944	\$ 19,678,827	\$ 21,295,765

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

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

Nonmajor Governmental Funds include those Special Revenue, Debt Service, Capital Projects, and Permanent Funds listed on page 191 in the Combining and Individual Fund Statements and Schedules section of this report.

Balance Sheet – Governmental Funds

June 30, 2012

(Dollars in Thousands)

	General	Special Revenue		
		Commonwealth Transportation	Federal Trust	Literary
Assets				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 792,901	\$ 2,009,738	\$ 133,169	\$ 24,843
Investments (Notes 1 and 6)	1,766,537	11,425	446	332
Receivables, Net (Notes 1 and 7)	1,625,026	248,683	799,272	261,625
Due from Other Funds (Note 9)	37,229	20,924	1,869	-
Due from External Parties (Fiduciary Funds) (Note 9)	-	-	-	-
Interfund Receivable (Note 9)	-	-	-	-
Inventory (Note 1)	45,502	64,191	14,326	-
Prepaid Items (Note 1)	72,400	6,603	1,531	-
Other Assets (Notes 1 and 10)	2,060	427	2,379	-
Loans Receivable from Component Units (Notes 1 and 9)	-	-	-	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	-	1,211,399	-	-
Total Assets	\$ 4,341,655	\$ 3,573,390	\$ 952,992	\$ 286,800
Liabilities and Fund Balances				
Accounts Payable (Notes 1 and 23)	\$ 256,102	\$ 345,316	\$ 145,875	\$ 24
Amounts Due to Other Governments	381,635	79	212,504	-
Due to Other Funds (Note 9)	45,447	18,207	8,635	-
Due to Component Units (Note 9)	7,886	-	4,496	-
Due to External Parties (Fiduciary Funds) (Note 9)	11,982	2,347	1,221	-
Interfund Payable (Note 9)	13,152	-	14,949	-
Deferred Revenue (Note 1)	837,475	24,024	95,054	16,957
Unearned Revenue (Note 1)	20	47,608	2,455	-
Deferred Taxes (Note 1)	452,442	-	-	-
Obligations Under Securities Lending Program (Notes 1 and 6)	817,135	380,963	14,867	11,067
Other Liabilities (Notes 1 and 24)	1,005,243	8,160	353,116	-
Loans Payable to Component Units (Notes 1 and 9)	-	-	-	161,170
Long-term Liabilities Due Within One Year (Notes 1, 20, and 25)	777	92	86	-
Total Liabilities	3,829,296	826,796	853,258	189,218
Fund Balances (Note 3):				
Nonspendable	117,902	70,794	15,857	-
Restricted	729,269	236,262	83,877	97,582
Committed	486,051	2,439,538	-	-
Assigned	-	-	-	-
Unassigned	(820,863)	-	-	-
Total Fund Balances	512,359	2,746,594	99,734	97,582
Total Liabilities and Fund Balances	\$ 4,341,655	\$ 3,573,390	\$ 952,992	\$ 286,800

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 800,558	\$ 3,761,209
115,067	1,893,807
104,341	3,038,947
8,392	68,414
984	984
92,442	92,442
5,626	129,645
12,905	93,439
1,987	6,853
5,090	5,090
-	1,211,399
<u>\$ 1,147,392</u>	<u>\$ 10,302,229</u>
\$ 77,218	\$ 824,535
356	594,574
13,641	85,930
196	12,578
2,180	17,730
-	28,101
37,875	1,011,385
4,428	54,511
-	452,442
35,923	1,259,955
2,286	1,368,805
-	161,170
142	1,097
174,245	5,872,813
46,428	250,981
431,352	1,578,342
483,552	3,409,141
11,815	11,815
-	(820,863)
973,147	4,429,416
<u>\$ 1,147,392</u>	<u>\$ 10,302,229</u>

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

June 30, 2012

(Dollars in Thousands)

Total fund balances - governmental funds (see Balance Sheet - Governmental Funds) **\$ 4,429,416**

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 Assets includes those capital assets among the assets of the primary government as a whole.

Nondepreciable Capital Assets	6,195,732
Depreciable Capital Assets	17,748,475

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 Assets.

Tax Note	(40,639)
Pension Liability	(1,640,916)
OPEB Liability	(400,174)
Capital Lease	(63,223)
Installment Purchases	(86,242)
Compensated Absences	(308,605)
Uninsured Employer's Fund	(27,647)
Regional Jails	(2,748)
Bonds	(6,577,190)
Notes	(9,050)
Accrued Interest Payable	(88,631)
Other Obligations	(82,976)
Pollution Remediation Liability	(5,171)

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 Assets.	(484,286)
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Other long-term payables are not due and payable in the current period and, therefore, are not reported in the funds.	(244,921)
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,011,679
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Net assets of governmental activities (see Government-wide Statement of Net Assets)	\$ 19,322,883
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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, 2012

(Dollars in Thousands)

	General	Special Revenue		
		Commonwealth Transportation	Federal Trust	Literary
Revenues				
Taxes	\$ 16,547,454	\$ 2,108,090	\$ -	\$ -
Rights and Privileges	70,420	536,627	-	311
Institutional Revenue	37,809	-	-	-
Interest, Dividends, Rents, and Other Investment Income	101,089	30,776	1,382	14,555
Federal Grants and Contracts	-	1,105,544	8,827,161	-
Other (Note 26)	585,358	90,402	122,100	142,871
Total Revenues	17,342,130	3,871,439	8,950,643	157,737
Expenditures				
Current:				
General Government	2,104,872	2,182	138,401	67
Education	7,136,301	2,404	1,382,955	191,405
Transportation	462	4,451,872	16,040	-
Resources and Economic Development	354,658	9,327	214,312	-
Individual and Family Services	5,082,650	-	7,075,558	-
Administration of Justice	2,287,036	9,357	36,129	-
Capital Outlay	6,761	13,461	12,608	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
Total Expenditures	16,972,740	4,488,603	8,876,003	191,472
Revenues Over (Under) Expenditures	369,390	(617,164)	74,640	(33,735)
Other Financing Sources (Uses)				
Transfers In (Note 30)	813,443	204,098	12,473	11,699
Transfers Out (Note 30)	(616,134)	(308,756)	(21,121)	-
Notes Issued	1,957	-	-	-
Insurance Recoveries	118	2,065	14	-
Capital Leases Initiated	128	1,008	-	-
Bonds Issued	-	897,590	-	-
Premium on Debt Issuance	-	131,945	-	-
Refunding Bonds Issued	-	-	-	-
Sale of Capital Assets	2,234	1,278	6	-
Payment to Refunded Bond Escrow Agents	-	-	-	-
Total Other Financing Sources (Uses)	201,746	929,228	(8,628)	11,699
Net Change in Fund Balances				
Fund Balance (Deficit), July 1, as restated (Note 2)	(58,777)	2,434,530	33,722	119,618
Fund Balance, June 30	\$ 512,359	\$ 2,746,594	\$ 99,734	\$ 97,582

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

Nonmajor Governmental Funds	Total Governmental Funds
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\$ 92,435	\$ 18,747,979
313,487	920,845
347,396	385,205
16,256	164,058
-	9,932,705
396,212	1,336,943
1,165,786	31,487,735

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76,515	2,322,037
20,193	8,733,258
5,365	4,473,739
291,242	869,539
524,116	12,682,324
89,505	2,422,027
297,417	330,247

422,792	422,792
261,880	261,880
1,989,025	32,517,843
(823,239)	(1,030,108)

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727,646	1,769,359
(150,723)	(1,096,734)
8,255	10,212
961	3,158
-	1,136
298,500	1,196,090
85,423	217,368
319,373	319,373
-	3,518
(373,490)	(373,490)
915,945	2,049,990

92,706	1,019,882
880,441	3,409,534
\$ 973,147	\$ 4,429,416

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, 2012
(Dollars in Thousands)

Net Change in fund balances - total government funds (See Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds) **\$ 1,019,882**

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 assets decrease by the amount of depreciation expense charged for the year.

Nondepreciable Capital Assets Constructed/Acquired	1,915,167
Nondepreciable Capital Assets Disposed	(73,807)
Depreciable Capital Assets Acquired	726,340
Depreciable Capital Assets Disposed	(219,440)
Depreciation Expense	(802,072)

Debt proceeds provide current financial resources to governmental funds by issuing debt, which increases long-term debt in the Statement of Net Assets.

Debt Issuance	(1,196,090)
Capital Lease Proceeds	(1,136)
Bond Premiums	(217,368)
Refunding Bonds Issued	(319,373)
Installment Purchase Proceeds	(10,212)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets.

Debt Service Fund Repayment of Debt Principal	422,792
Repayment of Debt Principal in Other Funds:	
Installment Purchases	22,539
Regional Jails	2,636

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 Assets.	373,490
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	321,685
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Increases/decreases of expenses associated with long-term debt reported in the Statement of Activities do not require the use of, or provide, current financial resources and, therefore, are not reported in the governmental funds.

Increase in Pension Liability	(249,888)
Increase in OPEB Liability	(102,876)
Increase in Other Long-term Liabilities	(1,262)
Decrease in Interest Expense, Amortization of Deferrals on Long-term Debt and accrued interest liability	28,461
Increase in Compensated Absences	(3,707)
Increase in Other Liabilities	(17,928)

Net Decrease 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.	5,092
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The net revenue (expenses) of certain activities of internal service funds is reported within governmental activities.	(229,130)
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Change in net assets of governmental activities (See Government-wide Statement of Activities)	\$ 1,393,795
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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 State Lottery accounts for all receipts and expenses from the operations of the State Lottery.

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

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 203 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 219 in the Combining and Individual Fund Statements and Schedules section of this report.

Statement of Net Assets – Proprietary Funds

June 30, 2012

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Assets				
Current Assets:				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 230,245	\$ 57,477	\$ 76,573	\$ 180,603
Investments (Notes 1 and 6)	41,929	-	-	16
Receivables, Net (Notes 1 and 7)	52,827	67,874	147,536	33,101
Due from Other Funds (Note 9)	-	-	635	9,086
Due From External Parties (Fiduciary Funds) (Note 9)	-	-	-	-
Due From Component Units (Note 9)	-	-	-	-
Inventory (Note 1)	-	-	-	51,727
Prepaid Items (Note 1)	231	11	-	1,656
Other Assets (Notes 1 and 10)	1	-	-	169
Total Current Assets	325,233	125,362	224,744	276,358
Noncurrent Assets:				
Investments (Notes 1 and 6)	158,810	1,935,438	-	-
Receivables, Net (Notes 1 and 7)	-	188,097	-	-
Nondepreciable Capital Assets (Notes 1 and 12)	-	381	-	2,330
Depreciable Capital Assets, Net (Notes 1 and 12)	7,888	3,191	-	20,569
Total Noncurrent Assets	166,698	2,127,107	-	22,899
Total Assets	491,931	2,252,469	224,744	299,257
Liabilities				
Current Liabilities:				
Accounts Payable (Notes 1 and 23)	8,734	1,874	153	33,015
Amounts Due to Other Governments	-	-	8,847	2,175
Due to Other Funds (Note 9)	23,095	33	2,113	15,268
Due to External Parties (Fiduciary Funds) (Note 9)	92	34	-	355
Interfund Payable (Note 9)	-	-	-	28,489
Unearned Revenue (Note 1)	2,838	-	-	1,773
Obligations Under Securities Lending Program (Notes 1 and 6)	208,705	-	-	540
Other Liabilities (Notes 1 and 24)	52,132	60	34,715	367
Claims Payable Due Within One Year (Notes 1 and 22)	-	-	-	33,836
Long-term Liabilities Due Within One Year (Notes 1, 20, and 25)	36,771	193,106	-	3,707
Total Current Liabilities	332,367	195,107	45,828	119,525
Noncurrent Liabilities:				
Interfund Payable (Note 9)	-	-	-	-
Claims Payable Due in More Than One Year (Notes 1 and 22)	-	-	-	15,660
Long-term Liabilities Due in More Than One Year (Notes 1, 20, and 25)	169,354	1,986,714	-	44,841
Total Noncurrent Liabilities	169,354	1,986,714	-	60,501
Total Liabilities	501,721	2,181,821	45,828	180,026
Net Assets				
Invested in Capital Assets, Net of Related Debt	7,888	3,123	-	22,899
Restricted for Unemployment Compensation	-	-	178,916	-
Unrestricted	(17,678)	67,525	-	96,332
Total Net Assets (Deficit) (Note 4)	\$ (9,790)	\$ 70,648	\$ 178,916	\$ 119,231

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

Net assets of business-type activities

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

	Governmental Activities	
	Internal Service Funds	
Total		
\$ 544,898	\$ 354,495	
41,945	127	
301,338	12,963	
9,721	50,154	
-	133	
-	12,198	
51,727	22,904	
1,898	508	
170	7,189	
951,697	460,671	
2,094,248	-	
188,097	-	
2,711	11,227	
31,648	59,717	
2,316,704	70,944	
3,268,401	531,615	
43,776	66,285	
11,022	2,196	
40,509	1,850	
481	236	
28,489	28,852	
4,611	109,881	
209,245	4,238	
87,274	5,104	
33,836	185,243	
233,584	7,375	
692,827	411,260	
-	7,000	
15,660	533,062	
2,200,909	67,640	
2,216,569	607,702	
2,909,396	1,018,962	
33,910	45,433	
178,916	-	
146,179	(532,780)	
\$ 359,005	\$ (487,347)	
(3,061)		
\$ 355,944		

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

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Operating Revenues				
Charges for Sales and Services	\$ 1,616,002	\$ 143,290	\$ 784,191	\$ 1,006,568
Interest, Dividends, Rents, and Other Investment Income	-	16,754	486	-
Other (Note 26)	-	18	-	17,409
Total Operating Revenues	1,616,002	160,062	784,677	1,023,977
Operating Expenses				
Cost of Sales and Services	115,576	-	-	362,993
Prizes and Claims (Note 27)	950,628	-	637,955	261,814
Tuition Benefits Expense	-	78,425	-	-
Personal Services	22,847	7,726	-	113,294
Contractual Services	25,489	6,895	1,869	61,505
Supplies and Materials	705	56	-	27,297
Depreciation	3,406	306	-	2,406
Rent, Insurance, and Other Related Charges	1,619	103	-	28,843
Interest Expense	-	-	-	-
Non-recurring Cost Estimate Payments to Providers	-	-	-	39,514
Other (Note 28)	-	2,451	-	3,763
Total Operating Expenses	1,120,270	95,962	639,824	901,429
Operating Income (Loss)	495,732	64,100	144,853	122,548
Nonoperating Revenues (Expenses)				
Interest, Dividends, Rents, and Other Investment Income	1,646	-	-	193
Other (Note 29)	(41)	(106)	68,079	9,195
Total Nonoperating Revenues (Expenses)	1,605	(106)	68,079	9,388
Income (Loss) Before Transfers	497,337	63,994	212,932	131,936
Transfers In (Note 30)	-	-	-	2,102
Transfers Out (Note 30)	(499,251)	(679)	(10,361)	(160,314)
Change in Net Assets	(1,914)	63,315	202,571	(26,276)
Total Net Assets (Deficit), July 1	(7,876)	7,333	(23,655)	145,507
Total Net Assets (Deficit), June 30 (Note 4)	\$ (9,790)	\$ 70,648	\$ 178,916	\$ 119,231

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 Assets of business-type activities

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

	Governmental Activities	
	Total	Internal Service Funds
\$	3,550,051	\$ 1,600,298
	17,240	-
	17,427	1
	3,584,718	1,600,299
	478,569	65,767
	1,850,397	1,219,077
	78,425	-
	143,867	51,840
	95,758	376,184
	28,058	10,798
	6,118	11,071
	30,565	78,854
	-	39
	39,514	-
	6,214	12,325
	2,757,485	1,825,955
	827,233	(225,656)
	1,839	337
	77,127	(2,568)
	78,966	(2,231)
	906,199	(227,887)
	2,102	445
	(670,605)	(4,567)
	237,696	(232,009)
	121,309	(255,338)
\$	359,005	\$ (487,347)

	(2,879)
\$	234,817

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Cash Flows from Operating Activities				
Receipts for Sales and Services	\$ 1,608,604	\$ 155,785	\$ 783,916	\$ 1,004,562
Receipts from Investments	-	-	486	-
Internal Activity-Receipts from Other Funds	-	-	5,196	9,015
Internal Activity-Payments to Other Funds	-	(384)	-	(2,376)
Payments to Suppliers for Goods and Services	(115,576)	(1,114)	-	(416,974)
Payments for Contractual Services	(16,678)	(5,057)	-	(60,614)
Payments for Prizes, Claims, and Loss Control (Note 33)	(994,554)	-	(639,541)	(244,227)
Payments for Tuition Benefits	-	(118,342)	-	-
Payments to Employees	(21,057)	(7,077)	-	(105,722)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	(42,367)
Other Operating Revenue (Note 33)	-	-	-	3,087
Other Operating Expense (Note 33)	-	(2,006)	-	(1,840)
Net Cash Provided by (Used for) Operating Activities	460,739	21,805	150,057	142,544
Cash Flows from Noncapital Financing Activities				
Transfers In From Other Funds	-	-	-	2,096
Transfers Out to Other Funds	(485,291)	(679)	(12,599)	(332,739)
Other Noncapital Financing Receipt Activities (Note 33)	328	-	325,373	212,802
Other Noncapital Financing Disbursement Activities (Note 33)	-	-	(445,818)	(29,468)
Net Cash Provided by (Used for) Noncapital Financing Activities	(484,963)	(679)	(133,044)	(147,309)
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(1,891)	(291)	-	(2,097)
Payment of Principal and Interest on Bonds and Notes	-	(575)	-	-
Proceeds from Sale of Bonds and Notes	-	-	-	-
Proceeds from Sale of Capital Assets	63	-	-	-
Other Capital and Related Financing Disbursement Activities (Note 33)	-	-	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(1,828)	(866)	-	(2,097)
Cash Flows from Investing Activities				
Purchase of Investments	(9,587)	(774,700)	-	-
Proceeds from Sales or Maturities of Investments	42,510	661,831	-	-
Investment Income on Cash, Cash Equivalents, and Investments	1,277	60,741	-	-
Net Cash Provided by (Used for) Investing Activities	34,200	(52,128)	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	8,148	(31,868)	17,013	(6,862)
Cash and Cash Equivalents, July 1	19,652	89,345	59,560	187,111
Cash and Cash Equivalents, June 30	<u>\$ 27,800</u>	<u>\$ 57,477</u>	<u>\$ 76,573</u>	<u>\$ 180,249</u>
Reconciliation of Cash and Cash Equivalents				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	\$ 230,245	\$ 57,477	\$ 76,573	\$ 180,603
Cash and Travel Advances	1	-	-	169
Less:				
Securities Lending Cash Equivalents	(202,446)	-	-	(523)
Cash and Cash Equivalents per the Statement of Cash Flows	<u>\$ 27,800</u>	<u>\$ 57,477</u>	<u>\$ 76,573</u>	<u>\$ 180,249</u>

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

	Governmental Activities	
	Total	Internal Service Funds
\$ 3,552,867	\$ 567,338	
486	-	
14,211	1,031,453	
(2,760)	(9,976)	
(533,664)	(167,038)	
(82,349)	(358,582)	
(1,878,322)	(1,058,674)	
(118,342)	-	
(133,856)	(45,208)	
(42,367)	-	
3,087	-	
(3,846)	(10,199)	
775,145	(50,886)	
2,096	445	
(831,308)	(4,567)	
538,503	17,791	
(475,286)	(9,545)	
(765,995)	4,124	
(4,279)	(24,375)	
(575)	(6,868)	
-	2,863	
63	536	
-	(632)	
(4,791)	(28,476)	
(784,287)	-	
704,341	-	
62,018	195	
(17,928)	195	
(13,569)	(75,043)	
355,668	425,432	
\$ 342,099	\$ 350,389	
\$ 544,898	\$ 354,495	
170	5	
(202,969)	(4,111)	
\$ 342,099	\$ 350,389	

Continued on next page

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

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Reconciliation of Operating Income				
To Net Cash Provided by (Used for)				
Operating Activities:				
Operating Income (Loss)	\$ 495,732	\$ 64,100	\$ 144,853	\$ 122,548
Adjustments to Reconcile Operating				
Income to Net Cash Provided by (Used for)				
Operating Activities:				
Depreciation	3,406	306	-	2,406
Interest, Dividends, Rents, and Other Investment Income	(10,995)	(16,276)	-	-
Miscellaneous Nonoperating Income	-	-	6,305	-
Other Expenses	-	-	2,238	-
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(7,026)	12,035	(10,067)	839
(Increase) Decrease in Due From Other Funds	-	-	185	(8,226)
(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	-	-	-	87
(Increase) Decrease in Prepaid Items	301	(11)	-	358
Increase (Decrease) in Accounts Payable	(469)	1,409	(9)	5,154
Increase (Decrease) in Amounts Due to Other Governments	-	-	1,023	(3,224)
Increase (Decrease) in Due to Other Funds	(85)	(19)	(602)	1,315
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	(181)	(65)	-	(161)
Increase (Decrease) in Unearned Revenue	(371)	-	-	(145)
Increase (Decrease) in Other Liabilities	294	(8)	6,131	65
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-	9,250
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-	3,035
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(5,704)	14,381	-	(33)
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	(14,163)	(54,047)	-	9,276
Net Cash Provided by (Used for) Operating Activities	<u>\$ 460,739</u>	<u>\$ 21,805</u>	<u>\$ 150,057</u>	<u>\$ 142,544</u>
Noncash Investing, Capital, and Financing Activities:				
The following transactions occurred prior to the statement of net assets date:				
Trade-ins of Used Equipment on New Equipment	\$ -	\$ -	\$ -	\$ -
Installment Purchases Used to Finance Capital Assets	-	-	-	-
Change in Fair Value of Investments	-	(43,987)	-	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ (43,987)</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Governmental Activities	
	Internal Service Funds	
Total		
\$ 827,233	\$	(225,656)
6,118		11,071
(27,271)		-
6,305		201
2,238		-
(4,219)		(433)
(8,041)		(9,241)
-		(4)
-		(23)
-		6,411
87		(5,287)
648		81
6,085		13,579
(2,201)		1,045
609		316
(407)		(477)
(516)		1,288
6,482		(84)
9,250		27,575
3,035		121,062
8,644		120
(58,934)		7,570
\$ 775,145	\$	(50,886)
\$ -	\$	41
-		6,777
(43,987)		-
\$ (43,987)	\$	6,818



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 Accounts.

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 228-229 in the Combining and Individual Fund Statements and Schedules section of this report. Combining financial statements for all Fiduciary Funds begin on page 230.

Statement of Fiduciary Net Assets – Fiduciary Funds

June 30, 2012

(Dollars in Thousands)

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Agency Funds
Assets				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 113,891	\$ 313,202	\$ 1,018,553	\$ 300,603
Investments (Notes 1 and 6):				
Bonds and Mortgage Securities	63,536	18,811,319	81,225	-
Stocks	275,192	18,594,068	-	-
Fixed Income Commingled Funds	-	891,098	-	-
Index and Pooled Funds	618,176	5,304,829	-	-
Real Estate	1,466	3,784,232	-	-
Private Equity	-	5,888,743	-	-
Mutual and Money Market Funds	916,037	-	-	-
Short-term Investments	-	179,663	1,351,251	72,715
Other	325,990	2,163,429	-	334,425
Total Investments	2,200,397	55,617,381	1,432,476	407,140
Receivables, Net (Notes 1 and 7):				
Accounts	13	-	-	77,376
Contributions	-	143,529	-	-
Interest and Dividends	1,670	207,190	859	-
Security Transactions	-	1,162,237	-	-
Other Receivables	-	11,604	-	-
Total Receivables	1,683	1,524,560	859	77,376
Due from Other Funds (Note 9)	-	13,923	-	-
Due from Internal Parties (Governmental Funds and Business-type Activities) (Note 9)	-	18,447	-	-
Due from Component Units (Note 9)	-	9,814	-	-
Prepaid Items (Note 1)	213	-	-	-
Other Assets (Notes 1 and 10)	-	-	-	58
Furniture and Equipment (Note 1)	-	29,262	-	-
Total Assets	2,316,184	57,526,589	2,451,888	785,177
Liabilities				
Accounts Payable and Accrued Expenses (Notes 1 and 23)	514	39,342	-	4,731
Amounts Due to Other Governments	-	-	-	247,514
Due to Other Funds (Note 9)	13	13,910	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities) (Note 9)	19	114	-	984
Obligations Under Securities Lending Program (Notes 1 and 6)	1,299	2,171,803	-	2,635
Other Liabilities (Notes 1 and 24)	1,145	150,319	-	528,718
Retirement Benefits Payable	-	267,763	-	-
Refunds Payable	-	4,749	-	-
Compensated Absences Payable (Notes 1 and 20)	260	2,038	-	-
Insurance Premiums and Claims Payable	83	45,502	-	595
Payable for Security Transactions	-	1,511,993	-	-
Pension Liability	1,127	10,145	-	-
Other Postemployment Benefits (OPEB) Liability	386	3,473	-	-
Total Liabilities	4,846	4,221,151	-	785,177
Net Assets Held in Trust for Pension/				
Other Employment Benefits, Pool				
Participants, and Other Purposes	\$ 2,311,338	\$ 53,305,438	\$ 2,451,888	\$ -

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

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds

For the Fiscal Year Ended June 30, 2012

(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	\$ 21,379	\$ 957,758	\$ 3,337
Distributions to Shareholders from Net Investment Income	-	-	(3,337)
Total Investment Income	21,379	957,758	-
Less Investment Expenses	3,423	310,853	-
Net Investment Income	17,956	646,905	-
Proceeds from Unclaimed Property	16,124	-	-
Contributions:			
Participants	281,383	-	-
Member	-	792,287	-
Employer	-	1,135,255	-
Total Contributions	281,383	1,927,542	-
Shares Sold	-	-	3,787,827
Reinvested Distributions	-	-	3,321
Other Revenue (Note 26)	-	4,568	-
Total Additions	315,463	2,579,015	3,791,148
Deductions:			
Loan Servicing Payments	319	-	-
Educational Expense Benefits	108,327	-	-
Retirement Benefits	-	3,402,360	-
Refunds to Former Members	-	88,945	-
Retiree Health Insurance Credits	-	131,102	-
Insurance Premiums and Claims	28,438	151,433	-
Trust Payments	1,899	-	-
Administrative Expenses	5,602	30,496	-
Other Expenses (Note 28)	-	1,406	-
Shares Redeemed	10,187	-	4,126,507
Long-term Disability Benefits	-	28,444	-
Total Deductions	154,772	3,834,186	4,126,507
Transfers:			
Transfers In	-	110	-
Transfers Out	-	(110)	-
Total Transfers	-	-	-
Net Increase (Decrease)	160,691	(1,255,171)	(335,359)
Net Assets Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes			
July 1	2,150,647	54,560,609	2,787,247
June 30	<u>\$ 2,311,338</u>	<u>\$ 53,305,438</u>	<u>\$ 2,451,888</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 Public School Authority provides financing to cities and counties for capital construction of primary and secondary schools.

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 College at Wise, and the University of Virginia Medical Center
Virginia Polytechnic Institute and State University
Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority

Nonmajor Component Units include those listed on pages 252-253 in the Combining and Individual Fund Statements and Schedules section of this report.

Statement of Net Assets – Component Units

June 30, 2012

(Dollars in Thousands)

	Virginia Housing Development Authority	Virginia Public School Authority	University of Virginia
Assets			
Cash and Cash Equivalents (Notes 1 and 6)	\$ 3,677	\$ 15,744	\$ 465,403
Investments (Notes 1 and 6)	72,379	3,320,225	5,450,073
Receivables, Net (Notes 1 and 7)	7,776,515	65,934	358,867
Contributions Receivable, Net (Note 8)	-	-	95,772
Due from Primary Government (Note 9)	-	-	7,037
Due from Component Units (Note 9)	-	-	13,763
Inventory (Note 1)	-	-	25,359
Prepaid Items (Note 1)	-	-	21,686
Other Assets (Notes 1 and 10)	31,651	-	21,157
Loans Receivable from Primary Government (Notes 1 and 9)	-	161,170	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	677,984	81,913	43,367
Restricted Investments (Notes 6 and 11)	125,048	5,343	623,706
Other Restricted Assets (Note 11)	69,058	-	10,376
Nondepreciable Capital Assets (Notes 1 and 12)	3,545	-	501,607
Depreciable Capital Assets, Net (Notes 1 and 12)	21,897	-	2,751,723
Total Assets	8,781,754	3,650,329	10,389,896
Deferred Outflows (Note 13)	-	-	35,053
Total Assets and Deferred Outflows	8,781,754	3,650,329	10,424,949
Liabilities			
Accounts Payable (Notes 1 and 23)	15,411	282	259,973
Amounts Due to Other Governments	-	75,610	-
Due to Primary Government (Note 9)	-	-	213
Due to Component Units (Note 9)	-	-	-
Due to External Parties (Fiduciary Funds) (Note 9)	-	-	2,951
Unearned Revenue (Note 1)	-	-	89,706
Obligations Under Securities Lending Program (Notes 1 and 6)	-	-	14,034
Other Liabilities (Notes 1, 13, and 24)	89,335	59,169	593,108
Loans Payable to Primary Government (Notes 1 and 9)	-	-	-
Claims Payable (Notes 1 and 22):			
Due Within One Year	-	-	-
Due in More Than One Year	-	-	-
Long-term Liabilities (Notes 1, 20, and 25):			
Due Within One Year	433,535	255,953	142,774
Due in More Than One Year	5,838,325	3,283,301	1,809,302
Total Liabilities	6,376,606	3,674,315	2,912,061
Net Assets			
Invested in Capital Assets, Net of Related Debt	36,610	-	1,817,457
Restricted For:			
Nonexpendable:			
Higher Education	-	-	1,045,851
Other	-	-	-
Expendable:			
Bond Indenture	2,279,519	-	-
Capital Projects/Construction/Capital Acquisition	-	-	-
Debt Service	-	-	-
Gifts and Grants	-	-	-
Higher Education	-	-	2,881,209
Virginia Pooled Investment Program	-	-	-
Other	-	-	-
Unrestricted	89,019	(23,986)	1,768,371
Total Net Assets (Deficit) (Note 4)	\$ 2,405,148	\$ (23,986)	\$ 7,512,888

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

Virginia Polytechnic Institute and State University	Virginia Commonwealth University	Nonmajor Component Units	Total
\$ 252,220	\$ 316,490	\$ 1,023,204	\$ 2,076,738
194,208	1,141,552	734,698	10,913,135
107,656	321,748	4,392,844	13,023,564
79,500	32,809	118,069	326,150
128	131	14,552	21,848
14,641	8,918	78,237	115,559
21,728	21,624	27,805	96,516
16,271	6,941	62,034	106,932
5,654	18,278	92,741	169,481
-	-	-	161,170
255,079	152,968	1,101,797	2,313,108
599,271	452,261	2,147,856	3,953,485
11,510	19,060	209,020	319,024
421,991	251,050	1,556,086	2,734,279
1,203,358	1,244,343	6,940,963	12,162,284
3,183,215	3,988,173	18,499,906	48,493,273
-	78,362	-	113,415
3,183,215	4,066,535	18,499,906	48,606,688
148,555	168,043	386,559	978,823
-	-	6,421	82,031
2,553	2,883	7,235	12,884
-	-	115,559	115,559
1,207	2,038	3,618	9,814
52,447	34,650	159,151	335,954
-	-	38,595	52,629
62,101	234,017	239,005	1,276,735
-	-	5,090	5,090
-	48,221	-	48,221
-	35,494	-	35,494
52,843	77,036	519,079	1,481,220
913,605	977,235	10,054,701	22,876,469
1,233,311	1,579,617	11,535,013	27,310,923
970,752	780,136	5,061,389	8,666,344
388,317	256,292	988,988	2,679,448
-	-	154,085	154,085
-	-	-	2,279,519
-	-	1,636,357	1,636,357
-	-	84,265	84,265
-	-	99,320	99,320
470,297	279,024	773,856	4,404,386
-	-	7,449	7,449
-	-	13,778	13,778
120,538	1,171,466	(1,854,594)	1,270,814
\$ 1,949,904	\$ 2,486,918	\$ 6,964,893	\$ 21,295,765

Statement of Activities – Component Units

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue
Virginia Housing Development Authority	\$ 620,290	\$ 533,820	\$ 156,225	\$ -	\$ 69,755
Virginia Public School Authority	149,111	141,610	5,030	-	(2,471)
Higher Education:					
University of Virginia	3,026,775	2,158,472	638,749	66,327	(163,227)
Virginia Polytechnic Institute & State University	1,214,374	606,075	346,735	70,583	(190,981)
Virginia Commonwealth University	2,562,735	2,225,298	275,473	37,886	(24,078)
Total Higher Education	6,803,884	4,989,845	1,260,957	174,796	(378,286)
Nonmajor Component Units:					
Higher Education	4,974,252	2,144,976	937,513	369,685	(1,522,078)
Other	956,632	661,266	64,198	82,089	(149,079)
Total Nonmajor Component Units	5,930,884	2,806,242	1,001,711	451,774	(1,671,157)
Total Component Units	\$ 13,504,169	\$ 8,471,517	\$ 2,423,923	\$ 626,570	\$ (1,982,159)

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

General Revenues				
Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous	Contributions to Permanent / Term Endowments
\$ -	\$ -	\$ 17,150	\$ 60	\$ -
-	-	186	382	-
145,300	22,444	148,718	5,711	73,234
219,375	3,767	674	21,556	18,962
177,675	2,356	25,066	843	43,840
542,350	28,567	174,458	28,110	136,036
1,124,543	34,573	5,703	56,837	55,837
90,679	17,047	43,082	3,195	61,374
1,215,222	51,620	48,785	60,032	117,211
\$ 1,757,572	\$ 80,187	\$ 240,579	\$ 88,584	\$ 253,247

Continued on next page

Statement of Activities – Component Units *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

	Changes in Net Assets	Net Assets July 1	Net Assets (Deficit) June 30 (Note 4)
Virginia Housing Development Authority	\$ 86,965	\$ 2,318,183	\$ 2,405,148
Virginia Public School Authority	(1,903)	(22,083)	(23,986)
Higher Education:			
University of Virginia	232,180	7,280,708	7,512,888
Virginia Polytechnic Institute & State University	73,353	1,876,551	1,949,904
Virginia Commonwealth University	225,702	2,261,216	2,486,918
Total Higher Education	531,235	11,418,475	11,949,710
Nonmajor Component Units:			
Higher Education	(244,585)	3,777,375	3,532,790
Other	66,298	3,365,805	3,432,103
Total Nonmajor Component Units	(178,287)	7,143,180	6,964,893
Total Component Units	\$ 438,010	\$ 20,857,755	\$ 21,295,765

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

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Notes to the Financial Statements

June 30, 2012

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 or incomplete, 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 Statement No. 39, *Determining Whether Certain Organizations Are Component Units* (GASB Statement No. 39) requires 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.

(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 unit serves or benefits the primary government almost exclusively. Financial information from these units is combined with that of the primary government. The Commonwealth's only blended component unit is:

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 seven-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.

(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 or incomplete. These discrete component units serve or benefit those outside of the primary government.

GASB Statement No. 39 generally requires any organization that raises and holds economic resources for the direct benefit of the reporting entity to be reported as a component unit, even if the reporting entity is not financially accountable for the organization. The entities are included in the Commonwealth's reporting entity as non-profit charitable organizations and exist solely to support the Commonwealth's higher education institutions and certain state agencies. The higher education institution non-profit organizations are included in the applicable higher education institution's column in the accompanying financial statements. In all instances where separate disclosure of these non-profit organizations is required in the accompanying footnotes, the entities' totals are aggregated and disclosed as "foundations."

Discretely presented component units are:

Higher Education Institutions – The Commonwealth's higher education institutions are granted broad corporate powers by state statutes. The Governor appoints the members of each institution's board of trustees. In addition to the annual appropriations to support the institutions' operations, the Commonwealth provides funding for, and construction of, major academic plant facilities for the institutions. Institutions reported Operating Appropriations from Primary Government of approximately \$1.7 billion and Program Revenue Capital Grants and Contributions of approximately \$3.1 million from the primary government. Institutions paid the Commonwealth approximately \$106.5 million. Therefore, there is a financial benefit/burden to the primary government. The bonds issued to finance the construction of these facilities are obligations of the Commonwealth. The major higher education institutions are: 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; and Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority. The nonmajor higher education institutions are: 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 nonmajor 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 his opinion.

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

Innovation and Entrepreneurship Investment Authority (IEIA) (nonmajor) – The Authority is granted corporate powers by the *Code of Virginia*. The Authority serves to facilitate the marketing, organization, and development of scientific research and technology by the state's institutions of higher education and private industry in the Commonwealth. In addition, the Authority serves to promote the economic development of the Commonwealth by attracting and retaining high technology jobs and businesses in Virginia. The Governor and General Assembly appoint the 15-member board, and there is a financial benefit/burden to the primary government. The Authority's combined financial statements include the accounts of the Center for Innovative Technology (CIT) after elimination of all significant intercompany balances and transactions. CIT is a non-stock, not-for-profit corporation, which acts as the operating arm of the Authority. The address for the administrative offices of the Authority is CIT Building, Suite 600, 2214 Rock Hill Road, Herndon, Virginia 20170-4228. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

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

Only the activity of the Authority that relates to the financing of capital projects and equipment purchases by state-supported colleges and universities is included in the financial statements. The state-supported colleges and universities reported revenue from the Authority of \$461.5 million as Program Revenue Capital Grants and Contributions for the 21st Century Program and \$71.1 million as Program Revenue Operating Grants and Contributions for equipment. The Authority reported approximately \$27.2 million in payments from the state-supported colleges

and universities for debt service costs and approximately \$13.6 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 \$639.6 million, is not included in the financial statements.

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

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

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

Virginia Resources Authority (VRA) (nonmajor) – 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. CliftonLarsonAllen, audits the Authority, and a separate report is issued.

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

Virginia Foundation for Healthy Youth (nonmajor) – The Foundation was created as a body corporate and as a political subdivision of the Commonwealth. The Foundation was established to determine the appropriate recipients of monies in the Virginia Tobacco Settlement Fund and to distribute monies in this fund for such efforts as restricting the use of tobacco products by minors and the enforcement of laws restricting the distribution of tobacco products to minors. The Governor appoints the majority of the board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 701 East Franklin Street, Suite 501, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Foundation, and a separate report is issued.

Tobacco Indemnification and Community Revitalization Commission (nonmajor) – The Commission was created as a body corporate and as a political subdivision of the Commonwealth. The Commission was established to determine the appropriate recipients of the monies in the Tobacco Indemnification and Community Revitalization Fund. This fund is to provide payments to tobacco farmers as compensation for the adverse economic effects resulting from loss of investment in specialized tobacco equipment and barns, and 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 1436 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 two series of revenue bonds for specific customers, the 2002 series and the 2006 series. The 2002 series variable rate revenue bonds were for a facility built specifically for the United Network for Organ Sharing. The 2006 Series variable rate revenue bonds were for the Virginia Blood Services project. The bonds are secured by a letter of credit and are payable solely from the payments made by the borrower under the loan agreement. Neither of these bonds constitutes a debt or pledge of the Authority or the Commonwealth. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Virginia Small Business Financing Authority (SBFA) (nonmajor) – The Virginia Small Business Financing Act of 1984 (Chapter 28, Title 9, *Code of Virginia*) established the Authority as a public body corporate and a political subdivision of the Commonwealth. The Governor appoints the 11-member board, and the primary government is able to impose its will on the Authority. The Authority was created to assist small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses. The Authority can provide financial assistance to small businesses by providing loans, guarantees, insurance, and other assistance, thereby encouraging the investment of private capital in small businesses in the Commonwealth. The Authority can loan money to local governments as defined by the *Code of Virginia* for economic development purposes. The Authority also guarantees loans made to small businesses by banks. The administrative offices of the Authority are located at 1220 Bank Street, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

The Authority has issued Industrial Development Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the Small Business Financing 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 non-private educational and fundraising organization solely in connection with, and exclusively for the benefit of the Virginia School for the Deaf and Blind (School) (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, non-profit corporation established to implement and fund programs, projects, and operations that are authorized and approved by the trustees of the Science Museum of Virginia (part of primary government). The administrative offices of the Foundation are located at 2500 West Broad Street, Richmond, Virginia, 23220. Cherry, Bekaert, & Holland, LLP, audits the Foundation, and a separate report is issued.

Virginia Commercial Space Flight Authority (VCSFA) (nonmajor) – The Authority is a legally separate, political subdivision of the Commonwealth created by the General Assembly to facilitate and coordinate scientific and technological research and development and to promote the industrial and economic development of the Commonwealth. There is a potential financial benefit/burden to the primary government. The Commonwealth provided \$26 million in bond offerings through the Virginia Public Building Authority (VPBA) to the VCSFA in fiscal year 2009. A third party provides 75.0 percent of the debt service payments to the VCSFA annually. The administrative offices of the Authority are located at 4111 Monarch Way, Suite 201, Norfolk, Virginia 23508. Dixon Hughes Goodman, LLP audits the Authority, and a separate report is issued.

Danville Science Center, Inc. (nonmajor) – The Center is non-profit corporation formed for the purpose of implementing and funding those programs, projects and operations which are

authorized and approved by the trustees of the Science Museum of Virginia (part of primary government). The administrative offices of the Center are located at 677 Craghead Street, Post Office Box 167, Danville, Virginia 24541. Dixon Hughes Goodman, LLP, audits the Center, and a separate report is issued.

Virginia Museum of Fine Arts Foundation (nonmajor) – The Foundation operates as a non-profit corporation under the laws of Virginia to fund exhibitions, programs, and capital asset expansion to ensure that the Virginia Museum of Fine Arts (part of primary government) has the space and resources for art to help improve the quality of life for many. The administrative offices of the Foundation are located at 201 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 23-member board of trustees. The board consists of the presidents of two public four-year institutions of higher education; three community college presidents; the director of Virginia's Center for Innovative Technology; Virginia's Secretary of Commerce and Trade; and 15 citizen members, representing manufacturing industries, appointed by the Governor. There is also a financial benefit/burden to the primary government. The administrative office is located at 32 Bridge Street, Suite 200, Martinsville, VA 24112. The Auditor of Public Accounts audits the Partnership, and a separate report is issued.

Virginia Horse Center Foundation (nonmajor) – The Foundation operates the Virginia Horse Center for the benefit of the equine and tourism industries. The Foundation is a discrete component unit of the Commonwealth due to the limited ability of the Foundation to incur additional debt without the Commonwealth's approval. In addition, the Governor appoints one member of the Foundation's board of directors, and this member must approve any changes to the Foundation's by-laws or conveyance of property. The address for the administrative offices of the Foundation is 487 Maury River Road, Lexington, Virginia 24450. The accounting firm of Raetz and Hawkins, P.C.,

audits the Foundation, and a separate report is issued.

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

Fort Monroe Authority (nonmajor) – The Authority is a legally separate, political subdivision of the Commonwealth created by the General Assembly to assist in formulating a reuse plan for Fort Monroe. The Governor appoints a majority of the 18-member board and there is a potential financial benefit/burden to the primary government. The administrative offices of the Authority are located at Old Quarters #1, 151 Bernard Road, Fort Monroe, Virginia 23651. Cherry, Bekaert, & Holland, LLP, audits the Authority, and a separate report is issued.

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

Virginia National Defense Industrial Authority (nonmajor) – The Authority was created as a public body corporate and as a political subdivision of the Commonwealth. The Authority fosters and promotes business, technology, transportation, education, economic development and other efforts in support of the mission, execution, and transformation of the United States military and national defense activities located in the Commonwealth. The Governor appoints a majority of the 16-member board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East Byrd Street, Post Office Box 798, Richmond, Virginia 23218-0798. The Auditor of Public Accounts audits the 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 910 Capitol Street, Richmond, Virginia 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 203 Governor Street, Suite 420, Richmond, Virginia 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 223 Governor Street, Richmond, Virginia 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, non-profit 501 (c) (3) corporation supporting the Library of Virginia. 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 Barcalow, CPA, PLLC,

audits the Foundation, 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 six-member board, including the State Treasurer. The Corporation purchased all of the future tobacco settlement revenue allocated to the Tobacco Indemnification and Community Revitalization Commission, a discrete component unit of the Commonwealth. Neither the Commonwealth's nor the Virginia Foundation for Healthy Youth's (component unit) tobacco revenue was securitized. The administrative offices of the Corporation are located at 101 N. 14th Street, 3rd Floor, Post Office Box 1879 Richmond, Virginia 23218-1879. CliftonLarsonAllen 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 non-profit corporation was created by the *Code of Virginia* to assist the Jamestown-Yorktown Foundation (Foundation). The corporation board consists of five members selected from the Foundation's board of trustees. Several Commonwealth officials serve as ex-officio members of the Foundation's board, and the Governor appoints 12 members. The Corporation's basic activities consist of soliciting and collecting contributions, purchasing artifacts, sponsoring events and exhibits, and overseeing investments. The administrative offices of the Corporation are located at 2207 Colonial Parkway, Post Office Box 3605, Williamsburg, Virginia 23187. Keiter Certified Public Accountants audits the Corporation, and a separate report is issued.

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

Virginia Birth-Related Neurological Injury Compensation Program – The Program was created to provide a no-fault alternative for birth-related neurological injuries. The Governor appoints the seven-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 Assets 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 as 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 mental 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, and institutions of higher education.

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

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

the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus since they only report assets and liabilities.

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

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, provides governments two options for reporting their enterprise funds (including component units reporting as business-type activities). All enterprise funds reported herein, with the exception of the State Lottery (major enterprise fund), Behavioral Health Local Funds (nonmajor enterprise fund), the Virginia Biotechnology Research Partnership Authority (nonmajor component unit), the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – major component unit), and the Innovation and Entrepreneurship Investment Authority (nonmajor component unit) apply all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The State Lottery (major enterprise fund), Behavioral Health Local Funds (nonmajor enterprise fund), the Virginia Biotechnology Research Partnership Authority (nonmajor component unit), the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – major component unit), and the Innovation and Entrepreneurship Investment Authority (nonmajor component unit) apply all of these pronouncements, and also apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

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, 2011, or March 31, 2012.

Significant intrafund activity/balances between each higher education institution and their foundations have been eliminated. However, Old Dominion University (nonmajor component unit) reported the following intrafund balances that could not be eliminated because of differing year-ends: institution liabilities of \$68.9 million, and foundation assets of \$60.8 million and liabilities of \$2.9 million. Longwood University (nonmajor component unit) reported the following intrafund balances that could not be eliminated because of differing year-ends: institution expenses of \$2.8 million and assets of \$0.4 million, and foundation assets of \$0.3 million, liabilities of \$0.2 million, and revenues of \$2.9 million.

The primary government reports the following major enterprise funds:

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

Virginia College Savings Plan Fund – Administers the Virginia Prepaid Education 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 mental 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 mental 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 – Special Revenue (major). Formal budgetary integration is not employed for the Capital Projects (nonmajor), Debt Service (nonmajor), Permanent Funds (nonmajor), and the Literary – Special Revenue (major) 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, and Investments

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, 2012, the General Fund had a negative cash balance of \$3.5 billion. In order to properly reflect the general account position, this negative cash balance has been eliminated in the accompanying statements and offset against the primary government's cash equivalents and investments (see Note 6).

Cash Equivalents

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

Investments

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

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

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

Investments of higher education institutions (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 13).

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 and interest earnings in the Pension and Other Employee Benefit Trust Funds. Receivables of the component units consist primarily of mortgage receivables, loan receivables, patient receivables, and student receivables. Receivables are recorded net of allowances for doubtful accounts (see Note 7).

H. Contributions Receivable, Net

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

I. Internal Balances

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

J. Inventory

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

- Department of State Police (VSP)
- Virginia Department of Transportation (VDOT)
- Department of Health (VDH)
- Department for the Blind and Vision Impaired (DBVI)

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

In addition to inventories maintained as stated above, the following agencies reported donated inventory balances on hand at June 30, 2012:

- Department of Health (VDH)
- Department of Corrections (DOC)
- Department of Behavioral Health and Developmental Services (DBHDS)
- Department of Juvenile Justice (DJJJ)

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

The Virginia Industries for the Blind (nonmajor enterprise fund) maintains inventories at cost using the average cost methodology.

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

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 Assets. Capital assets of the other funds and component units are capitalized in the fund in which they are utilized. All depreciable capital assets are depreciated on the straight-line basis over their useful lives (see Note 12).

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

some items that cost less than those thresholds. Infrastructure, including highways, bridges, and rights-of-way, is capitalized using the historical approach and includes any assets acquired prior to fiscal year 1980.

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

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

The primary government capitalizes construction-in-progress when project expenditures, including construction of intangible assets, exceed \$100,000. Interest incurred during construction is not capitalized in governmental funds. Interest incurred during the construction of proprietary fund assets is included in the capitalized value of the asset. 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. Accounts Payable

Accounts payable represent amounts, including salaries and wages, owed for goods and services received prior to year-end. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, accounts payable also includes payments for Nonexchange transactions that met eligibility requirements prior to year-end (see Note 23).

P. Unearned and Deferred Revenue

Unearned revenue represents monies received or revenues accrued but not earned as of June 30, 2012. Deferred revenue represents revenues accrued but not available to finance expenditures of the current fiscal period. The majority of unearned revenue is reported by higher education institutions (component unit), 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 General Fund (major), deferred revenue represents receivables that will be collected after August 31, 2012. In the special revenue funds, unearned revenue is composed primarily of prepaid toll revenue and contributions from localities and private sectors for highway construction projects recorded in the Commonwealth Transportation Fund (major). In the enterprise funds, a majority of unearned revenue represents on-line ticket monies received by the State Lottery (major) for which corresponding drawings have not been held. In the internal service funds, it represents primarily unearned premiums for the Risk Management Fund and in the Virginia Information Technologies Agency internal service fund, unearned revenue relates to the transfer and purchase of assets for transition agencies and advanced customer receipts. Additionally, in the Property Management Fund, unearned revenue relates to prepaid rent and work orders. Unearned revenues in the other component units consist primarily of the deferral of fees related to various activities.

Q. Deferred Taxes

Deferred taxes represent the deferral of income taxes related to the period January through June 2012. 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 \$866,494,431 and estimated underpayments total \$422,164,422. This results in deferred taxes of \$444,330,009.

Corporate income tax estimated overpayments total \$61,059,340 and estimated underpayments total \$52,947,060. This results in deferred taxes of \$8,112,280.

R. 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.

S. 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 24).

T. Claims Payable

Claims payable, reported in the proprietary funds of the primary government, represent both health and liability insurance claims payable at June 30, 2012. 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 22.A. and 22.B.). Claims payable reported by the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – major component unit) represents estimated malpractice, workers' compensation, and medical claims payable amounts.

U. 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 25).

Bond premiums and discounts, as well as significant issuance costs, are deferred and amortized over the life of the bond. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 25).

V. 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.

W. 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.

X. Committed Fund Balances

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

Y. 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.

Z. Unassigned Fund Balances

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

AA. Cash Management Improvement Act

The Commonwealth calculates the Cash Management Improvement Act (CMIA) interest liability to the federal government in accordance with the interest calculation and exchange provisions of the Federal Cash Management Improvement Act of 1990. 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 the Financial Management Service (FMS). The Commonwealth does not have a CMIA interest amount due for the current year. The Commonwealth's interest liability is subject to review and final confirmation by FMS of the U.S. Treasury.

BB. 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 Treasurer's Portfolio in the General Fund.

CC. 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.

DD. Interfund Activity

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

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

2. RESTATEMENT OF BEGINNING BALANCES

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

Governmental Activities

Capital Asset balances were restated by \$33.8 million regarding the understatement of capital assets due primarily to errors by the Department of Transportation and the Department of State Police.

Fund Statements

The Federal (major special revenue) and Other (nonmajor special revenue) funds have been restated by \$6.1 million due to new Federal reporting guidance for the Equitable Sharing Program. Prior to the May 2012 Federal guidance, the equitable sharing amounts were reported in the Other (nonmajor special revenue) fund.

Beginning Balance Restatement

(Dollars in Thousands)

	Balance as of June 30, 2011	Change in Reporting	Correction of Prior Year Errors	Balance June 30, 2011 as restated
Government-wide Activities:				
Primary Government:				
Governmental Activities	\$ 17,895,251	\$ -	\$ 33,837	\$ 17,929,088
Business-type Activities	121,127	-	-	121,127
Total Primary Government	<u>\$ 18,016,378</u>	<u>\$ -</u>	<u>\$ 33,837</u>	<u>\$ 18,050,215</u>
Component Units	<u>\$ 20,857,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,857,755</u>
Fund Statements - Governmental Funds				
Major Governmental Funds:				
General	\$ (58,777)	\$ -	\$ -	\$ (58,777)
Special Revenue Funds:				
Commonwealth Transportation	2,434,530	-	-	2,434,530
Federal Trust	27,631	6,091	-	33,722
Literary	119,618	-	-	119,618
Total Major Governmental Funds	<u>2,523,002</u>	<u>6,091</u>	<u>-</u>	<u>2,529,093</u>
Nonmajor Governmental Funds				
Special Revenue Funds:				
Health and Social Services Fund	162,159	-	-	162,159
Other Special Revenue Fund	481,437	(6,091)	-	475,346
Total Special Revenue	<u>643,596</u>	<u>(6,091)</u>	<u>-</u>	<u>637,505</u>
Debt Service Funds:				
Primary Government	67,825	-	-	67,825
Virginia Public Building Authority	-	-	-	-
Total Debt Service	<u>67,825</u>	<u>-</u>	<u>-</u>	<u>67,825</u>
Capital Project Funds:				
Primary Government	49,780	-	-	49,780
Virginia Public Building Authority	95,131	-	-	95,131
Total Capital Projects	<u>144,911</u>	<u>-</u>	<u>-</u>	<u>144,911</u>
Permanent Funds:				
Commonwealth Health Research Fund	29,950	-	-	29,950
Behavioral Health Endowment Funds	250	-	-	250
Total Permanent Funds	<u>30,200</u>	<u>-</u>	<u>-</u>	<u>30,200</u>
Total Nonmajor Governmental Funds	<u>886,532</u>	<u>(6,091)</u>	<u>-</u>	<u>880,441</u>
Total Governmental Funds	<u>\$ 3,409,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,409,534</u>

3. FUND BALANCE CLASSIFICATIONS

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

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

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

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

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

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

The governmental fund balance classifications and amounts at June 30, 2012, 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	\$ 45,502	\$ 64,191	\$ 14,326	\$ -	\$ 5,523	\$ 129,542
Prepaid Items	72,400	6,603	1,531	-	12,905	93,439
Permanent Funds	-	-	-	-	28,000	28,000
Total Nonspendable	<u>117,902</u>	<u>70,794</u>	<u>15,857</u>	<u>-</u>	<u>46,428</u>	<u>250,981</u>
Restricted						
Agriculture and Forestry	-	-	-	-	1,104	1,104
Capital Projects/Construction/Capital Acquisition	-	-	-	-	202,471	202,471
Debt Service	-	-	-	-	78,969	78,969
Economic and Technological Development	-	-	-	-	1,056	1,056
Educational and Training Programs	-	-	-	-	7,133	7,133
Environmental Quality and Natural Resource Preservation	-	-	-	-	11,719	11,719
Gifts and Grants	-	31,581	83,877	-	2,065	117,523
Government Operations:						
Legislative Services	-	-	-	-	14	14
Administrative Services	-	-	-	-	1,295	1,295
Health and Public Safety	-	-	-	-	125,526	125,526
Literary Fund	-	-	-	97,582	-	97,582
Lottery Proceeds Fund	35,131	-	-	-	-	35,131
Revenue Stabilization Fund	680,907	-	-	-	-	680,907
Transportation Activities	-	204,681	-	-	-	204,681
Virginia Water Supply Assistance Grant Fund	13,231	-	-	-	-	13,231
Total Restricted	<u>729,269</u>	<u>236,262</u>	<u>83,877</u>	<u>97,582</u>	<u>431,352</u>	<u>1,578,342</u>
Committed						
3% Bonus for State Employees	77,200	-	-	-	-	77,200
Agriculture and Forestry	-	-	-	-	20,268	20,268
Amount Required for Mandatory Reappropriation	97,972	-	-	-	-	97,972
Amount Required for Reappropriation of 2012 Unexpended Balances for Capital Outlay	7,034	-	-	-	-	7,034
Capital Projects/Construction/Capital Acquisition	656	-	-	-	849	1,505
Central Capital Planning Fund	2,024	-	-	-	-	2,024
Communications Sales and Use Tax	4,806	-	-	-	-	4,806
Contract and Debt Administration	-	16,111	-	-	12	16,123
Economic and Technological Development	11,730	-	-	-	16,259	27,989
Educational and Training Programs	691	3,725	-	-	4,914	9,330
Environmental Quality and Natural Resource Preservation	2,550	-	-	-	101,433	103,983
Federal Action Contingency Trust Fund	30,000	-	-	-	-	30,000
Government Operations:						
Legislative Services	-	-	-	-	440	440
Administrative Services	191	-	-	-	35,584	35,775
Governor's Opportunity Fund	41,621	-	-	-	-	41,621
Health and Public Safety	35,649	1,655	-	-	180,066	217,370
Natural Disaster Sum Sufficient	29,934	-	-	-	-	29,934
Regulatory Oversight	-	-	-	-	116,663	116,663
Transportation Activities	-	2,418,047	-	-	7,064	2,425,111
Transportation Trust Fund	20,924	-	-	-	-	20,924
Virginia Health Care Fund	68,537	-	-	-	-	68,537
Virginia Water Quality Improvement Fund	54,532	-	-	-	-	54,532
Total Committed	<u>486,051</u>	<u>2,439,538</u>	<u>-</u>	<u>-</u>	<u>483,552</u>	<u>3,409,141</u>
Assigned						
Educational and Training Programs	-	-	-	-	3,613	3,613
Environmental Quality and Natural Resource Preservation	-	-	-	-	1,089	1,089
Government Operations:						
Administrative Services	-	-	-	-	1,554	1,554
Health and Public Safety	-	-	-	-	5,559	5,559
Total Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,815</u>	<u>11,815</u>
Unassigned	<u>(820,863)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(820,863)</u>
Total Fund Balance	<u>\$ 512,359</u>	<u>\$ 2,746,594</u>	<u>\$ 99,734</u>	<u>\$ 97,582</u>	<u>\$ 973,147</u>	<u>\$ 4,429,416</u>

4. DEFICIT FUND BALANCES/NET ASSETS

The State Lottery (major enterprise fund), the Department of Alcoholic Beverage Control (nonmajor enterprise fund), and the Payroll Service Bureau (internal service fund) ended the year with deficit net assets of \$9.8 million, \$28.9 million and \$688,907, respectively. This was solely attributable to the net pension obligation resulting from GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and the net other postemployment benefits (OPEB) obligation resulting from GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Since the Commonwealth is the employer, the agencies do not report this liability in their individually published financial statements.

The Department of Environmental Quality's Title V and Air Pollution Permit Fund (nonmajor enterprise fund) ended the year with deficit net assets of \$3.7 million. The deficit was the result of expenses being greater than revenue over the past few years and the net pension obligation resulting from GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and the net other postemployment benefits (OPEB) obligation resulting from GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The Virginia Information Technologies Agency (internal service fund) ended the year with a deficit net assets balance of \$28.0 million. The deficit was a result of operating expenses exceeding revenues in previous years.

The Property Management Fund (internal service fund) ended the year with a deficit net assets balance of \$19.3 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.

The Risk Management Fund (internal service fund) ended the year with a deficit net assets balance of \$511.6 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 assets balance of \$24.0 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 Economic Development Partnership (nonmajor component unit) ended the year with a deficit net assets balance of \$1.5 million. This deficit occurs because the partnership's Statement of Net Assets reflects \$5.0 million in non-current liabilities related to compensated absences, net pension obligation, and net other postemployment benefit obligation. The Partnership is funded mainly by state appropriations, which show current funding only.

The Virginia National Defense Industrial Authority (nonmajor component unit) ended the year with a deficit net assets balance of \$43,582. This deficit occurs because the authority's Statement of Net Assets reflects \$122,014 in non-current liabilities related to compensated absences, net pension obligation, and net other postemployment benefit obligation.

The Virginia College Building Authority (nonmajor component unit) ended the year with a deficit net assets balance of \$2.4 billion. This deficit occurred because the Authority issued bonds for the 21st Century College and Equipment programs subject to future appropriations from the General Fund of the Commonwealth without any other security.

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 2012, no withdrawal or deposit other than interest earnings were required for the Revenue Stabilization Fund.

Under the provisions of Article X, Section 8 of the *Constitution of Virginia*, a deposit of \$132.7 million is required during fiscal year 2013 based on fiscal year 2011 revenue collections. Additionally, a deposit of \$244.6 million is required during fiscal year 2014 based on fiscal year 2012 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 2012.

The Revenue Stabilization Fund has principal and interest on deposit of \$303.6 million. This balance, along with the constitutionally required deposits of \$132.7 million and \$244.6 million discussed above (totaling \$680.9 million), are 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 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 percent.

6. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2012, the carrying amount of cash for the primary government was \$3,246,440,531 and the bank balance was \$309,476,833. The carrying amount of cash for component units was \$1,400,699,950 and the bank balance was \$729,239,898. Cash equivalents are investments with an original maturity of 90 days or less. Cash and cash equivalents for foundations (component units) totaled \$332,792,971 as of year-end. A portion of this amount and some balances during the year exceeded Federal Deposit Insurance Corporation (FDIC) insurance coverage. Foundation investments are disclosed in the Interest Rate Risk section of this note.

For purposes of this note, primary government includes governmental, business-type activities, and fiduciary funds. The deposits of the primary government and the component units, excluding foundations (component units), are secured in accordance with the provisions of the Virginia Security for Public Deposits Act, Section 2.2-4400 of the *Code of Virginia*. The act requires any public depository that receives or holds public deposits to pledge collateral to the Treasury Board to cover public deposits in excess of Federal deposit insurance. The required collateral percentage is determined by the Treasury Board and ranges from 50 percent to 100 percent for financial institutions choosing the pooled method of collateralization, and from 105 percent to 130 percent for financial institutions choosing the dedicated method of collateralization. As stated in Note 1.BB., unrealized gains or losses for the Treasurer's Portfolio are recorded in the General Fund.

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

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

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

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

At June 30, 2012, the Treasurer of Virginia held no investment, with the exception of securities lending, that was out of compliance or in default as to principal or interest.

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

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

Certain investments held in trust by the Treasurer of Virginia 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 credit risk pertaining to the Commonwealth's securities lending program are found in the securities lending section of this note.

As of June 30, 2012, the primary government had \$1,722,246,212 of cash equivalents and investments that were exposed to custodial risk as uninsured and uncollateralized. The System had \$1,721,883,000 of this amount that 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 \$1,708,638,000 of the total. The remainder was for various types of debt securities. The component units had \$26,241,097 of cash equivalents and investments that were exposed to custodial risk as uninsured and uncollateralized. Corporate bonds represented \$7,760,254 and agency mortgage-backed securities represented \$5,392,903 of the total, and the remainder was for various types of debt and equity securities.

As of June 30, 2012, the investments of the Pension and Other Employee Benefit Trust Funds were approximately 77.0 percent of the primary government investments, and 99.0 percent of those that were exposed to custodial risk.

Interest Rate Risk

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

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

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

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

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

At June 30, 2012, the Commonwealth had the following investments and maturities:

Primary Government Investments
(Dollars in Thousands)

<u>Investment Type</u>	<u>Fair Value</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	\$ 4,371,791	\$ 756,387	\$ 2,418,559	\$ 613,812	\$ 583,033
Corporate Notes	614,908	608,455	3,245	1,413	1,795
Corporate Bonds	728,468	44,465	396,967	215,251	71,785
Corporate and Other Credit	12,575,866	3,372,579	2,984,621	2,115,190	4,103,476
Corporate Mortgage-Backed Securities	80,209	-	198	646	79,365
Commercial Paper	2,052,137	2,052,137	-	-	-
Negotiable Certificates of Deposit	2,740,357	2,739,650	707	-	-
Repurchase Agreements	2,871,363	2,871,363	-	-	-
Municipal Securities	138,175	26,042	23,000	28,969	60,164
Asset-Backed Securities	267,501	117,236	58,282	33,787	58,196
Agency Mortgage-Backed Securities	2,713,163	40,555	2,358,166	91,152	223,290
Agency Unsecured Bonds and Notes	1,987,008	1,084,079	832,516	53,013	17,400
Mutual and Money Market Funds (Includes SNAP)	1,746,287	1,746,287	-	-	-
The Boston Company Polled Employee Trust Fund	97,617	97,617	-	-	-
Guaranteed Investment Contracts	414,876	-	414,876	-	-
Fixed Income and Commingled Funds	1,307,162	-	290,086	1,017,037	39
Investments held by broker-dealers under securities loans					
U. S. Government and Agency Securities	675	-	442	233	-
Corporate Notes	43,571	610	17,469	21,959	3,533
Corporate Bonds	16,976	4,676	9,506	2,794	-
Other	650,194	181,553	326,565	50,575	91,501
Total	<u>\$ 35,418,304</u>	<u>\$ 15,743,691</u>	<u>\$ 10,135,205</u>	<u>\$ 4,245,831</u>	<u>\$ 5,293,577</u>

Component Unit Investments
(Dollars in Thousands)

<u>Investment Type</u>	<u>Fair Value</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	\$ 969,040	\$ 390,469	\$ 184,812	\$ 30,644	\$ 363,115
Corporate Notes	110,445	34,575	63,083	9,916	2,871
Corporate Bonds	295,890	47,238	156,920	85,483	6,249
Corporate Mortgage-Backed Securities	14,914	-	-	450	14,464
Commercial Paper	656,299	656,299	-	-	-
Negotiable Certificates of Deposit	92,111	87,801	4,310	-	-
Repurchase Agreements	76,116	76,116	-	-	-
Municipal Securities	3,621,803	28,756	103,887	112,311	3,376,849
Asset-Backed Securities	193,896	27,803	96,308	19,354	50,431
Agency Unsecured Bonds and Notes	68,619	50,684	17,935	-	-
Agency Mortgage-Backed Securities	393,856	219,900	48,197	16,804	108,955
Mutual and Money Market Funds (Includes SNAP)	955,112	837,561	9,310	73,802	34,439
Guaranteed Investment Contracts	69,860	1,971	14,354	12,467	41,068
Fixed Income and Commingled Funds	26,913	1,600	11,527	13,786	-
Other	49,865	49,721	104	40	-
Total	<u>\$ 7,594,739</u>	<u>\$ 2,510,494</u>	<u>\$ 710,747</u>	<u>\$ 375,057</u>	<u>\$ 3,998,441</u>

Foundation Investments
(Dollars in Thousands)

<u>Investment Type</u>	<u>Fair Value</u>
U.S. Treasury and Agency Securities	\$ 835,795
Common & Preferred Stocks	745,879
Corporate Notes	11,071
Corporate Bonds	157,747
Negotiable Certificates of Deposit	3,737
Municipal Securities	3,797
Repurchase Agreements	26,120
Asset Backed Securities	11,541
Agency Mortgage Backed	6,021
Mutual Funds	426,241
Real Estate	503,367
Index Funds	13,237
Fixed Income and Commingled Funds	904
Equity Index and Pooled Funds	453
Others	5,955,791
Total	<u>\$ 8,701,701</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 of the Commonwealth 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 and A-1, 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 ten 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, 2012. The ratings presented below are using Standard & Poor's (S&P) and Moody's Investors Service (Moody's) rating scales. Within the primary government, the investments presented in the table represented 84.2 percent of the total debt securities, 12.8 percent of which were invested in corporate unrated investments. Within the component units, the investments presented in the table represented 86.5 percent of the total debt securities, 43.8 percent of which were invested in unrated Municipal Securities.

Credit risk for derivative instruments held by the Commonwealth results from counterparty risk assumed by the Commonwealth. This is essentially the risk that the borrower will be unable to meet its obligation. Information regarding the Commonwealth's credit risk related to derivatives is found in Note 13, "Derivatives."

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
Corporates and Other Credit	\$ 4,554,115	Moody's	NR	12.86%
U. S. Treasury and Agency Securities	4,371,791	N/A	N/A	12.34%
Corporates and Other Credit	2,871,657	Moody's	Aaa	8.11%
Negotiable Certificates of Deposit	2,143,814	Moody's	P-1	6.05%
Agency Mortgage Backed Securities	2,004,208	Moody's	Aaa	5.66%
Agency Unsecured Bonds and Notes	1,861,680	Standard & Poor's	AA+	5.26%
Mutual and Money Market Funds (Includes SNAP)	1,636,677	Standard & Poor's	AAA	4.62%
Commercial Paper	1,584,292	Moody's	P-1	4.47%
Repurchase Agreements	1,294,000	Standard & Poor's	AA+	3.65%
Repurchase Agreements	1,018,586	Standard & Poor's	A-1	2.88%
Corporates and Other Credit	640,121	Moody's	Baa3	1.81%
Fixed Income and Commingled Funds	615,092	Moody's	Baa	1.74%
Corporates and Other Credit	533,450	Moody's	Baa1	1.51%
Corporates and Other Credit	526,904	Moody's	Baa2	1.49%
Corporates and Other Credit	478,238	Moody's	Ba3	1.35%
Corporates and Other Credit	471,932	Moody's	B1	1.33%
Corporates and Other Credit	438,380	Moody's	B2	1.24%
Agency Mortgage Backed Securities	432,068	Moody's	NR	1.22%
Fixed Income and Commingled Funds	416,064	N/A	N/A	1.17%
Guaranteed Investment Contracts	414,876	N/A	N/A	1.17%
Commercial Paper	407,871	Standard & Poor's	A-1	1.15%
Corporates and Other Credit	379,981	Moody's	B3	1.07%
Negotiable Certificates of Deposit	375,131	Standard & Poor's	A-1	1.06%
Corporate Notes	356,229	Moody's	Aa2	1.01%

Credit Rating - Component Units
(Dollars in Thousands)

Investment	Amount	Rating Agency	Rating	Percent of Portfolio
Municipal Securities	\$ 3,330,534	N/A	N/A	43.78%
U. S. Treasury and Agency Securities	885,112	N/A	N/A	11.63%
Mutual and Money Market Funds (Includes SNAP)	589,207	Standard & Poor's	AAA	7.75%
Commercial Paper	341,866	Moody's	P-1	4.49%
Mutual and Money Market Funds (Includes SNAP)	332,444	N/A	N/A	4.37%
Agency Mortgage Backed Securities	250,932	Moody's	Aaa	3.30%
Commercial Paper	249,919	N/A	N/A	3.29%
Agency Mortgage Backed Securities	114,225	Standard & Poor's	AA+	1.50%
Asset Backed Securities	108,161	Moody's	Aaa	1.42%
Negotiable Certificates of Deposit	85,000	Moody's	P-1	1.12%
U. S. Treasury and Agency Securities	83,929	Standard & Poor's	AA+	1.10%
Repurchase Agreements	76,116	N/A	N/A	1.00%
Guaranteed Investment Contracts	65,077	Moody's	Aa3	0.86%
Agency Unsecured Bonds and Notes	63,995	Moody's	Aaa	0.84%

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 five percent of the total market value of its investments. In addition, the 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 four 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 four 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 five 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 five percent or more of plan net assets 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 portfolio at June 30, 2012.

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

Component Units

All component unit investments exposed to foreign currency risk were part of the College of William and Mary (nonmajor), James Madison University (nonmajor), and the Virginia Economic Development Partnership (nonmajor) portfolios at June 30, 2012.

Foreign Currency Exposures by Asset Class - Primary Government

(Dollars in Thousands)

Currency	Cash & Cash Equivalents	Equity	Fixed Income	Private Equity	Real Estate	International Funds	Total
U.S. Dollar	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 891,258	\$ 891,258
British Pound Sterling	7,264	752,272	(117,234)	1,400	7,455	-	651,157
Euro Currency Unit	26,338	769,322	(484,721)	27,391	-	-	338,330
Hong Kong Dollar	2,876	585,221	-	-	-	-	588,097
Japanese Yen	15,737	603,815	(94,942)	-	(227)	-	524,383
South Korean Won	1,462	445,922	2,187	-	-	-	449,571
Canadian Dollar	3,110	349,688	163,280	-	-	-	516,078
Brazil Real	1,688	239,425	71,682	-	-	-	312,795
Swedish Krona	939	107,282	164,830	819	-	-	273,870
New Taiwan Dollar	3,713	242,076	-	-	-	-	245,789
Indian Rupee	1,011	172,429	414	-	-	-	173,854
South African Comm Rand	411	137,733	32,864	-	-	-	171,008
Norwegian Krone	2,285	43,025	301,789	-	-	-	347,099
Mexican New Peso	5,479	60,290	86,317	-	-	-	152,086
New Turkish Lira	994	86,752	31,726	-	-	-	119,472
Australian Dollar	1,586	240,823	(380,133)	-	-	-	(137,724)
Thailand Baht	309	102,200	21,358	-	-	-	123,867
Singapore Dollar	1,029	56,174	11,767	-	-	-	68,970
Malaysian Ringgit	863	33,507	48,347	-	-	-	82,717
Indonesian Rupiah	566	39,890	40,541	-	-	-	80,997
New Zealand Dollar	214	798	(107,679)	-	-	-	(106,667)
Polish Zloty	470	34,295	34,048	-	-	-	68,813
Russian Ruble	13	307	32,802	-	-	-	33,122
Philippines Peso	1,323	21,374	(2,106)	-	-	-	20,591
Danish Krone	403	33,241	-	-	-	-	33,644
Israeli Shekel	317	7,661	-	-	-	-	7,978
Egyptian Pound	514	9,097	-	-	-	-	9,611
Columbian Peso	-	-	13,715	-	-	-	13,715
Uruguayan Peso	-	-	7,484	-	-	-	7,484
Nigerian Naira	-	-	7,227	-	-	-	7,227
Turkish Lira	7,189	-	-	-	-	-	7,189
UAE Dirham	138	3,862	-	-	-	-	4,000
Hungarian Forint	133	1,975	13,753	-	-	-	15,861
Chinese Yuan Renminbi	-	68	5,939	-	-	-	6,007
Czech Koruna	387	11,638	-	-	-	-	12,025
Omani Rial	-	1,962	-	-	-	-	1,962
Peruvian Nuevo Sol	-	-	14,819	-	-	-	14,819
Moroccan Dirham	1	-	-	-	-	-	1
Argentina Peso	487	-	-	-	-	-	487
Chilean Peso	-	6,474	193	-	-	-	6,667
Swiss Franc	12,201	207,862	(53,758)	-	-	-	166,305
Total	\$ 101,450	\$ 5,408,460	\$ (133,491)	\$ 29,610	\$ 7,228	\$ 891,258	\$ 6,304,515

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	\$ 1,065	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,065
Euro Currency Unit	1,800	-	-	-	-	-	1,800
Total	\$ 2,865	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,865

Securities Lending

The State Treasury's securities lending program is managed by Deutsche Bank AG, New York (Deutsche Bank), under a contract dated March 31, 2006 and Novation Agreement dated November 23, 2009. 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 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 Treasury cannot pledge or sell such collateral absent a default.

The State Treasury's contract with Deutsche Bank provides for loss indemnification against insolvency default with respect to lending transactions and in the case of reverse transactions as defined in the applicable Agency Securities Lending and Repurchase Agreement. Additionally, Deutsche Bank AG is liable for any losses experienced from reinvestment of cash collateral in investments not authorized by the provisions of the investment guidelines for the Commonwealth of Virginia agreed upon by both parties and made a part of the Agency Securities Lending and Repurchase Agreement. There were no realized losses resulting from default or recoveries of prior period losses 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, 24.5 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, 2012, all collateral received was in the form of cash.

Securities loaned for the Treasurer's cash collateral reinvestment pool, which consisted of 86.5 percent general account funds and 13.5 percent State Lottery funds as of June 30, 2012, had a carrying value of \$1,372,764,688 and a fair value of \$1,486,209,404. The fair value of the collateral received was \$1,515,962,463 providing for coverage of 102.0 percent. As a result, the State Treasury assumes no credit risk on securities loaned. The carrying value of the cash collateral reinvestment pool received was \$1,516,055,107 and the

fair value of the investments purchased with the cash collateral was \$1,513,991,572. As of June 30, 2012, the Treasurer's cash collateral reinvestment pool had an unrealized loss of \$1,970,891, and is recorded in the General Fund as stated in Note 1.BB. This amount is included in the total Treasurer's Portfolio discussed earlier in this note.

Current cash collateral reinvestment guidelines allow for a maximum maturity of up to nine months on floating rate investments and up to six months on fixed rate investments. Term repurchase agreements are limited to 60 days. At June 30, 2012, the cash collateral reinvestment portfolio had a weighted average maturity of 4 days using the next interest reset date as the maturity date for floating rate securities. Using the expected maturity date, the weighted average maturity was 117 days and using the final maturity date, which assumes no pay downs on any asset-backed or mortgage-backed securities, the weighted average maturity was 1.1 years.

Treasury's current cash reinvestment guidelines allow for investment in government securities, bank obligations, commercial paper, corporate bonds and notes, indemnified repurchase agreements, and U.S. government money market funds. Each type of reinvestment security has to meet predetermined minimum credit criteria. At June 30, 2012, the majority of cash collateral reinvestments were in indemnified repurchase agreements, and asset-backed (including mortgage-backed) floating rate securities.

At June 30, 2012, \$13.2 million or 0.87 percent of the total par value of the cash collateral reinvestment portfolio was out of compliance with Treasury's current cash collateral reinvestment guidelines due to various security ratings downgrades during the past few years and adoption of more restrictive reinvestment guidelines. Included in the \$13.2 million of out of compliance securities is a \$9.3 million asset-backed security that Treasury has reason to believe is other than temporarily impaired. Treasury has written off \$3.8 million of this security as of June 30, 2012. This security is not in default and is making principal and interest payments. Approximately 86.5 percent of these out of compliance securities are part of the general account portion of the securities lending program and the other 13.5 percent is the State Lottery's portion of the securities lending program. The Commonwealth regularly evaluates these positions to determine the most beneficial course of action going forward.

Under authorization of the Board, the Virginia Retirement System (the System) lends its fixed income and equity securities to various broker-dealers on a temporary basis. This program is administered through an agreement with the System's custodial agent bank. All security loan agreements are collateralized by cash, securities, or an irrevocable letter of credit issued by a major bank, and have a market value equal to at least 102 percent of the market value for domestic securities and 105 percent for international securities. Securities received as collateral cannot be pledged or sold by the System unless the borrower defaults. Contracts require the lending agents to indemnify the System if the borrowers fail to return the securities lent. All securities

loans can be terminated on demand by either the System or the borrowers. The majority of loans are open loans, meaning the rebate is set daily. This results in a maturity of one or two days on average, although securities are often on loan for longer periods. The maturity of loans generally does not match the maturity of collateral investments, which averages 43 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, 2012 was \$3,913,126,000. The June 30, 2012 balance was composed of corporate and other bonds of \$59,324,000 and common and preferred stocks of \$3,853,802,000. The value of collateral (cash and non-cash) at June 30, 2012, was \$4,074,754,000.

At June 30, 2012, the invested cash collateral had a market value of \$2,161,444,000 and was composed of commercial paper of \$677,683,000, certificates of deposit of \$713,178,000, floating rate notes of \$600,691,000, asset backed securities of \$11,538,000, interest bearing notes of \$49,477,000, and repurchase agreements of \$108,877,000. As of June 30, 2012, the System's cash collateral reinvestment pool had an unrealized loss of \$14.0 million.

A foundation of the University of Virginia (major component unit) reports an obligation under securities lending of approximately \$14.0 million. Since this foundation follows FASB rather than GASB reporting requirements, disclosures can be found in the individually published financial statements of the foundation.

7. RECEIVABLES

The following schedule (dollars in thousands) details the accounts, loans, interest, taxes, prepaid tuition contributions, security transactions, and other receivables presented in the major funds, aggregated nonmajor funds by type, internal service funds, fiduciary funds, major component units, and aggregated nonmajor component units, as of June 30, 2012:

	Accounts Receivable	Loans / Mortgage Receivable	Interest Receivable	Taxes Receivable	Prepaid Tuition Contributions Receivable
Primary Government:					
General	\$ 900,216	\$ 288	\$ 356,253	\$ 1,759,438	\$ -
Major Special Revenue Funds:					
Commonwealth Transportation	92,420	35,152	-	141,275	-
Federal Trust	816,495	228	-	-	-
Literary	216,148	236,239	19,861	-	-
Nonmajor Governmental Funds	178,797	-	10,367	6,842	-
Major Enterprise Funds:					
State Lottery	52,827	-	-	-	-
Virginia College Savings Plan	8,115	-	3,060	-	244,796
Unemployment Compensation	183,386	11,676	-	-	-
Nonmajor Enterprise Funds	33,887	-	-	-	-
Internal Service Funds	13,381	-	-	-	-
Private Purpose Trust Funds	-	13	1,670	-	-
Pension and Other Employee Benefit Trust (1)	143,529	-	207,190	-	-
Investment Trust Fund	-	-	859	-	-
Agency Funds	389	-	-	121,287	-
Total Primary Government (2)	<u>\$ 2,639,590</u>	<u>\$ 283,596</u>	<u>\$ 599,260</u>	<u>\$ 2,028,842</u>	<u>\$ 244,796</u>
Discrete Component Units:					
Virginia Housing Development Authority (3)	\$ -	\$ 7,887,323	\$ 37,497	\$ -	\$ -
Virginia Public School Authority	-	-	65,934	-	-
University of Virginia (4)	648,449	47,896	1,300	-	-
Virginia Polytechnic Institute and State University	65,616	43,713	1,375	-	-
Virginia Commonwealth University (5)	394,797	27,708	385	-	-
Nonmajor Component Units (6)	202,728	4,010,326	57,143	4,889	-
Total Component Units	<u>\$ 1,311,590</u>	<u>\$ 12,016,966</u>	<u>\$ 163,634</u>	<u>\$ 4,889</u>	<u>\$ -</u>

Note (1): Other Receivables of the Pension and Other Employee Benefit Trust Fund of \$11,604 (dollars in thousands) are made up \$2,714 (dollars in thousands) in pending investment transactions, including \$1,602 (dollars in thousands) in securities lending, and \$1,112 (dollars in thousands) in other investment receivable; as well as \$8,890 (dollars in thousands) in other receivables related to benefit plans.

Note (2): Fiduciary net receivables in the amount of \$1,604,478 (dollars in thousands) are not included in the Government-wide Statement of Net Assets.

Note (3): The Virginia Housing Development Authority reports \$7,639,491 (dollars in thousands) as Restricted Loans Receivable, \$36,096 (dollars in thousands) as Restricted Interest Receivable, and \$4,572 (dollars in thousands) as Restricted Other Receivables.

Note (4): Other Receivables of the University of Virginia of \$46,446 (dollars in thousands) are made up of the FICA receivable of \$24,700 (dollars in thousands), pledges receivable of \$20,656 (dollars in thousands) and foundation other receivables of \$1,090 (dollars in thousands).

Note (5): Other Receivables of the Virginia Commonwealth University of \$110,005 (dollars in thousands) are made up of sponsors accounts receivable of \$22,297 (dollars in thousands) and the following amounts reported by the Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University) of premium receivables of \$47,861 (dollars in thousands), FICA receivable of \$32,873 (dollars in thousands), and third-party settlements and non-patient receivables of \$6,974 (dollars in thousands).

Note (6): Other Receivables of the nonmajor component units are primarily comprised of \$58,933 (dollars in thousands) reported by foundations representing FASB reporting entities defined in Note 1.B. and \$36,740 (dollars in thousands) reported by the Virginia Biotechnology Research Park Authority.

Security Transactions	Other Receivables	Allowance for Doubtful Accounts	Net Accounts Receivable	Amounts to be Collected Greater than One Year
\$ -	\$ -	\$ (1,391,169)	\$ 1,625,026	\$ 287,571
-	-	(20,164)	248,683	27,173
-	-	(17,451)	799,272	33
-	-	(210,623)	261,625	202,397
-	26	(91,691)	104,341	605
-	-	-	52,827	-
-	-	-	255,971	188,097
-	-	(47,526)	147,536	-
-	-	(786)	33,101	-
-	-	(418)	12,963	-
-	-	-	1,683	-
1,162,237	11,604	-	1,524,560	-
-	-	-	859	-
-	-	(44,300)	77,376	3,806
<u>\$ 1,162,237</u>	<u>\$ 11,630</u>	<u>\$ (1,824,128)</u>	<u>\$ 5,145,823</u>	<u>\$ 709,682</u>
\$ -	\$ 11,033	\$ (159,338)	\$ 7,776,515	\$ 7,553,829
-	-	-	65,934	-
-	46,446	(385,224)	358,867	40,056
-	41	(3,089)	107,656	40,792
-	110,005	(211,147)	321,748	56,739
-	135,980	(18,222)	4,392,844	3,888,915
<u>\$ -</u>	<u>\$ 303,505</u>	<u>\$ (777,020)</u>	<u>\$ 13,023,564</u>	<u>\$ 11,580,331</u>

8. CONTRIBUTIONS RECEIVABLE, NET

The following schedule details the contributions receivable for foundations⁽¹⁾ included with the major component units, and aggregated nonmajor component units, as of June 30, 2012:

(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:							
University of Virginia	\$ 41,555	\$ 45,337	\$ 24,540	\$ 111,432	\$ (6,492)	\$ (9,168)	\$ 95,772
Virginia Polytechnic Institute & State University	31,044	38,591	13,044	82,679	(1,653)	(1,526)	79,500
Virginia Commonwealth University	11,012	18,691	6,689	36,392	(1,539)	(2,044)	32,809
Nonmajor Component Units	43,002	56,831	32,114	131,947	(7,287)	(6,591)	118,069
Total Component Units	<u>\$ 126,613</u>	<u>\$ 159,450</u>	<u>\$ 76,387</u>	<u>\$ 362,450</u>	<u>\$ (16,971)</u>	<u>\$ (19,329)</u>	<u>\$ 326,150</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 0.15 percent to 8.00 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, 2012.

Schedule of Due from/to Other Funds

June 30, 2012

(Dollars in Thousands)

Due From	Amount	Due To	Amount
Primary Government		Primary Government	
General Fund	\$ 37,229	Major Special Revenue Funds:	
		Federal Trust	\$ 659
		Major Enterprise Funds:	
		State Lottery	22,972
		Nonmajor Enterprise Funds	12,114
		Internal Service Funds	1,484
Major Special Revenue Funds:			
Commonw ealth Transportation	20,924	General Fund	20,924
Federal Trust	1,869	Major Enterprise Funds:	
		Unemployment Compensation	1,869
Nonmajor Governmental Funds	8,392	Major Special Revenue Funds:	
		Commonw ealth Transportation	4,989
		Federal Trust	2,218
		Nonmajor Governmental Funds	200
		Major Enterprise Funds:	
		Unemployment Compensation	244
		Nonmajor Enterprise Funds	741
Major Enterprise Funds:			
Unemployment Compensation	635	General Fund	400
		Major Special Revenue Funds:	
		Commonw ealth Transportation	28
		Federal Trust	64
		Nonmajor Governmental Funds	115
		Major Enterprise Funds:	
		State Lottery	2
		Nonmajor Enterprise Funds	20
		Internal Service Funds	6
Nonmajor Enterprise Funds	9,086	General Fund	316
		Major Special Revenue Funds:	
		Commonw ealth Transportation	252
		Federal Trust	389
		Nonmajor Governmental Funds	8,108
		Nonmajor Enterprise Funds	5
		Internal Service Funds	16
Internal Service Funds	50,154	General Fund	23,807
		Major Special Revenue Funds:	
		Commonw ealth Transportation	12,938
		Federal Trust	5,305
		Nonmajor Governmental Funds	5,218
		Major Enterprise Funds:	
		State Lottery	121
		Virginia College Savings Plan	33
		Nonmajor Enterprise Funds	2,388
		Internal Service Funds	344
Pension and Other Employee Benefit Trust	13,923	Private Purpose Trust	13
		Pension and Other Employee Benefit Trust	13,910
Total Primary Government	<u>\$ 142,212</u>	Total Primary Government	<u>\$ 142,212</u>

Schedule of Due from/to Internal/External Parties

June 30, 2012

(Dollars in Thousands)

Due From	Amount	Due To	Amount
Primary Government		Primary Government	
Nonmajor Governmental Funds	\$ 984	Agency	\$ 984
Internal Service Funds	133	Private Purpose Trust	19
		Pension and Other Employee Benefit Trust	114
Pension and Other Employee Benefit Trust	18,447	General Fund	11,982
		Major Special Revenue Funds:	
		Commonwealth Transportation	2,347
		Federal Trust	1,221
		Nonmajor Governmental Funds	2,180
		Major Enterprise Funds:	
		State Lottery	92
		Virginia College Savings Plan	34
		Nonmajor Enterprise Funds	355
		Internal Service Funds	236
Total Primary Government	<u>\$ 19,564</u>	Total Primary Government	<u>\$ 19,564</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, 2012. There were no Interfund Receivables/Payables for the component units as of June 30, 2012.

Interfund Receivables/Payables

June 30, 2012

(Dollars in Thousands)

Receivable From:	Amount	Payable To:	Amount
Primary Government		Primary Government	
Nonmajor Governmental Funds	\$ 92,442	General Fund	\$ 13,152
		Major Special Revenue Funds:	
		Federal Trust	14,949
		Nonmajor Enterprise Funds	28,489
		Internal Service Funds	35,852
Total	<u>\$ 92,442</u>	Total	<u>\$ 92,442</u>

Note: The loan payable to the General Fund will not be repaid within one year.

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.

The following due from primary government amounts represent General Fund (major governmental fund) appropriation available amounts that are due from the General Fund: University of Virginia (major component unit) - \$6.9 million and nonmajor component units - \$2.3 million. The General Fund reports the entire amount of \$9.2 million in the government-wide financial statements.

The following due from primary government amounts represent amounts due from the General Fund (major governmental fund) related to interest/rebate allocations: University of Virginia (major component unit) - \$0.1 million, Virginia Polytechnic Institute and State University (major component unit) - \$0.1 million, Virginia Commonwealth University (major component unit) - \$0.1 million, and nonmajor component units - \$5.4 million. In addition, a due from primary government amount due from the Federal Trust Special Revenue Fund (major governmental fund) to the Virginia College Building Authority (nonmajor component unit) of \$4.5 million is for interest on Build America Bonds (BABs).

A \$0.2 million due from primary government amount represents an amount due from a nonmajor governmental fund related to the Department of the Treasury's reimbursement programs primarily to nonmajor component units.

A \$2.2 million due from primary government amount represents an amount due from the General Fund (major governmental fund) to the Virginia Land Conservation Foundation (nonmajor component unit).

A \$12.2 million due from component units in the Health Care Fund (internal service fund) represents amounts due from the following: University of Virginia (major component unit) - \$0.2 million, Virginia Polytechnic Institute and State University (major component unit) - \$2.6 million, Virginia Commonwealth University (major component unit) - \$2.9 million, and nonmajor component units - \$6.5 million.

A \$0.7 million 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 following due from component units amounts represent amounts due from the Virginia College Building Authority (nonmajor component unit) related to the Department of the Treasury's reimbursement programs: University of Virginia (major component unit) - \$13.8 million, Virginia Polytechnic Institute and State University (major component unit) - \$14.6 million, Virginia Commonwealth University (major component unit) - \$8.9 million, and nonmajor component units - \$72.8 million. There is a due to component units of \$3.8 million from the Virginia Commercial Space Flight Authority (nonmajor component unit) to a foundation of the Old Dominion University (nonmajor component unit). There is a \$0.2 million due to component units from the Virginia Economic Development Partnership (nonmajor component unit) to the Virginia National Defense Industrial Authority (nonmajor component unit). There is a \$0.1 million due to component units from the Tobacco Indemnification and Community Revitalization Commission (nonmajor component unit) to the Virginia Economic Development Partnership (nonmajor component unit). There is a \$1.4 million due to component units from the Virginia Land Conservation Foundation (nonmajor component unit) to the Virginia Outdoors Foundation (nonmajor component unit).

Due from/to Component Units and Fiduciary Funds

A \$9.8 million due from component units in the Pension and Other Employee Benefit Trust Funds (fiduciary funds) represents amounts due from the following: University of Virginia (major component unit) - \$3.0 million, Virginia Polytechnic Institute and State University (major component unit) - \$1.2 million, Virginia Commonwealth University (major component unit) - \$2.0 million, and nonmajor component units - \$3.6 million.

Loans Receivable/Payable Between Primary Government and Component Units

The Virginia Community College System (nonmajor component unit) loan of \$5.1 million was used primarily to advance fund federally-funded grant programs.

The \$161.2 million in loans receivable from primary government represents loans from the Virginia Public School Authority (VPSA) 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, 2012:

(Dollars in Thousands)

	Cash and Travel Advances	Unamortized Bond Issuance Expense	Other Assets	Total Other Assets
Primary Government:				
General	\$ 2,060	\$ -	\$ -	\$ 2,060
Major Special Revenue Funds:				
Commonwealth Transportation	427	-	-	427
Federal Trust	2,379	-	-	2,379
Nonmajor Governmental Funds	917	-	1,070	1,987
Major Enterprise Funds:				
State Lottery	1	-	-	1
Nonmajor Enterprise Funds	169	-	-	169
Internal Service Funds (1)	5	-	7,184	7,189
Agency Funds (2)	-	-	58	58
Total Primary Government (2)	<u>\$ 5,958</u>	<u>\$ -</u>	<u>\$ 8,312</u>	<u>\$ 14,270</u>
Discrete Component Units:				
Virginia Housing Development Authority	\$ -	\$ 4,306	\$ 27,345	\$ 31,651
University of Virginia	1,759	448	18,950	21,157
Virginia Polytechnic Institute and State University	-	1,717	3,937	5,654
Virginia Commonwealth University	469	5,674	12,135	18,278
Nonmajor Component Units	7,251	66,776	18,714	92,741
Total Component Units	<u>\$ 9,479</u>	<u>\$ 78,921</u>	<u>\$ 81,081</u>	<u>\$ 169,481</u>

Note (1): The \$7,184 (dollars in thousands) shown above represents a Virginia Information Technologies Agency interfund asset due from various governmental funds that will not be received within 60 days. This amount is reclassified to an internal balance on the Government-wide Statement of Net Assets.

Note (2): Other Assets of the Agency Funds represent prepaid expenses and advances to third party agents. The \$58 (dollars in thousands) shown above is not included in the Government-wide Statement of Net Assets.

11. RESTRICTED ASSETS

Restricted assets represent monies or other resources that must be used for specific legal or contractual requirements. The Commonwealth Transportation Fund (major special revenue) and Debt Service and Capital Projects (nonmajor governmental funds) reported \$1.5 billion in restricted assets related to bond agreements.

The Virginia Housing Development Authority (major component unit) reported restricted assets totaling \$872.1 million. The Virginia Public School Authority (major component unit) reported restricted assets of \$87.3 million. Both major component units' assets are restricted for debt service under a bond indenture agreement or other agreements.

The Virginia Port Authority (nonmajor component unit) reported restricted assets of \$121.7 million primarily for debt service under bond agreements, construction and other project funds.

The Virginia Resources Authority (nonmajor component unit) reported restricted assets of \$620.8 million. Of this amount, \$613.4 million is restricted for loans to local governments, bond indentures, or federal and state regulations for various revolving funds, and \$7.4 million is restricted for the Operating Reserve Fund for the Virginia Pooled Financing Program.

The Tobacco Indemnification and Community Revitalization Commission (nonmajor component unit) reported restricted assets of \$298.3 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 \$88.4 million. Of this amount, \$15.7 million is for debt service and \$72.7 million is revenue bond construction funds.

The Virginia Small Business Financing Authority (nonmajor component unit) reported restricted assets of \$29.2 million for gifts and grants.

The higher education institutions (component units) reported restricted assets totaling approximately \$4.2 billion primarily for endowment and other contractual obligations. Included in this amount is approximately \$3.2 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 \$215.7 million and \$14.9 million, respectively, primarily for donor-imposed restricted endowments.

The remaining \$4.9 million is spread among the Virginia Outdoors Foundation (nonmajor component unit), the Virginia Horse Center Foundation (nonmajor component unit), the Fort Monroe Authority (nonmajor component unit), the Virginia Arts Foundation (nonmajor component unit), the Library of Virginia Foundation (nonmajor component unit) and the Danville Science Center (nonmajor component unit).

12. CAPITAL ASSETS

The following schedule presents the changes in the Capital Assets:

Schedule of Changes in Capital Assets				
Governmental Activities				
<i>(Dollars in Thousands)</i>				
	Balance July 1, as restated (1)	Increases	Decreases	Balance June 30
Nondepreciable Capital Assets:				
Land	\$ 2,530,915	\$ 132,492	\$ (50,649)	\$ 2,612,758
Water Rights and/or Easements	32,281	16,168	-	48,449
Construction-in-Progress	3,384,206	1,777,239	(1,615,693)	3,545,752
Total Nondepreciable Capital Assets	5,947,402	1,925,899	(1,666,342)	6,206,959
Depreciable Capital Assets:				
Buildings (2)	3,214,762	339,351	(11,436)	3,542,677
Equipment	894,156	137,497	(17,038)	1,014,615
Infrastructure	24,859,253	1,817,117	(224,971)	26,451,399
Software	332,128	42,509	-	374,637
Total Capital Assets being Depreciated	29,300,299	2,336,474	(253,445)	31,383,328
Less Accumulated Depreciation for:				
Buildings	1,090,483	77,082	(7,414)	1,160,151
Equipment	509,760	50,130	(14,357)	545,533
Infrastructure	11,053,411	663,073	(11,387)	11,705,097
Software	141,498	22,857	-	164,355
Total Accumulated Depreciation	12,795,152	813,142	(33,158)	13,575,136
Total Depreciable Capital Assets, Net	16,505,147	1,523,332	(220,287)	17,808,192
Total Capital Assets, Net	\$ 22,452,549	\$ 3,449,231	\$ (1,886,629)	\$ 24,015,151

Note (1): Beginning balances have been restated by \$33,837 (dollars in thousands) due to the correction of prior year errors, as discussed in Note 2. Additionally, there have been reclassifications in the beginning balances of certain line items above.

Note (2): Includes temporarily impaired assets with a carrying value of \$12.1 million.

Depreciation Expense Charged to Functions of the Primary Government

June 30, 2012

(Dollars in Thousands)

Governmental Activities:		
General Government	\$	14,182
Education		9,575
Transportation		681,408
Resources and Economic Development		16,879
Individual and Family Services		41,812
Administration of Justice		38,215
Capital Assets held by the Internal Service		
Funds are charged to various functions		11,071
Total	\$	<u>813,142</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	4,558	1,162	(4,986)	734
Total Nondepreciable Capital Assets	<u>6,535</u>	<u>1,162</u>	<u>(4,986)</u>	<u>2,711</u>
Depreciable Capital Assets:				
Buildings	19,269	4,986	-	24,255
Equipment	66,451	2,835	(8,107)	61,179
Software	2,209	287	(78)	2,418
Total Capital Assets being Depreciated	<u>87,929</u>	<u>8,108</u>	<u>(8,185)</u>	<u>87,852</u>
Less Accumulated Depreciation for:				
Buildings	11,223	243	-	11,466
Equipment	46,444	5,541	(8,044)	43,941
Software	541	334	(78)	797
Total Accumulated Depreciation	<u>58,208</u>	<u>6,118</u>	<u>(8,122)</u>	<u>56,204</u>
Total Depreciable Capital Assets, Net	<u>29,721</u>	<u>1,990</u>	<u>(63)</u>	<u>31,648</u>
Total Capital Assets, Net	<u>\$ 36,256</u>	<u>\$ 3,152</u>	<u>\$ (5,049)</u>	<u>\$ 34,359</u>

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

(Dollars in Thousands)

	Balance July 1 as restated (1)	Increases	Decreases	Subtotal June 30	Foundations (2)	Total June 30
Nondepreciable Capital Assets:						
Land	\$ 513,761	\$ 26,178	\$ (4,856)	\$ 535,083	\$ 267,090	\$ 802,173
Construction-in-Progress	1,683,835	1,313,844	(1,277,856)	1,719,823	114,037	1,833,860
Inexhaustible Works of Art/Historical Treasures	75,306	1,229	(12)	76,523	18,823	95,346
Livestock	665	168	-	833	2,067	2,900
Total Nondepreciable Capital Assets	<u>2,273,567</u>	<u>1,341,419</u>	<u>(1,282,724)</u>	<u>2,332,262</u>	<u>402,017</u>	<u>2,734,279</u>
Depreciable Capital Assets:						
Buildings	10,967,459	1,007,531	(53,873)	11,921,117	978,890	12,900,007
Infrastructure	2,570,292	198,962	(1,234)	2,768,020	5,040	2,773,060
Equipment	2,720,166	259,513	(168,267)	2,811,412	123,298	2,934,710
Improvements Other Than Buildings	389,744	46,887	(4,564)	432,067	65,241	497,308
Library Books	753,350	31,125	(11,685)	772,790	-	772,790
Software	337,116	40,841	(476)	377,481	-	377,481
Other Intangible Assets	2,000	-	-	2,000	-	2,000
Total Capital Assets being Depreciated	<u>17,740,127</u>	<u>1,584,859</u>	<u>(240,099)</u>	<u>19,084,887</u>	<u>1,172,469</u>	<u>20,257,356</u>
Less Accumulated Depreciation for:						
Buildings	3,297,473	323,853	(31,568)	3,589,758	221,512	3,811,270
Infrastructure	1,181,355	76,866	(965)	1,257,256	2,550	1,259,806
Equipment	1,711,275	222,754	(136,145)	1,797,884	81,030	1,878,914
Improvements Other Than Buildings	227,479	18,248	(3,460)	242,267	34,144	276,411
Library Books	613,358	34,346	(11,630)	636,074	-	636,074
Software	200,868	31,093	(431)	231,530	-	231,530
Other Intangible Assets	933	134	-	1,067	-	1,067
Total Accumulated Depreciation	<u>7,232,741</u>	<u>707,294</u>	<u>(184,199)</u>	<u>7,755,836</u>	<u>339,236</u>	<u>8,095,072</u>
Total Depreciable Capital Assets, Net	<u>10,507,386</u>	<u>877,565</u>	<u>(55,900)</u>	<u>11,329,051</u>	<u>833,233</u>	<u>12,162,284</u>
Total Capital Assets, Net	<u>\$ 12,780,953</u>	<u>\$ 2,218,984</u>	<u>\$ (1,338,624)</u>	<u>\$ 13,661,313</u>	<u>\$ 1,235,250</u>	<u>\$ 14,896,563</u>

Note (1): Beginning balances have been restated by \$22,372 (dollars in thousands) for the College of William and Mary (nonmajor) due to the reporting of capital assets by the institution rather than by its foundation, and by \$29,953 (dollars in thousands) for George Mason University (nonmajor) due to a change in the elimination of an intrafund capital lease with its foundation. Additionally, there have been reclassifications in the 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. DERIVATIVES

The Government Accounting Standards Board (GASB) issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which 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.

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

At June 30, 2012, the System had four types of derivative financial instruments: futures, currency forwards, options and swaps. Futures, currency forwards and options contracts provide the System with the opportunity to build passive benchmark positions, manage portfolio duration in relation to various benchmarks, adjust portfolio yield curve exposure and gain market exposure to various indexes in a more efficient way and at lower transaction costs. Credit risks depend on whether the contracts are exchange-traded or exercised over-the-counter. Market risks arise from adverse changes in market prices, interest rates and foreign exchange rates.

Futures Contracts

Futures contracts are contracts to deliver or receive securities at a specified future date and at a specified price or yield. Futures contracts are traded on organized

exchanges (exchange-traded) and require an initial margin (collateral) in the form of cash or marketable securities. The net change in the futures contract value is settled daily, in cash, with the exchanges. The net gains or losses resulting from the daily settlements are included in the System's financial statements. Holders of futures contracts look to the exchange for performance under the contract and not to the entity holding the offsetting futures position. Accordingly, the amount at risk posed by nonperformance of counterparties to futures contracts is minimal. The notional value of the System's investment in futures contracts at June 30, 2012 and 2011 is shown in the following table.

Futures Contracts as of June 30		
(Dollars in Thousands)		
	2012	2011
Cash & Cash Equivalent Derivatives Futures:		
Short	\$ (143,472)	\$ (52,582)
Equity Derivatives Futures:		
Long	474,687	1,226,545
Short	-	(69,000)
Fixed Income Derivatives Futures:		
Long	17,818	632,094
Short	(66,863)	(416,406)
Total Futures	<u>\$ 282,170</u>	<u>\$ 1,320,651</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, 2012 and 2011 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	Market Value 2012	Market Value 2011
Australian Dollar	\$ (588,418)	\$ 159,569	\$ (761,777)	\$ (602,208)	\$ (436,820)
Brazil Real	(9,259)	19,904	(29,080)	(9,176)	(11,989)
British Pound Sterling	(786,044)	255,922	(1,042,461)	(786,539)	(736,914)
Canadian Dollar	(91,712)	337,004	(427,131)	(90,127)	(349,740)
Chilean Peso	78	5,540	(5,347)	193	(3,863)
Chinese Yuan Renminbi	5,826	14,472	(8,533)	5,939	2,498
Columbian Peso	(709)	4,221	(4,856)	(635)	1,006
Czech Koruna	-	-	-	-	(4,271)
Danish Krone	(22,045)	8,813	(31,107)	(22,294)	(53,979)
Euro Currency Unit	(2,204,043)	441,595	(2,671,728)	(2,230,133)	(2,474,116)
Hong Kong Dollar	(82,076)	4,548	(86,634)	(82,086)	(119,335)
Hungarian Forint	10,527	13,214	(1,886)	11,328	950
Indian Rupee	585	3,971	(3,557)	414	1,010
Indonesian Rupian	9,472	9,580	-	9,580	333
Israeli Shekel	(14,420)	1,174	(15,559)	(14,385)	(19,628)
Japanese Yen	(874,105)	100,422	(975,697)	(875,275)	(941,104)
Kazakhstan Tenge	-	-	-	-	7,950
Malaysian Ringgit	31,239	31,333	(228)	31,105	26,587
Mexican New Peso	(19,048)	9,813	(30,243)	(20,430)	(801)
New Taiwan Dollar	-	-	-	-	(4,189)
New Turkish Lira	8,217	12,842	(4,482)	8,360	4,019
New Zealand Dollar	(107,187)	77,883	(190,827)	(112,944)	60,015
Norwegian Krone	265,789	317,799	(50,629)	267,170	88,031
Peruvian Nuevo Sol	255	1,019	(761)	258	(563)
Philippines Peso	(2,622)	3,656	(6,267)	(2,611)	9,644
Polish Zloty	2,885	11,338	(8,342)	2,996	14,337
Russian Ruble (New)	9,343	9,724	(175)	9,549	15,083
Singapore Dollar	(19,902)	9,543	(29,475)	(19,932)	(34,984)
South African Comm Rand	(22,785)	21,544	(44,457)	(22,913)	(5,912)
South Korean Won	2,224	2,760	(573)	2,187	1,520
Swedish Krona	107,058	237,518	(127,162)	110,356	134,369
Swiss Franc	(258,357)	134,714	(395,685)	(260,971)	(529,151)
Thailand Baht	5,006	5,124	(129)	4,995	11,911
U.S. Dollar	4,646,227	6,858,273	(2,212,046)	4,646,227	5,333,172
Total Forwards Subject to Foreign Currency Risk				<u>\$ (42,002)</u>	<u>\$ (14,924)</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, 2012 and 2011 is shown in the following table.

Options Contracts

as of June 30

(Dollars in Thousands)

	2012	2011
Cash and Cash Equivalent Options:		
Put	\$ -	\$ 40
Equity Options:		
Call	-	(182)
Put	-	(95)
Fixed Income Options:		
Call	-	87
Put	-	144
Swaptions:		
Call	(978)	(5,557)
Put	(118)	601
Total Options	<u>\$ (1,096)</u>	<u>\$ (4,962)</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 indices. 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 2012, the System entered into credit defaults, inflation, interest rate and total return swaps. Information on the System's swap balances at June 30, 2012 and 2011 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	Market Value 2012	Market Value 2011
Credit Default Swaps:								
Credit Suisse Group AG	\$ 38,452			6/20/2017	Buying	1.000%	\$ 2,738	-
Credit Suisse Group AG	12,533			6/20/2016	Selling	1.000%	100	-
Credit Suisse Group AG	12,000			6/20/2017	Selling	1.000%	(72)	-
Credit Suisse Group AG	8,000			12/20/2016	Buying	1.000%	157	-
Credit Suisse Group AG	6,250			12/20/2016	Buying	1.000%	(49)	-
Credit Suisse Group AG	5,900			12/20/2016	Selling	1.000%	(14)	-
Credit Suisse Group AG	5,000			12/20/2016	Buying	1.000%	(121)	-
Credit Suisse Group AG	5,000			12/20/2016	Buying	1.000%	(68)	-
Credit Suisse Group AG	5,000			12/20/2016	Buying	1.000%	81	-
Credit Suisse Group AG	4,575			9/20/2017	Selling	1.000%	(121)	-
Credit Suisse Group AG	4,050			12/20/2016	Buying	5.000%	(375)	-
Credit Suisse Group AG	4,050			12/20/2016	Buying	1.000%	305	-
Credit Suisse Group AG	3,700			6/20/2017	Selling	1.000%	(61)	-
Credit Suisse Group AG	2,500			12/20/2016	Selling	1.000%	(3)	-
Credit Suisse Group AG	2,094			9/20/2017	Selling	5.000%	(143)	-
Credit Suisse Group AG	1,500			12/20/2016	Selling	5.000%	(65)	-
Credit Suisse Group AG	800			12/20/2016	Selling	1.000%	(1)	-
Credit Suisse Group AG	500			12/20/2012	Selling	1.000%	1	-
Credit Suisse Group AG	475			6/20/2017	Buying	1.000%	31	-
Credit Suisse Group AG	200			12/20/2016	Selling	1.000%	(5)	-
Credit Suisse AG	2,500			6/20/2016	Buying	5.000%	-	(223)
Credit Suisse AG	7,000			6/20/2016	Buying	5.000%	-	(917)
Credit Suisse AG	15,948			6/20/2016	Buying	1.000%	-	1,211
Credit Suisse AG	35,000			6/20/2016	Selling	1.000%	-	131
Deutsche Bank AG	10,000			12/20/2012	Selling	5.000%	163	-
Deutsche Bank AG	9,300			6/20/2017	Selling	5.000%	902	-
Deutsche Bank AG	6,500			12/20/2012	Selling	1.000%	(14)	-
Deutsche Bank AG	6,500			12/20/2012	Selling	5.000%	132	-
Deutsche Bank AG	6,000			12/20/2016	Selling	1.000%	56	-
Deutsche Bank AG	5,800			12/20/2016	Selling	1.000%	(100)	-
Deutsche Bank AG	5,800			12/20/2016	Selling	1.000%	(60)	-
Deutsche Bank AG	5,000			6/20/2017	Selling	1.000%	(261)	-
Deutsche Bank AG	5,000			12/20/2012	Selling	1.000%	2	-
Deutsche Bank AG	5,000			12/20/2012	Selling	1.000%	4	-
Deutsche Bank AG	5,000			12/20/2016	Buying	1.000%	260	-
Deutsche Bank AG	5,000			12/20/2016	Buying	1.000%	81	-
Deutsche Bank AG	4,000			12/20/2016	Selling	1.000%	(28)	-
Deutsche Bank AG	4,000			12/20/2012	Selling	1.000%	9	-
Deutsche Bank AG	3,800			6/20/2021	Selling	1.000%	(253)	-
Deutsche Bank AG	3,426			3/20/2014	Selling	5.000%	(40)	-
Deutsche Bank AG	3,150			12/20/2016	Buying	1.000%	42	-
Deutsche Bank AG	2,300			9/20/2013	Selling	1.000%	9	-
Deutsche Bank AG	1,500			12/20/2013	Selling	5.000%	(4)	-
Deutsche Bank AG	1,200			12/20/2016	Selling	1.000%	(1)	-
Deutsche Bank AG	600			12/20/2012	Selling	1.000%	2	-
Deutsche Bank AG	500			12/20/2012	Selling	1.000%	2	-
Deutsche Bank AG	200			12/20/2012	Selling	1.000%	-	-
Deutsche Bank AG/London	6,800			6/20/2021	Selling	1.000%	-	(295)
Deutsche Bank AG/London	7,750			6/20/2016	Selling	5.000%	-	1,015
Deutsche Bank AG/London	200			9/20/2015	Selling	1.000%	-	3
Deutsche Bank AG/London	500			6/20/2021	Selling	1.000%	-	(19)
Deutsche Bank AG/London	2,000			3/20/2015	Selling	1.000%	-	(13)
Deutsche Bank AG/London	2,100			9/20/2014	Selling	5.000%	-	269
Deutsche Bank AG/London	2,300			6/20/2015	Selling	1.000%	-	(35)
Deutsche Bank AG/London	3,600			12/20/2015	Selling	1.000%	-	80
Deutsche Bank AG/London	5,000			6/20/2015	Selling	1.000%	-	(21)
Deutsche Bank AG/London	2,180			6/20/2018	Selling	1.000%	-	(93)
Goldman Sachs Group Inc/The	11,100			6/20/2017	Selling	1.000%	(67)	-
Goldman Sachs Group Inc/The	7,750			6/20/2017	Selling	5.000%	752	-
Goldman Sachs Group Inc/The	6,726			12/20/2016	Buying	1.000%	370	-
Goldman Sachs Group Inc/The	6,600			3/20/2013	Selling	5.000%	169	-
Goldman Sachs Group Inc/The	6,000			12/20/2016	Selling	1.000%	(7)	-
Goldman Sachs Group Inc/The	5,800			12/20/2016	Buying	Variable Rate	398	-
Goldman Sachs Group Inc/The	5,800			12/20/2016	Buying	Variable Rate	459	-
Goldman Sachs Group Inc/The	5,400			12/20/2016	Buying	1.000%	108	-
Goldman Sachs Group Inc/The	5,275			6/20/2017	Selling	0.250%	(182)	-
Goldman Sachs Group Inc/The	5,000			12/20/2016	Buying	1.000%	174	-
Goldman Sachs Group Inc/The	4,375			6/20/2013	Selling	1.000%	(75)	-
Goldman Sachs Group Inc/The	4,000			12/20/2016	Selling	1.000%	(195)	-
Goldman Sachs Group Inc/The	3,950			9/20/2017	Selling	1.000%	(349)	-
Goldman Sachs Group Inc/The	3,200			12/20/2016	Selling	1.000%	(26)	-
Goldman Sachs Group Inc/The	3,160			3/20/2014	Selling	5.000%	91	-
Goldman Sachs Group Inc/The	3,150			12/20/2016	Buying	1.000%	1	-
Goldman Sachs Group Inc/The	2,900			12/20/2016	Selling	5.000%	(229)	-
Goldman Sachs Group Inc/The	2,650			6/20/2017	Selling	1.000%	(132)	-
Goldman Sachs Group Inc/The	2,500			12/20/2016	Buying	1.000%	165	-
Goldman Sachs Group Inc/The	2,500			12/20/2016	Selling	5.000%	(28)	-
Goldman Sachs Group Inc/The	2,000			9/20/2017	Buying	1.000%	21	-
Goldman Sachs Group Inc/The	2,000			9/20/2017	Buying	1.000%	36	-
Goldman Sachs Group Inc/The	2,000			12/20/2016	Selling	1.000%	(206)	-

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	Market Value 2012	Market Value 2011
Credit Default Swaps (continued):								
Goldman Sachs Group Inc/The	1,800			12/20/2016	Selling	1.000%	(348)	-
Goldman Sachs Group Inc/The	1,777			3/20/2017	Buying	3.000%	119	-
Goldman Sachs Group Inc/The	1,600			3/20/2014	Selling	5.000%	46	-
Goldman Sachs Group Inc/The	1,500			12/20/2012	Selling	1.000%	1	-
Goldman Sachs Group Inc/The	1,500			3/20/2014	Selling	5.000%	60	-
Goldman Sachs Group Inc/The	1,400			9/20/2016	Selling	5.000%	46	-
Goldman Sachs Group Inc/The	1,300			12/20/2013	Selling	5.000%	37	-
Goldman Sachs Group Inc/The	1,269			9/20/2017	Buying	1.000%	72	-
Goldman Sachs Group Inc/The	1,269			9/20/2017	Buying	1.000%	72	-
Goldman Sachs Group Inc/The	1,000			9/20/2017	Buying	1.000%	75	-
Goldman Sachs Group Inc/The	1,000			9/20/2017	Buying	1.000%	38	-
Goldman Sachs Group Inc/The	952			12/20/2016	Selling	1.000%	(197)	-
Goldman Sachs Group Inc/The	900			6/20/2017	Selling	5.000%	(25)	-
Goldman Sachs Group Inc/The	800			12/20/2012	Selling	1.000%	2	-
Goldman Sachs Group Inc/The	800			12/20/2012	Selling	1.000%	2	-
Goldman Sachs Group Inc/The	300			12/20/2012	Selling	1.000%	-	-
Goldman Sachs Bank USA/New York NY	544			6/20/2016	Selling	1.000%	-	(2)
Goldman Sachs Bank USA/New York NY	1,200			6/20/2012	Buying	Variable Rate	-	(1)
Goldman Sachs Bank USA/New York NY	3,600			6/20/2016	Selling	1.000%	-	(60)
Goldman Sachs Bank USA/New York NY	3,827			6/20/2016	Selling	1.000%	-	(10)
Goldman Sachs Bank USA/New York NY	5,401			6/20/2016	Selling	1.000%	-	(14)
Goldman Sachs Bank USA/New York NY	15,560			6/20/2016	Buying	1.000%	-	(58)
Goldman Sachs International	500			3/20/2016	Selling	1.000%	-	(16)
Goldman Sachs International	1,100			6/20/2016	Selling	1.000%	-	10
UBS AG	7,350			6/20/2017	Buying	1.000%	(42)	-
UBS AG	6,000			6/20/2021	Selling	1.000%	(502)	-
UBS AG	1,850			9/20/2016	Selling	1.000%	(339)	-
UBS AG	1,600			6/20/2015	Selling	5.000%	49	-
UBS AG	200			12/20/2012	Selling	1.000%	-	-
UBS AG/London	11,850			6/20/2021	Selling	1.000%	-	(775)
UBS AG/Stamford CT	1,850			9/20/2016	Selling	1.000%	-	(182)
UBS AG/Stamford CT	4,475			12/20/2013	Buying	1.800%	-	(115)
Totals-Credit Default Swaps	504,943						3,632	(130)
Inflation Swaps:								
Merrill Lynch Capital Services	10,000	US CPI Urban Consumer NSA	3.2700%	7/5/2021			-	(19)
Total Inflation Swaps	10,000						-	(19)
Interest Rate Swaps:								
Credit Suisse Group AG	45,000	1.08875%	3-month USD LIBOR	2/14/2017			(384)	-
Credit Suisse Group AG	21,873	Brazil Cetip Interbank Deposit	8.97%	1/2/2015			246	-
Credit Suisse Group AG	18,680	Brazil Cetip Interbank Deposit	7.98%	1/2/2014			18	-
Credit Suisse Group AG	11,274	3-month Malaysia Interbank Fixing	3.33%	1/20/2017			68	-
Credit Suisse Group AG	10,077	3-month Malaysia Interbank Fixing	3.39%	5/9/2017			85	-
Credit Suisse Group AG	6,800	2.75%	3-month USD LIBOR	6/20/2042			(366)	-
Credit Suisse Group AG	6,703	Mexico Interbank 28 day Index	6.35%	4/11/2022			264	-
Credit Suisse Group AG	3,873	Mexico Interbank 28 day Index	6.20%	6/7/2022			98	-
Goldman Sachs Group Inc	25,000	1.26%	3-month USD LIBOR	10/3/2016			456	-
Goldman Sachs Group Inc	25,000	1.25%	3-month USD LIBOR	10/3/2016			456	-
Goldman Sachs Bank USA/New York NY	500	4.09%	3-month LIBOR	5/24/2041			-	(2)
Goldman Sachs Bank USA/New York NY	1,700	2.0975%	3-month LIBOR	5/23/2016			-	(11)
Goldman Sachs Bank USA/New York NY	2,900	3-month LIBOR	3.41%	3/18/2021			-	50
Goldman Sachs Bank USA/New York NY	3,300	2.40%	3-month USD LIBOR	3/8/2016			-	(78)
Goldman Sachs Bank USA/New York NY	4,500	3.37%	3-month USD LIBOR	10/5/2040			-	541
Goldman Sachs Bank USA/New York NY	6,000	4.2825%	3-month USD LIBOR	4/19/2041			-	(231)
Goldman Sachs Bank USA/New York NY	6,800	2.18%	3-month USD LIBOR	1/13/2016			-	(110)
Goldman Sachs Bank USA/New York NY	7,200	3-month USD LIBOR	3.3%	5/6/2021			-	43
Goldman Sachs Bank USA/New York NY	10,000	3-month USD LIBOR	3.32%	5/23/2021			-	76
Goldman Sachs Bank USA/New York NY	11,000	0.66%	3-month USD LIBOR	6/29/2013			-	3
Goldman Sachs Bank USA/New York NY	18,500	0.66%	3-month USD LIBOR	6/29/2013			-	6
Goldman Sachs Bank USA/New York NY	22,000	0.85%	3-month USD LIBOR	1/25/2013			-	(114)
Goldman Sachs Bank USA/New York NY	30,100	0.89%	3-month USD LIBOR	3/3/2013			-	(169)
UBS AG	71,713	Brazil Cetip Interbank Deposit	7.96%	1/2/2014			51	-
UBS AG	59,452	Brazil Cetip Interbank Deposit	10.77%	1/2/2014			2,264	-
UBS AG	29,793	Mexico Interbank 28 day Index	5.80%	6/8/2016			788	-
UBS AG	18,331	Brazil Cetip Interbank Deposit	9.84%	7/1/2013			438	-
UBS AG	16,944	Brazil Cetip Interbank Deposit	9.76%	7/1/2013			386	-
UBS AG	7,431	Brazil Cetip Interbank Deposit	8.25%	1/2/2014			32	-
UBS AG	5,758	Mexico Interbank 28 day Index	5.60%	9/6/2016			108	-
UBS AG	5,072	Mexico Interbank 28 day Index	6.75%	9/2/2022			336	-
UBS AG	3,567	Brazil Cetip Interbank Deposit	11.83%	1/2/2013			104	-
UBS AG/Stamford CT	12,378	JIBA3M INDEX	8.45%	3/31/2021			-	235
UBS AG/Stamford CT	47,212	6.75%	JIBA3M INDEX	3/31/2013			-	(290)
UBS AG/Stamford CT	38,970	0.00%	3-month USD LIBOR	2/15/2025			-	(3,013)
Total Interest Rate Swaps	615,401						5,448	(3,064)

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	Market Value 2012	Market Value 2011
Blackrock Advisors UK Ltd	61,900	1-month LIBOR +22 bps	BRCLYS Fixed Rate MBS	9/30/11			-	-
Credit Suisse AG	97,748	1-month LIBOR -16 bps	MSCI Daily EAFE Canada	8/31/11			-	(1,286)
Deutsche Bank AG/London	7,003	1-month LIBOR	IOS FN30 450.10	1/12/2041			-	47
Goldman Sachs Group Inc	704,400	0.47%	MSCI AC World Index IMI	4/2/2013			(340)	-
Goldman Sachs Bank USA/New York NY	145	1-month LIBOR	FL US Tbill	1/12/2040			-	1
Goldman Sachs Bank USA/New York NY	726	1-month LIBOR	IOS FN30 450.09	1/12/2040			-	-
Goldman Sachs Bank USA/New York NY	2,813	1-month LIBOR	IOS FN30 600.08	1/12/2039			-	-
Goldman Sachs International	237,298	3-month LIBOR + 55 bps	MSCI AC World Index IMI	3/31/12			-	(26)
UBS AG/Stamford CT	43,600	1-month LIBOR + 15 bps	BRCLYS Fixed Rate MBS	7/31/11			-	31
UBS AG/Stamford CT	61,800	3-month LIBOR + 26 bps	BRCLYS Fixed Rate MBS	12/31/11			-	-
UBS AG/Stamford CT	277,212	1-month LIBOR - 14 bps	MSCI Daily EAFE Canada USD	11/30/2011			-	(4,018)
Total Return Swaps	1,494,645						(340)	(5,251)
Total Swaps	\$ 2,624,989						\$ 8,740	\$ (8,464)

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

Component Units

Investment Derivative Instruments

The Virginia Housing Development Authority (major) had a forward sales contract investment derivative with a \$63,300,000 notional value and a fair value of \$636,387 as of June 30, 2012. This amount is reported as part of investment earnings and other liabilities.

Hedging Derivative Instruments

At June 30, 2012, the University of Virginia (UVA) (major) had two fixed-payer interest rate swaps totaling \$100,000,000 in notional amount. The swaps are used as cash flow hedges by UVA in order to provide a cash flow hedge against changes in interest rates on \$78,639,000 of the variable rate Series 2003A Bonds maturing in June 2034 and \$21,361,000 of outstanding commercial paper which may have various maturities of no greater than 270 days each. UVA pays fixed rates of 4.154 percent and 4.066 percent and the underlying index for the swaps is the Securities Industry and Financial Markets Municipal Swap Index (SIFMA). The floating rate on June 30, 2012, was 0.16 percent. The payments are settled monthly at the first of each month. The swaps were entered into in January 2007 and February 2007 and both swaps mature June 1, 2038. The swaps were entered into at a zero market value and no payments were made or received when they were initiated. At June 30, 2012, the negative market value of the swaps of \$35,053,051 is included in other liabilities in the accompanying financial statements. For the year ended June 30, 2012, the change in fair value of UVA's swaps was an increase of \$23,930,321 to the prior year's deferred outflows amount of \$11,122,730 resulting in deferred outflows as of June 30, 2012 of \$35,053,051 included in the accompanying financial statements.

The fair value was determined by using the quoted SIFMA index curve at the time of market valuation. UVA would be exposed to the credit risk of its swap

counterparties any time the swaps had a positive market value. At June 30, 2012, UVA had no credit risk related to its swaps. As of June 30, 2012, UVA's swap counterparties were rated A- from Standard & Poor's or A3 by Moody's. To mitigate credit risk, UVA limits market value exposure and requires the posting of collateral based on the credit rating of the counterparty. All counterparties, or their guarantors, are required to have at least an A-/A3 rating by Standard & Poor's and Moody's, respectively. As of June 30, 2012, no collateral was required to be posted by the counterparties.

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

In December 2005, Virginia Commonwealth University (VCU) (major) entered into an interest rate swap

agreement in anticipation of the issuance of General Revenue Pledge Bonds, Series 2006A and Series 2006B, which carry variable interest rates. The swap has a notional amount of \$67,875,000 as of year-end, which declines over time to \$4,835,000 at the termination date of November 1, 2030. VCU pays a fixed rate of 3.436 percent and the counterparty pays 67.0 percent of the London Interbank Offered Rate (LIBOR) (0.16 percent as of June 30, 2012). The payments are settled monthly at the first of each month. In December 2005, the Medical College of Virginia Hospitals (MCVH) which is a division of the Virginia Commonwealth University Health System Authority (a blended component unit of VCU), entered into an interest rate swap agreement in conjunction with the issuance of its Series 2005 tax-exempt bonds. The swap has a notional amount of \$71,800,000 as of year-end, which declines over time to \$8,000,000 at the maturity date of July 1, 2030. MCVH pays a fixed rate of 3.499 percent and the counterparty pays 67.0 percent of LIBOR (0.16 percent as of June 30, 2012). The payments are settled monthly at the first of each month. In June 2007, the MCVH entered into two interest rate swap agreements in anticipation of the issuance of the Series 2008 tax-exempt bonds. The swaps have a combined notional amount of \$122,500,000 as of year-end, which declines over time to \$15,700,000 at the termination date of July 1, 2037. MCVH pays a fixed rate of 3.84 percent and the counterparty pays 67.0 percent of LIBOR (0.16 percent as of June 30, 2012). The payments are settled monthly at the first of each month. At June 30, 2012, the negative fair market value of VCU's swap of \$14,280,784 and MCVH's swaps of \$64,081,370 are included in other liabilities in the accompanying financial statements. For the year ended June 30, 2012, the change in fair value of VCU's swap was an increase of \$6,489,536 to the prior year's deferred outflows amount of \$7,791,248 and the change in MCVH's swaps was an increase of \$32,276,211 to the prior year's deferred outflows amount of \$31,805,159 resulting in deferred outflows as of June 30, 2012 of \$78,362,154 included in the accompanying financial statements.

The fair value of VCU's derivative was calculated by Deutsche Bank using undisclosed proprietary methods. The fair values of MCVH's derivatives were calculated by Wells Fargo and Bank of America using undisclosed proprietary pricing models.

VCU and MCVH use interest rate swap agreements to limit exposure to rising interest rates on its variable rate debt. VCU and MCVH are exposed to interest rate risk on the interest rate swaps. On the pay-fixed, receive-variable interest rate swaps, as the LIBOR index decreases, VCU and MCVH's net payments on the swaps increase.

The following schedule shows debt service requirements of UVA, VCU, and MCVH bonds payable debt of \$361,409,000 and UVA's short-term debt (commercial paper) of \$21,361,000 and net receipts/payments on associated derivative instruments. These amounts assume that current variable and reference rates on the hedging instruments will remain the same for their terms. As these rates vary, net receipt/payments on the hedging instruments will vary.

Additional information is available in the individually published financial statements of the higher education institution.

Maturity	Principal	Variable Interest	Derivative Instruments, Net	Total
2013	\$ 5,305,000	\$ 566,992	\$ 12,999,430	\$ 18,871,422
2014	5,605,000	560,348	12,850,299	19,015,647
2015	5,810,000	553,472	12,692,613	19,056,085
2016	6,040,000	546,336	12,528,167	19,114,503
2017	6,265,000	538,943	12,340,314	19,144,257
2018-2022	35,220,000	2,573,876	58,627,303	96,421,179
2023-2027	64,875,000	2,241,343	51,859,219	118,975,562
2028-2032	67,795,000	1,722,993	40,350,031	109,868,024
2033-2037	148,794,000	683,853	14,718,926	164,196,779
2038-2042	37,061,000	34,178	1,687,519	38,782,697
Total	\$ 382,770,000	\$ 10,022,334	\$ 230,653,821	\$ 623,446,155

Various foundations of higher education institutions and the Virginia Museum of Fine Arts Foundation (nonmajor) 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.

14. RETIREMENT AND PENSION SYSTEMS

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

A. Administration

The Virginia Retirement System (the System) is an independent agency of the Commonwealth that administers two defined benefit pension plans, VRS Plan 1 and VRS Plan 2, 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 four Other Employee Benefit Plans: Group Life

Insurance Fund; Retiree Health Insurance Credit Fund; the Virginia Sickness and Disability Program (VSDP); and the Line of Duty Act Trust Fund.

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. 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 assets available for benefits.

C. Plan Description

Retirement Plans

The Virginia Retirement System is a qualified governmental retirement plan that provides defined benefit coverage for state employees, public school board employees, employees of participating political subdivisions and other qualifying employees. VRS is a mixed-agent and cost-sharing, multiple-employer retirement plan, which administers two defined benefit plans, the VRS Plan 1 and the VRS Plan 2. The plan's accumulated assets may legally be used to pay all plan benefits provided to any of the plan members, retirees, and beneficiaries. Contributions for fiscal year 2012 were \$1.7 billion with a reserve balance available for benefits of \$50.3 billion. At June 30, 2012, the VRS had 834 contributing employers.

Single-employer Retirement Plans

The Commonwealth also administers Plan 1 and Plan 2 for the following single-employer retirement plans:

- State Police Officers' Retirement System (SPORS)
- Virginia Law Officers' Retirement System (VaLORS)
- Judicial Retirement System (JRS)

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 are eligible for an unreduced retirement benefit 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. 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, 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 adjustment, based on changes in the Consumer Price Index and limited to 5.0 percent per year for VRS Plan 1 and 6.0 percent for VRS Plan 2, is granted on July 1 of the second calendar year after retirement and is effective each July 1 thereafter.

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

As required by Title 51.1 of the *Code of Virginia*, as amended, members contribute 5.0 percent of their annual compensation to the defined benefits plans. Employers may assume the 5.0 percent member contribution. If a member leaves covered employment, the accumulated contributions plus earned interest may be refunded to the member. Each participating employer is required by state statute to contribute the remaining amounts necessary to fund the retirement plans using the entry age normal actuarial cost method adopted by the Board of Trustees. Contributions for fiscal year 2012 were \$16.6 million, \$21.9 million, and \$42.2 million, and reserved balances available for benefits were \$575.5 million, \$354.3 million, and \$894.9 million, for SPORS, JRS, and VaLORS, respectively. State statute may be amended only by the General Assembly. When funding rates are

lower than required, the Commonwealth incurs a Net Pension Obligation liability which is reported in the accompanying financial statements as a component of Long-term Liabilities Due in More than One Year.

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 2012 were based on the actuary's valuation as of June 30, 2009. Employer contributions by the Commonwealth to VRS, SPORS, VaLORS, and JRS were 2.08 percent, 7.73 percent, 5.07 percent, and 28.65 percent, respectively, for the first nine months and 6.58 percent, 21.16 percent, 13.09 percent, and 42.58 percent, respectively, for the last three months of covered payrolls. These rates were lower than the actuary's recommended rates to VRS, SPORS, VaLORS, and JRS of 8.46 percent, 25.56 percent, 15.93 percent, 46.79 percent, respectively.

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

E. Annual Pension Cost and Net Pension Obligation

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

	VRS			SPORS		
	2012	2011	2010	2012	2011	2010
Annual required contribution	\$ 423,268	\$ 383,620	\$ 360,232	\$ 38,178	\$ 34,402	\$ 32,341
Interest on net pension obligation	108,029	85,192	71,709	11,265	9,285	8,075
Adjustment to annual required contribution	(114,626)	(90,255)	(75,995)	(11,928)	(9,831)	(8,550)
Annual pension cost	416,671	378,557	355,946	37,515	33,856	31,866
Contributions made	(117,296)	(73,874)	(176,189)	(11,441)	(7,460)	(15,730)
Increase in net pension obligation	299,375	304,683	179,757	26,074	26,396	16,136
Net pension obligation, beginning of year	1,440,626	1,135,943	956,186	150,194	123,798	107,662
Net pension obligation, end of year	<u>\$ 1,740,001</u>	<u>\$ 1,440,626</u>	<u>\$ 1,135,943</u>	<u>\$ 176,268</u>	<u>\$ 150,194</u>	<u>\$ 123,798</u>
Percentage of annual pension cost contributed	28.2%	19.5%	49.5%	30.5%	22.0%	49.4%

	JRS			VaLORS		
	2012	2011	2010	2012	2011	2010
Annual required contribution	\$ 35,804	\$ 34,907	\$ 29,483	\$ 86,052	\$ 79,596	\$ 80,603
Interest on net pension obligation	7,720	6,427	5,520	29,037	24,469	21,446
Adjustment to annual required contribution	(8,174)	(6,806)	(5,845)	(30,746)	(25,910)	(22,708)
Annual pension cost	35,350	34,528	29,158	84,343	78,155	79,341
Contributions made	(18,907)	(17,303)	(17,065)	(24,481)	(17,255)	(39,027)
Increase in net pension obligation	16,443	17,225	12,093	59,862	60,900	40,314
Net pension obligation, beginning of year	102,923	85,698	73,605	387,160	326,260	285,946
Net pension obligation, end of year	<u>\$ 119,366</u>	<u>\$ 102,923</u>	<u>\$ 85,698</u>	<u>\$ 447,022</u>	<u>\$ 387,160</u>	<u>\$ 326,260</u>
Percentage of annual pension cost contributed	53.5%	50.1%	58.5%	29.0%	22.1%	49.2%

The amounts in the previous table include governmental and component unit activity for which the Commonwealth is considered the employer. It does not include the VRS liability for the Virginia Economic Development Partnership (nonmajor component unit), the Virginia Tourism Authority (nonmajor component unit), the Fort Monroe Authority (nonmajor component unit), and the Virginia National Defense Industrial Authority (nonmajor component unit) of \$3.5 million, \$1.9 million, \$397,295, and \$90,844, respectively. The table also excludes the non-VRS pension liability of \$109.4 million for all other component units and includes the fiduciary pension liability of \$11.3 million.

The contribution rates were determined during the actuarial valuation conducted as of June 30, 2009.

These valuations were prepared using the entry age normal cost method. The actuarial assumptions included (a) 7.0 percent investment rate of return, per year compounded annually; (b) projected salary increases ranging from 3.5 percent to 6.2 percent, including a 2.5 percent inflation component; and (c) 2.5 percent per year COLA. Valuation techniques were applied to smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining open amortization period at June 30, 2012, was 20 years. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

F. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2011, per the most recent actuarial valuation, was as follows:

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) Entry Age [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
Virginia Retirement System (VRS)						
2011	\$ 52,559	\$ 75,185	\$ 22,626	69.9%	\$ 14,709	153.8%
State Police Officers' Retirement System (SPORS)						
2011	\$ 617	\$ 986	\$ 369	62.6%	\$ 100	370.3%
Virginia Law Officers' Retirement System (VaLORS)						
2011	\$ 926	\$ 1,683	\$ 757	55.0%	\$ 356	212.5%
Judicial Retirement System (JRS)						
2011	\$ 371	\$ 569	\$ 198	65.2%	\$ 59	336.8%

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

G. Defined Contribution Plan for Political Appointees

Officers appointed by the Governor, officers elected by popular vote or the General Assembly, and executive branch chief deputies and confidential assistants may participate in the deferred contribution plan for Political Appointees, rather than the VRS. This optional retirement plan is authorized by the *Code of Virginia* and offered through the ING Institutional Plan Services (ING). This is a defined contribution plan where the retirement benefits are based upon the Commonwealth's (2.08 percent for the first nine months and 6.58 percent for the last three months) 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, 2012, the total contributions to this plan were \$1,054,525.

The summary of significant accounting policies for the plan is in accordance with those discussed in Note 14. B.

H. Defined Contribution Plan for Public School Superintendents

The Public School Superintendent Plan is a defined contribution pension plan that provides optional postemployment benefits for school superintendents. This plan is authorized by the *Code of Virginia*. The Board of Trustees of the System manages the investments of the fund as custodian. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school board for credit to the member. At June 30, 2012, there were two participants in this plan. Total contributions to the plan for fiscal year 2012 were \$41,925.

I. Virginia Supplemental Retirement Plan

The Virginia Supplemental Retirement Plan is a defined contribution pension plan established by the Department of Education to provide an optional postemployment benefit plan for turnaround specialists in the public school system. This plan is utilized as an incentive to attract highly skilled teachers for participating public schools pursuant to the *Code of Virginia* by Title 51.1-617. The Board of Trustees of the System manages the investments of the fund as custodian. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school boards for credit to the members. At June 30, 2012, there were two participants in this plan. There were no contributions to the plan for fiscal year 2012.

J. Higher Education Fund (Component Unit)

The Commonwealth's colleges and universities participate in the defined benefit retirement plan administered by VRS. In addition, full-time faculty and certain administrative staff of the Commonwealth's colleges and universities may participate in optional retirement plans as authorized by the *Code of Virginia* rather than the VRS defined benefit retirement plan. These optional retirement plans are defined contribution plans offered through Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) Insurance Companies, Variable Annuity Life Insurance Company (VALIC), Fidelity Investments, Inc., and Vanguard. There are two defined contribution plans. Plan 1 is for employees hired prior to July 1, 2010, and retirement benefits received are based upon the employer's 10.4 percent contributions, plus interest and dividends. Plan 2 is for employees hired on or after July 1, 2010, and retirement benefits received are based upon the employer's 8.5 percent not to exceed 8.9 percent contribution and the employee's 5.0 percent contribution, plus interest and dividends. For Plan 2, the employer contributions for fiscal year 2012 were 8.5 percent except the employer contributions for the University of Virginia (major) were 8.9 percent. During the year ended June 30, 2012, the total contributions to these plans were:

	Plan 1		Plan 2		Total
	Employer		Employer	Employee	
TIAA-CREF	\$ 75,070,050		\$ 6,149,903	\$ 3,584,910	\$ 84,804,863
VALIC	984,660		75,480	44,520	1,104,660
Fidelity Investments	34,589,004		5,233,898	3,032,215	42,855,117
Vanguard	1,158,792		144,833	81,150	1,384,775
Total	<u>\$ 111,802,506</u>		<u>\$ 11,604,114</u>	<u>\$ 6,742,795</u>	<u>\$ 130,149,415</u>

University of Virginia Medical Center (part of the University of Virginia – major) employees hired after July 1, 1999, cannot participate in Plan 1 or Plan 2 noted above but have the option of participating in the Medical Center's Optional Retirement Plan. This is a defined contribution plan offered through TIAA-CREF, Fidelity Investments, Inc., and Vanguard. Under this plan, the employer contributions are 4.0 percent if hired on or after September 30, 2002, and 8.0 percent if hired prior to September 30, 2002. There are no employee contributions under this plan. During the year ended June 30, 2012, the total employer contributions to this plan were \$12.2 million. The Medical Center also has a plan to cover their physicians who work for Community Medicine, LLC. These UVA employees participate in a Defined Contribution plan with retirement benefits based on tax-deferred accumulations. Vesting in the plan is 100.0 percent after 12 months of community service. All Community Medicine employees were hired after July 1, 2010. The current employer paid contribution is 11.9 percent of salaries paid. The total employer contributions to this plan for 2012 were \$150,563.

The Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – major) contributes to the VRS. The System issues a separate stand-alone report that is publicly available as previously discussed. Effective July 1, 1997, the Authority established the Virginia Commonwealth University Health System Authority Defined Contribution Plan (the plan). All employees, excluding house staff, working at least 20 hours per week in a benefit eligible position are eligible to participate in the plan. Per the plan document as approved by the Authority's Board of Directors, the Authority contributes up to 10.0 percent of the participant's salary to the plan not to exceed the lesser of (a) the amount in accordance with Internal Revenue Code 415(d), or (b) 100.0 percent of the participant's compensation for such limitation year. Total contributions for the year ended June 30, 2012, were approximately \$17.1 million. The Authority has the right at any time, and without the consent of any party, to terminate the plan in its entirety. The Authority's Board of Directors must approve any changes to the provisions of the plan, including the contribution requirements, in writing. The Authority has also established the Virginia Commonwealth University Health System Authority Health Care Providers Defined Contribution Plan (the HCP plan). All persons hired as a health care provider on or after July 1, 1993, and prior to July 1, 1997, and working at least 35 hours of service per week were eligible to participate in the HCP plan. At June 30, 2012, there were five actively employed participants in the HCP plan. Total contributions to the HCP plan for the year ended June 30, 2012, were approximately \$32,000.

Previously, the MCV Associated Physicians (MCVAP) (a component unit of the Authority) sponsored the MCVAP 403(b) Retirement Fund (the 403(b) Plan), a defined contribution plan which

covered substantially all non-medical employees of MCVAP. As of January 1, 2002, no additional contributions were made to this plan.

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

MCVAP also sponsors the VCUHS 401(a) Retirement Plan, a defined contribution plan which covers all non-medical employees of MCVAP. This plan became effective on January 1, 2002, and replaced the MCVAP 403 (b) plan for all non-medical staff. The contributions to the VCUHS 401(a) for the period ended June 30, 2012, were approximately \$3.1 million.

MCVAP also sponsors the MCVAP 401(a) Retirement Plan (the 401(a) plan), a noncontributory, defined contribution plan which covers substantially all full-time eligible clinical providers of MCVAP, the MCVAP 403(b) Salary Deferral Plan, a salary deferral plan that represents physician contributions, and the MCVAP 403(b) Supplemental Plan, a noncontributory defined contribution plan for highly compensated employees. Contributions to the 401(a) plan, as determined annually at the discretion of the board of directors were approximately \$11.3 million for the year ended June 30, 2012.

VA Premier (a component unit of the Authority) adopted a 401(k) plan sponsored by Fidelity Investments. Employees become eligible to participate in the plan after completing one year of service, during which the employee completes 1,000 hours of service. There is no minimum service or age requirement to be in the 401(k) plan. Employees may contribute 1.0 percent to 15.0 percent of their compensation. VA Premier will match 50.0 percent of the employees' contributions up to 4.0 percent of the employees' compensation. Matching will occur based on the bi-weekly pay periods. In addition, VA Premier contributes 3.0 percent of the employee's compensation after each bi-weekly payroll effective when the employee begins employment. Employees are fully vested after four years of service in which the employees have at least 1,000 hours of service each year. The total expense to VA Premier in fiscal year 2012 was approximately \$1.2 million.

Effective January 1, 1997, James Madison University (nonmajor) established a Supplemental Retirement Plan for tenured faculty members. The plan was designed to provide flexibility in the allocation of faculty positions. The plan is a qualified plan within the meaning of section 401(c) of the Internal Revenue Code of 1986 (the Code) and is a governmental plan within the meaning of section 414(d) of the Code. Since it is a governmental plan, the plan is not subject to the Employee Retirement Income Security Act of 1974 as amended. Since inception, 199 faculty members

have elected to enroll in the plan. As of June 30, 2012, 69 participants remain, including 16 new participants who retired under this plan during fiscal year 2012. In order to satisfy IRS requirements, a trust fund has been established as a means to make the payments to the plan participants. The University prepaid approximately \$1.9 million of the fiscal year 2013 plan contribution in 2012.

The Center for Innovative Technology (CIT) is a blended component unit of the Innovation and Entrepreneurship Investment Authority (nonmajor). The CIT has a defined contribution retirement plan covering substantially all employees. Under the plan, contributions are fixed at a percentage of each employee's compensation to pay premiums for individual retirement annuity contracts written by TIAA-CREF. Contributions for the plan totaled \$476,745 in fiscal year 2012.

K. Other Component Units

Note 1.B. outlines the component units included in the Commonwealth's reporting entity. The Virginia Public Building Authority (blended - primary government), the Virginia Public School Authority (major), the Virginia College Building Authority (nonmajor), the Virginia University Research Partnership (nonmajor), and the Virginia School for the Deaf and Blind Foundation (nonmajor) have no employees. The Virginia Economic Development Partnership, the Small Business Financing Authority, the Hampton Roads Sanitation District Commission, the Virginia Biotechnology Research Partnership Authority, the A. L. Philpott Manufacturing Extension Partnership, the Virginia Tourism Authority, the Tobacco Indemnification and Community Revitalization Commission, the Virginia Foundation for Healthy Youth, the Virginia Land

Conservation Foundation, the Virginia Arts Foundation, the Virginia National Defense Industrial Authority, and the Library of Virginia Foundation (all nonmajor) contribute solely to the VRS, a mixed-agent and cost-sharing multiple-employer retirement plan. The System issues a separate stand-alone report that is publicly available as previously discussed.

Full-time employees of the Virginia Housing Development Authority (major) participate in a defined contribution employees' retirement savings plan administered by the Authority. This is a noncontributory plan where the Authority incurs employment retirement savings expense equal to between 8.0 and 11.0 percent of full-time employees' compensation. Total retirement savings expense under this plan was \$2.7 million in fiscal year 2012.

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 4.0 percent of an employees' contribution.

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

The components of annual pension cost and prepaid pension obligation for the first single-employer noncontributory defined benefit pension plan are as follows:

Trend Information			
	2012	2011	2010
Service cost - benefits earned during the year	\$ 3,386,700	\$ 3,589,900	\$ 2,834,000
Interest cost on projected benefit obligation	5,248,100	4,886,100	4,762,200
Expected return on assets	(5,017,000)	(4,212,000)	(3,535,600)
Net amortization and deferral	2,283,500	3,589,200	3,205,400
FAS88 Special Termination Benefits	1,150,500	-	-
Annual pension cost	7,051,800	7,853,200	7,266,000
Contributions made	(2,583,300)	-	(7,920,000)
Increase (Decrease) in prepaid pension obligation	4,468,500	7,853,200	(654,000)
Prepaid pension obligation, beginning of year	(393,600)	(8,246,800)	(7,592,800)
Prepaid pension obligation, end of year	<u>\$ 4,074,900</u>	<u>\$ (393,600)</u>	<u>\$ (8,246,800)</u>

Costs have been computed in accordance with the aggregate cost method. Changes in plan provisions and actuarial assumptions, and actuarial gains and losses are not separately amortized under this method. Rather the impact is spread through the nominal cost component over the future working lifetime of participants. The actuarial present value of accumulated plan benefits is determined by an actuary using end of year benefit information as of September 30, 2011, 2010 and 2009, respectively, and is determined by applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money and the probability of payment.

The following table sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2012, 2011, and 2010.

Trend Information			
Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
2012	\$ 7,051,800	37 %	\$ 4,074,900
2011	\$ 7,853,200	- %	\$ (393,600)
2010	\$ 7,266,000	109 %	\$ (8,246,800)

In November 2001, the second plan was amended to provide benefits to sworn police officers that more closely resemble the new retirement benefits provided to members of the Virginia Law Officers Retirement System. The effect of those changes is included in the accompanying pension data.

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

Trend Information

	2012	2011	2010
Service cost - benefits earned during the year	\$ 965,081	\$ 1,101,909	\$ 1,111,163
Interest cost on projected benefit obligation	72,381	82,643	83,337
Expected return on assets	(134,104)	(109,452)	(135,251)
Net amortization and deferral	215,428	171,448	208,410
Annual pension cost	1,118,786	1,246,548	1,267,659
Contributions made	(1,523,156)	(1,575,234)	(923,681)
Increase (Decrease) in pension obligation	(404,370)	(328,686)	343,978
Pension obligation, beginning of year	(1,788,052)	(1,459,366)	(1,803,344)
Prepaid pension obligation, end of year	<u>\$ (2,192,422)</u>	<u>\$ (1,788,052)</u>	<u>\$ (1,459,366)</u>

The annual pension cost for the current year was determined as part of the July 2012 actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities. Because of this, information about the funded status and funding progress is presented using the entry age actuarial cost method. The information presented is intended to serve as a surrogate for the funded status and funding progress of the plan. Actual value of assets was determined using market value. The discount rate used in determining the actuarial liability was based on a 7.5 percent discount rate and a 4.0 percent future compensation level was used for future years.

The following table sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2012, 2011, and 2010.

Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
2012	\$ 1,118,786	136 %	\$ (2,192,422)
2011	\$ 1,246,548	126 %	\$ (1,788,052)
2010	\$ 1,267,659	73 %	\$ (1,459,366)

The Authority also sponsors two noncontributory supplemental plans covering certain key employees. The plans had assets of \$2,685,854 and an accrued liability of \$3,677,082. No contributions were made to the plans for the year ended June 30, 2012.

As of January 1, 2005, the Virginia Resources Authority (nonmajor) began mandatory participation for all new employees and optional participation for then-current employees who chose to enroll in the VRS. For the year ended June 30, 2012, the Authority's annual pension cost of \$161,044 was equal to the Authority's required and actual contributions.

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

Employees of the Virginia Museum of Fine Arts Foundation (nonmajor) who are age 21 or older are eligible to participate in the Employee's Savings Plan (the plan), a 401(k) defined contribution profit sharing plan. Under the plan, the Foundation may make a discretionary contribution. For the plan years ended June 30, 2012 and 2011, the Foundation contributed 8.4 percent of employees' gross income to the plan. In addition, contributions made by an employee up to 3.0 percent are matched 100.0 percent and contributions between 3.0 and 5.0 percent of the employee's gross income are matched 50.0 percent by the Foundation. Employees may contribute up to 100.0 percent of gross income each year as long as it is within the IRS limitation. Contributions paid to the plan by the Foundation on behalf of its employees were \$138,130 for the fiscal year ended June 30, 2012. Also, the Foundation entered into a supplemental retirement agreement to pay a key employee of the Museum upon retirement the difference between the amount accrued under the VRS defined benefit plan, based on salary, and the amount based on the supplemental salary. The plan vested on July 31, 2011. Therefore, the Foundation accrued a \$49,745 liability related to this agreement for the year ended June 30, 2012. Contributions made to the plan were \$9,458 in 2012 and \$12,611 in 2011.

The Science Museum of Virginia Foundation (nonmajor) has a 403(b) defined contribution pension plan through the Teachers Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF) Retirement Plan for employees meeting age and service requirements. The Foundation contributes an amount not to exceed 3.0 percent of the regular salary of each participant. The Foundation's employer contributions totaled \$15,464 in 2012.

15. 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 14 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 357,945 members participate in the program at June 30, 2012.

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

An optional Group Life Insurance Fund was established for members covered under the group life program as a supplement to that plan. Members may purchase optional life insurance coverage for themselves, their spouses and/or their dependent children. The optional program provides natural death coverage equal to one, two, three or four times the member's annual compensation rounded to the next highest \$1,000, up to a maximum of \$700,000. Spouse coverage is available for up to one-half of the member's optional insurance amount. Minor children who are at least 15 days old can be insured for \$10,000, \$20,000 or \$30,000,

depending on the option chosen by the member. An additional accidental death and dismemberment benefit is payable for death or bodily injuries. Approximately 65,605 members were covered under this program at June 30, 2012.

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 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 76,349 members were covered under the program at June 30, 2012.

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 2012, there were no monies appropriated for administration of the program. At June 30, 2012, there were 1,631 workers participating in the fund.

16. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Virginia Retirement System (The System) Administered Plans

The Government Accounting Standards Board (GASB) issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which requires additional reporting and disclosures for OPEB plans. The statement became effective for System-administered OPEB plans beginning with the fiscal year ended June 30, 2007. The assets and actuarial accrued liabilities for the following other postemployment benefits were determined through an actuarial valuation performed as of June 30, 2011, by Millman, Inc. for the long-term care component of the Disability Insurance Trust Fund and by Cavanaugh Macdonald Consulting, LLC, and are presented in the Required Supplemental Schedule of Funding Progress for Other Postemployment Benefit Plans. The significant accounting policies for all four plans are the same as those described in Note 14 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 143,657 retirees in the Basic Group Life Insurance Program and 2,307 retirees were covered under the Optional Group Life Insurance Program in fiscal year 2012.

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 99,836 retired members were covered under this program at June 30, 2012. 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 2,722 former members receiving benefits from the program during fiscal year 2012. 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 14 for pension plans. There were approximately 778 retirees and 758 other participants in the program in fiscal year 2012. 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.

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 14 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 8,232 retirees in the program in fiscal year 2012.

C. Annual OPEB Cost and Net OPEB Obligation

The Government Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which required additional reporting and disclosures for OPEB plans beginning with the fiscal year ending June 30, 2008. The Commonwealth calculated an OPEB liability as of June 30, 2012 for each of the five OPEB plans. The Retiree Health Insurance Credit Fund, Disability Insurance Trust Fund, and Pre-Medicare Retiree Healthcare OPEB liabilities were \$137.6 million, \$146.9 million, and \$582.2 million, respectively. These amounts are reported in the accompanying financial statements as a component of Long-Term Liabilities Due in More than One year. There is no liability for the Group Life Insurance Fund or Line of Duty Death and Disability.

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

	Group Life Insurance Fund			Retiree Health Insurance Credit Fund		
	2012	2011	2010	2012	2011	2010
Annual required contribution	\$ 15,483	\$ 13,360	\$ 28,887	\$ 65,412	\$ 58,785	\$ 66,510
Interest on net OPEB obligation	-	-	-	5,934	1,922	165
Adjustment to annual required contribution	-	-	-	(5,341)	(1,728)	(143)
Annual OPEB cost	15,483	13,360	28,887	66,005	58,979	66,532
Contributions made	(15,483)	(13,360)	(28,887)	(7,667)	(5,383)	(43,094)
Increase in net OPEB obligation	-	-	-	58,338	53,596	23,438
Net OPEB obligation (asset), beginning of year	-	-	-	79,230	25,634	2,196
Net OPEB obligation (asset), end of year	\$ -	\$ -	\$ -	\$ 137,568	\$ 79,230	\$ 25,634
Percentage of annual OPEB cost contributed	100.0%	100.0%	100.0%	11.6%	9.1%	64.8%

	Disability Insurance Trust Fund			Line of Duty Death and Disability		
	2012	2011	2010	2012 (2)	2011 (1)	2010
Annual required contribution	\$ 37,578	\$ 33,643	\$ 78,117	\$ 2,901	\$ -	\$ 16,901
Interest on net OPEB obligation	8,204	5,650	2,080	-	-	386
Adjustment to annual required contribution	(7,387)	(5,082)	(1,808)	-	(15,607)	(367)
Annual OPEB cost	38,395	34,211	78,389	2,901	(15,607)	16,920
Contributions made	(1,092)	-	(30,771)	(2,901)	-	(9,084)
Increase in net OPEB obligation	37,303	34,211	47,618	-	(15,607)	7,836
Net OPEB obligation (asset), beginning of year	109,590	75,379	27,761	-	15,607	7,771
Net OPEB obligation (asset), end of year	\$ 146,893	\$ 109,590	\$ 75,379	\$ -	\$ -	\$ 15,607
Percentage of annual OPEB cost contributed	2.8%	0.0%	39.3%	100.0%	0.0%	53.7%

	Pre-Medicare Retiree Healthcare		
	2012	2011	2010
Annual required contribution	\$ 172,532	\$ 166,637	\$ 136,426
Interest on net OPEB obligation	19,149	13,304	9,751
Adjustment to annual required contribution	(19,268)	(13,356)	(9,265)
Annual OPEB cost	172,413	166,585	136,912
Contributions made	(36,600)	(29,583)	(23,780)
Increase in net OPEB obligation	135,813	137,002	113,132
Net OPEB obligation (asset), beginning of year	446,410	309,408	196,276
Net OPEB obligation (asset), end of year	\$ 582,223	\$ 446,410	\$ 309,408
Percentage of annual OPEB cost contributed	21.2%	17.8%	17.4%

- (1) 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. Fiscal year 2011 activity was funded with a \$10.7 million loan that will be repaid in future periods with contributions received. This amount is reflected as both a receivable and a contribution in the accompanying statements.
- (2) During fiscal year 2012, the required annual contributions of \$2.9 million were paid by the Commonwealth. Additionally, the loan increased to \$13.9 million that will be repaid in future periods with contributions received. This amount is reflected as both a receivable and a contribution in the accompanying statements.

The amounts in the previous table include Governmental and Component Unit activity for which the Commonwealth is considered the employer. It does not include the OPEB liability for the Virginia Economic Development Partnership (nonmajor component unit), the Virginia Tourism Authority (nonmajor component unit), Fort Monroe Authority (nonmajor component unit), Virginia Outdoors Foundation (nonmajor component unit) and the Virginia National Defense Industrial Authority (nonmajor component unit) of \$1,197,123, \$659,765, \$135,637, \$42,533, and \$31,170, respectively. The table also excludes non-Commonwealth sponsored OPEB liabilities of \$25.5 million for all other component units and includes the fiduciary OPEB liability of \$3.9 million.

The annual required contributions for the current year were determined during the actuarial valuations conducted as of June 30, 2009, 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 0.28 percent, 0.10 percent, and less than 0.01 percent, respectively, of covered payrolls for the period of July 1, 2011 through June 15, 2012 and 1.02 percent, 0.99 percent, and 0.66 percent, respectively for the last half of June 2012. 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 4.30 percent investment rate of return, per year compounded

annually, which approximates the projected rate of return on the 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 4.75 percent rate of return compounded annually. The actuarial assumptions for all but the Pre-Medicare Retiree Healthcare plan included a projected salary increase of 3.0 percent, including a 2.5 percent inflation component. Valuation techniques were applied to smooth the effects of short-term volatility in the market value of investments over a five year period. The remaining open amortization period at June 30, 2012, was 30 years. The actuarial assumptions for the Pre-Medicare Retiree Healthcare plan as to current claim cost, projected increases in health insurance costs, mortality, turnover, retirement, disability and discount rate include (a) projected salary increases ranging from 3.75 percent to 5.6 percent, including a 2.5 percent inflation component; and, (b) assumption that there is no liability associated with those retirees eligible for Medicare, as costs for members aged 65 and older are not subsidized by the active population (no implicit subsidy), participants pay 100.0 percent of the costs, and the liability associated with the health insurance credit is measured and held by the Virginia Retirement System. Initial healthcare costs trend rates used were 10.0 percent, 11.0 percent, and 6.0 percent for medical, pharmacy, and dental benefits, respectively. The ultimate trend rates used were 5.0 percent, 5.0 percent, and 4.0 percent for medical, pharmacy, and dental benefits, respectively. The remaining open amortization period at June 30, 2012 was 30 years.

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2011, 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						
2011	\$ 852	\$ 2,359	\$ 1,507	36.1%	\$ 16,543	9.1%
Retiree Health Insurance Credit Fund						
2011	\$ 213	\$ 2,195	\$ 1,982	9.7%	\$ 14,111	14.0%
Disability Insurance Trust Fund						
2011	\$ 369	\$ 296	\$ (73)	124.6%	\$ 3,372	(2.2%)
Line of Duty Death and Disability						
2011	\$ -	\$ 399	\$ 399	-	N/A	-
Pre-Medicare Retiree Healthcare						
2011	\$ -	\$ 1,269	\$ 1,269	-	\$ 3,566	35.6%

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

E. Higher Education Fund (Component Unit)

The University of Virginia (major) 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, 2012, the Authority's Annual OPEB cost was \$503,912; the percentage of Annual OPEB Cost Contributed was 195.0 percent; and the ending Net OPEB asset was \$559,731.

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

annual covered payroll. For 2012, the Commission's annual OPEB cost was \$2.2 million; the percentage of annual OPEB cost contributed was 100.0 percent.

The Virginia Port Authority (VPA) (nonmajor) offers post retirement medical and dental benefits to employees who retire under either VRS or the VPA pension plan. For employees and their spouses, who are participants in the VPA medical plan, not participants under the state health care plan VRS, benefit provisions and obligations are established and may be amended by the board of commissioners of the Authority. For the year ended June 30, 2012, the Authority's annual OPEB cost was \$45,670; contribution towards OPEB cost was \$19,040; the percentage of annual OPEB cost contributed was 41.7 percent; and the ending net OPEB obligation was \$185,386.

17. DEFERRED COMPENSATION PLANS

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The Virginia Retirement System (the System) administers the deferred compensation plan, pursuant to the Government Employees Deferred Compensation Plan Act, Section 51.1, Chapter 6 et seq. of the *Code of Virginia*. The System contracts with private corporations or institutions subject to the standards set forth in the *Code* to provide investment products as well as any other goods and services related to the administration of the deferred compensation plan. The Department of Accounts is responsible for the accounting, reconciliation, payment to the plan through payroll deductions, and timely transfer of withheld funds to the trustee designated by the System for investment. The plan provides a number of investment options and is designed so that each participant retains investment control of his/her individual account. The plan, available to all state employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of plan participants and their beneficiaries and is not available to employees until termination, retirement, death, unforeseeable emergency, or an in-service distribution at age 70 ½ or later. Since the System has no fiduciary relationship with plan participants, plan assets of \$1.5 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, 2012, was \$259.6 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 2012 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 \$12.0 million for fiscal year 2012.

The deferred compensation plan for the University of Virginia Medical Center (part of the University of Virginia – major component unit) employees hired on or after September 30, 2002 allows employee contributions up to 4.0 percent of their salary and the employer match is 50.0 percent of the 4.0 percent deferral not to exceed 2.0 percent of the employees' salary. Employer contributions under this plan were approximately \$1.6 million for fiscal year 2012.

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

The Virginia Port Authority (VPA) (nonmajor component unit) offers three deferred compensation plans and two matching savings plans under Internal Revenue Code Sections 457 and 401(a), respectively. Employees who maintain status under VRS are covered under the deferred compensation plan administered by the System as discussed above. The VPA deferred compensation plan covers all employees hired after July 1, 1997, and those employees electing coverage under the authority's deferred compensation plan. The VPA also offers a matching savings plan that covers substantially all employees. The matching savings plan requires the VPA to match contributions in an amount equal to half of the first 6.0 percent of the participant's base pay contributed to the plan. VPA's total contribution to the matching savings plan was \$152,346 for the fiscal year ended June 30, 2012. Further, the right to modify, alter, amend, or terminate the deferred compensation plan and matching savings plan rests with the VPA Board of Commissioners.

The third deferred compensation plan and second matching savings plan covers substantially all non-union employees with 90 days or more of service. The matching savings plan requires the VPA to match employee contributions in an amount equal to half of the first 3.0 percent of the participant's base pay contributed to the deferred compensation plan. VPA's total contribution to the matching savings plan was \$316,041 for the fiscal year ended June 30, 2012.

18. 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 \$2.3 billion are not included in the financial statements.

19. COMMITMENTS

A. Construction Projects

Primary Government

Highway Projects

At June 30, 2012, the Department of Transportation had contractual commitments of approximately \$2.7 billion for construction of various highway projects. Funding for these expenditures is expected to be provided as follows: (1) federal funds – approximately 30.0 percent or \$810.0 million, (2) state funds – approximately 69.0 percent or \$1.9 billion, and (3) Proceeds from Bonds – approximately 1.0 percent or \$14.0 million.

Mass Transit Projects

At June 30, 2012, the Department of Rail and Public Transportation (part of Primary Government) had contractual commitments of approximately \$174.8 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 87.8 percent or \$153.5 million, and (2) Federal Funds – approximately 12.2 percent or \$21.3 million.

Wastewater Treatment Projects

At June 30, 2012, 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 \$84.9 million provided by bond proceeds and the Water Quality Improvement Fund.

Component Units

Port Projects

At June 30, 2012, the Virginia Port Authority (nonmajor) was committed to construction contracts totaling \$88.0 million.

Wallops Island Project

At June 30, 2012, the Virginia Commercial Space Flight Authority (nonmajor) was committed to construction programs totaling \$117.4 million.

Higher Education Institutions

Colleges and universities had contractual commitments as of June 30, 2012, of approximately \$824.0 million primarily for construction contracts. Higher education foundations' commitments total approximately \$114.6 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, 2012, was \$64.7 million for governmental activities (including internal service funds) and \$22.2 million for business-type activities. Rental expense for the discrete component units (excluding foundations) for the year ended June 30, 2012, was \$120.5 million. The Commonwealth has, as of June 30, 2012, the following minimum rental payments due under the above leases (dollars in thousands):

Primary Government			Component Units (1)
Governmental Activities	Business-type Activities		
2013	\$ 60,269	\$ 20,643	\$ 105,434
2014	48,029	15,917	96,922
2015	42,217	12,667	92,416
2016	32,963	9,459	83,062
2017	25,419	4,910	77,431
2018-2022	42,502	3,109	363,068
2023-2027	5,836	-	373,200
2028-2032	607	-	237,185
2033-2037	553	-	1,116
2038-2042	208	-	1,122
2043-2047	22	-	823
2048-2052	16	-	329
Total	<u>\$ 258,641</u>	<u>\$ 66,705</u>	<u>\$ 1,432,108</u>

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

Foundations (2)	
2013	\$ 2,612
2014	2,134
2015	1,858
2016	1,728
2017	1,375
Thereafter	4,635
Total	<u>\$ 14,342</u>

Note (2): Foundations represent FASB reporting entities defined in Note 1.B. Rental expense for the year ended June 30, 2012, was approximately \$3.1 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, 2012, amounted to \$3.4 billion.

D. Tobacco Grants

The Tobacco Indemnification and Community Revitalization Commission (nonmajor component unit) had \$218.8 million in grant award commitments not reflected in the accompanying financial statements since eligibility requirements were not met as of June 30, 2012, in accordance with GASB Statement No. 33.

The Virginia Foundation for Healthy Youth (nonmajor component unit) had \$13.0 million in grant commitments and outstanding contracts not

reflected in these statements since eligibility requirements were not met as of June 30, 2012, in accordance with GASB Statement No. 33.

E. Other Commitments

Primary Government

At June 30, 2012, the Department of Motor Vehicles had contractual commitments of approximately \$36.3 million for security technology services.

At June 30, 2012, the Department of Correctional Education had contractual commitments of approximately \$7.0 million for teacher services.

At June 30, 2012, the Virginia Department of Health had commitments of approximately \$14.7 million to localities, trauma centers, trainers, and grants to rescue squads.

At June 30, 2012, the Virginia Employment Commission (major enterprise fund) had contractual commitments of approximately \$19.6 million and non-contractual commitments of approximately \$17.9 million for an information systems modernization project. The agency also had approximately \$6.9 million in other contractual commitments.

The Virginia College Savings Plan (major enterprise fund) had \$103.1 million in private equity commitments.

The Virginia Wireless E-911 (nonmajor enterprise fund) had \$2.2 million in outstanding grants awarded but not yet disbursed to localities 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 \$243.3 million in commitments to fund new loans as of June 30, 2012, since all of the eligibility criteria have not been met in accordance with GASB Statement No. 33.

The Virginia Resource Authority (nonmajor) was obligated to disburse \$195.3 million in loan commitments to various localities and other governmental entities in the Commonwealth of Virginia as of June 30, 2012, 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 \$5.7 million in loan commitments to banks and borrowers as of June 30, 2012, since all of the eligibility criteria have not been met in accordance with GASB Statement No. 33.

20. 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. 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.

All employees hired after January 1, 1999, are required to enroll in the Virginia Sickness and Disability Program (VSDP) (see Note 15). 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 calendar year revert. Individuals employed at January 1, 1999, had the option of converting to the VSDP or remaining in the original 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 original 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 calendar year limit at their current earnings rate.

In conformance with Section C60 of the GASB Codification, the monetary value of accumulated annual and sick leave and disability credits 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 Assets (see Note 25). All amounts related to the fiduciary funds are recognized in those funds.

The liability at June 30, 2012, was computed using salary rates effective at that date, and represents vacation, compensatory and sick leave earned or disability credits held by employees up to the allowable ceilings.

21. POLLUTION REMEDIATION OBLIGATIONS

The Commonwealth has pollution remediation obligations of \$5.2 million of which \$2.6 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 and mercury abatement, lead contamination and remediation relating to superfund state contracts.

Agencies involved in remediation include:

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

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, 2012:

- Department of Emergency Management (VDEM) relating to cleanup of an emergency fuel storage facility
- Department of Behavioral Health and Developmental Services (DBHDS) relating to soil and groundwater contamination
- Department of Transportation (VDOT) relating to groundwater contamination

22. 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, 2012, \$109.6 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.T. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	Balance	Current	Year Claims	Claim	Balance
	July 1,	and Changes	in Estimates	Payments	June 30, (1)
2011-2012	\$ 81,480	\$ 1,012,254	\$ (984,143)	\$ 109,591	
2010-2011	\$ 94,376	\$ 904,861	\$ (917,757)	\$ 81,480	

(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, 2012, \$608.7 million is reported as the estimated claims payable for the risk management plan. This amount is discounted to present value at a rate of 3.0 percent. Undiscounted claims payable at June 30, 2012, is \$858.6 million. The estimated losses are based upon actual claims that have been submitted, as well as claims incurred but not reported. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	Balance	Current	Year Claims	Claim	Balance
	July 1,	and Changes	in Estimates	Payments	June 30, (1)
2011-2012	\$ 488,188	\$ 194,898	\$ (74,372)	\$ 608,714	
2010-2011	\$ 444,467	\$ 112,138	\$ (68,417)	\$ 488,188	

(1) Of the balance shown above, \$75.7 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 liability is assumed at the maximum recovery limit stated in Section 8.01-581.15 of the *Code of Virginia* up to a maximum of \$3.0 million per occurrence. Risk Management purchases commercial insurance to protect state-owned property with deductibles as stated in the insurance policies.

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

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

Estimated Malpractice Losses				
	Balance	Claims	Claims	Balance
	July 1,	Expense (2)	Settled	June 30, (1)
2011-2012	\$ 23,501	\$ 5,052	\$ (5,086)	\$ 23,467
2010-2011	\$ 26,910	\$ (727)	\$ (2,682)	\$ 23,501

(1) Of the balance shown above, \$3.5 million is due within one year.
 (2) This column represents malpractice claims expense, net of actuarial adjustments.

Estimated Workers' Compensation Losses

	Balance July 1,	Claims Expense	Claims Settled	Balance June 30, (1)
2011-2012	\$ 18,409	\$ 597	\$ (1,479)	\$ 17,527
2010-2011	\$ 17,007	\$ 3,397	\$ (1,995)	\$ 18,409

- (1) Of the balance shown above, \$2.0 million is due within one year.

In addition, expenses and liabilities arising from services rendered to VA Premier's Plan (component unit of the Authority) HMO members are reported when it is probable that services have been provided and the amount of the claim can be reasonably estimated. The claims payable includes an estimate of claims that have been incurred but not reported. At June 30, 2012 the amount of these liabilities is approximately \$42.7 million and is reported as Claims Payable – Due within One Year. This liability is VA Premier's best estimate based on available information.

Additional information on the claims payable amounts reported by the Authority can be found in the individually published financial statements of the Authority.

Virginia International Terminals, Inc., a component unit of the Virginia Port Authority (nonmajor component unit) is partially self-insured for certain workers' compensation claims. The Authority maintains insurance coverage of \$5.0 million per claim, but is obligated to pay the first \$1.0 million of any individual's claims per incident. The Authority is also partially self-insured for employee health coverage. The Authority is responsible for actual claim costs up to \$125,000 per individual per calendar year. Insurance coverage is maintained for claims in excess of the individual employee limit and for aggregate claims in excess of \$5.1 million.

B. Public Entity Risk Pools

The Commonwealth administers two types of public entity risk pools for the benefit of local governmental units: health care and risk management insurance. The Local Choice Health Care plan was established to make comprehensive health care insurance available to localities and political subdivisions at affordable rates and with stable premiums. During the fiscal year, there were 300 local government units participating in the pool. This includes 32 school districts, 34 counties, 109 cities/towns, and 125 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, 2012, \$26.5 million is reported as the actuarially determined estimated claims payable for this fund based on claims incurred but not reported.

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

The Department of the Treasury, Division of Risk Management administers risk management programs for political subdivisions, constitutional officers and others in accordance with Section 2.2-1839 of the *Code of Virginia*. These pools were established to provide an economical, low-cost alternative to the commercial insurance market for the Commonwealth's political subdivisions. These risk programs are accounted for in the Risk Management Enterprise Fund (nonmajor). The pool is established subject to approval by the Governor. It may be insurance, self-insurance, or any combination thereof, and must provide protection and legal defense against liability. Participation is voluntary and open to those identified in Section 2.2-1839, *Code of Virginia*. As of June 30, 2012, there were 507 units of local government in the pool, including 4 cities, 28 towns, and 30 counties. The remaining 445 units include a large variety of boards, commissions, authorities, and special districts.

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

The pool is actuarially valued annually and is considered sound. No excess insurance or reinsurance is provided, but a "stability fund" is incorporated into the actuarially determined required reserves. For the liability insurance pool, participation is voluntary and open to those identified in Section 2.2-1839 of the *Code of Virginia*. The risk assumed by the local public entity pool for member liability is \$1.0 million per occurrence.

At June 30, 2012, \$23.0 million is reported as estimated claims payable for these programs. This figure is actuarially determined for the fund in total and is reported at gross and does not reflect possible reimbursements for insurance recoveries.

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

	Local Choice Health Care		Risk Management	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Unpaid Claims and Claim				
Adjustment Expenses at Beginning of Fiscal Year	\$ 18,656	\$ 22,874	\$ 19,799	\$ 16,309
Incurring Claims and Claim Adjustment Expenses:				
Provision for Insured Events of the Current Fiscal Year	244,788	212,233	1,409	1,473
Changes in Provision for Insured Events of Prior Fiscal Years	-	-	2,832	757
Total Incurred Claims and Adjustment Expenses	244,788	212,233	4,241	2,230
Payments:				
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	236,937	216,451	1,677	396
Total Payments	236,937	216,451	1,677	396
Change in Provision for Discounts	-	-	626	412
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Discounted) (1) (2) (3)	\$ 26,507	\$ 18,656	\$ 22,989	\$ 18,555
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Undiscounted)	\$ 26,507	\$ 18,656	\$ 24,533	\$ 19,799

Note (1): The entire balance for Local Choice Health Care, \$26,507 (dollars in thousands) is due within one year.

Note (2): Of the balance shown above for Risk Management, \$7,329 (dollars in thousands) is due within one year.

Note (3): The interest rate used for discounting is 3.0 percent.

23. ACCOUNTS PAYABLE

The following table (dollars in thousands) summarizes Accounts Payable as of June 30, 2012.

	Vendor	Salary/ Wage	Retainage	Other	Foundations (1)	Total
Primary Government:						
General	\$ 159,142	\$ 96,927	\$ 33	\$ -	\$ -	\$ 256,102
Major Special Revenue Funds:						
Commonwealth Transportation	312,204	30,249	2,863	-	-	345,316
Federal Trust	125,896	17,420	2,559	-	-	145,875
Literary	24	-	-	-	-	24
Nonmajor Governmental Funds	42,965	23,750	10,279	224	-	77,218
Major Enterprise Funds:						
State Lottery (2)	3,464	1,666	-	3,604	-	8,734
Virginia College Savings Plan (2)	1,358	397	-	119	-	1,874
Unemployment Compensation	153	-	-	-	-	153
Nonmajor Enterprise Funds	27,998	5,017	-	-	-	33,015
Internal Service Funds	63,235	3,050	-	-	-	66,285
Private Purpose Trust Funds	111	153	-	250	-	514
Pension and Other Employee Benefit Trust (3)	577	1,647	-	37,118	-	39,342
Agency Funds	1,818	-	-	2,913	-	4,731
Total Primary Government (4)	\$ 738,945	\$ 180,276	\$ 15,734	\$ 44,228	\$ -	\$ 979,183
Discrete Component Units:						
Virginia Housing Development Authority	\$ 2,056	\$ 1,227	\$ -	\$ 12,128	\$ -	\$ 15,411
Virginia Public School Authority	282	-	-	-	-	282
University of Virginia	132,214	59,170	898	5,325	62,366	259,973
Virginia Polytechnic Institute and State University	71,886	54,284	7,577	-	14,808	148,555
Virginia Commonwealth University	77,546	89,220	444	-	833	168,043
Nonmajor Component Units	157,194	166,291	29,741	10,327	23,006	386,559
Total Component Units	\$ 441,178	\$ 370,192	\$ 38,660	\$ 27,780	\$ 101,013	\$ 978,823

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

Note (2): Other Accounts Payable for the State 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 \$25,712 (dollars in thousands) in investment management expense, \$11,406 (dollars in thousands) in program benefit liabilities.

Note (4): Fiduciary liabilities of \$44,587 (dollars in thousands) are not included in the Government-wide Statement of Net Assets. In addition, governmental fund liabilities of \$104,671 (dollars in thousands) are included in the Government-wide Statement of Net Assets, but excluded from the above amounts.

24. OTHER LIABILITIES

The following table (dollars in thousands) summarizes Other Liabilities as of June 30, 2012.

Primary Government				
General	Commonwealth Transportation	Federal Trust	Nonmajor Governmental Funds	State Lottery
Lottery Prizes Payable	\$ -	\$ -	\$ -	\$ 52,132
Due to Program Participants, Escrows, and Providers	-	-	-	-
Medicaid Payable	341,332	-	344,627	-
Family Access to Medical Insurance Security Payable	4,569	-	8,485	-
Tax Refunds Payable	390,947	-	-	-
Insurance Carrier Surety Deposit	-	-	-	-
Deposits Pending Distribution	5,008	8,160	-	1,858
Car Tax Payable	263,025	-	-	-
Other Liabilities	362	-	4	428
Total Other Liabilities	\$ 1,005,243	\$ 8,160	\$ 353,116	\$ 52,132

Primary Government				
Virginia College Savings Plan	Unemployment Compensation	Nonmajor Enterprise Funds	Internal Service Funds (1)	Private Purpose Funds
Lottery Prizes Payable	\$ -	\$ -	\$ -	\$ -
Due to Program Participants, Escrows, and Providers	30	34,715	-	1,145
Medicaid Payable	-	-	-	-
Family Access to Medical Insurance Security Payable	-	-	-	-
Tax Refunds Payable	-	-	-	-
Insurance Carrier Surety Deposit	-	-	-	-
Deposits Pending Distribution	-	-	179	78
Car Tax Refund Payable	-	-	-	-
Other Liabilities	30	-	188	5,026
Total Other Liabilities	\$ 60	\$ 34,715	\$ 367	\$ 5,104

Note (1): The Other Liabilities amount of \$5,026 (dollars in thousands) is due to third party clearing amounts that have increased from the prior year due to timing issues with checks clearing the bank.

	Primary Government		
	Pension and Other Employee Benefit Trust Funds (2)	Agency Funds	Total Primary Government (3)
Lottery Prizes Payable	\$ -	\$ -	\$ 52,132
Due to Program Participants, Escrows, and Providers	-	39,305	75,195
Medicaid Payable	-	-	685,959
Family Access to Medical Insurance Security Payable	-	-	13,054
Tax Refunds Payable	-	-	390,947
Insurance Carrier Surety Deposit	-	441,542	441,542
Deposits Pending Distribution	-	46,116	61,399
Car Tax Refund Payable	-	-	263,025
Other Liabilities	150,319	1,755	158,112
Total Other Liabilities	<u>\$ 150,319</u>	<u>\$ 528,718</u>	<u>\$ 2,141,365</u>

Note (2): Other Liabilities of \$150,319 (dollars in thousands) reported in pension and other employee benefit trust funds are made up of \$29,106 (dollars in thousands) in funds held for the Commonwealth Health Research Fund; \$14,980 (dollars in thousands) in other funds managed by the System; \$101,354 (dollars in thousands) in pending investment transactions, including \$25,699 (dollars in thousands) for securities lending, \$75,630 (dollars in thousands) for net foreign exchange contracts, \$25 (dollars in thousands) in other investment payables; \$997 (dollars in thousands) in other payable related to the System benefit plans; \$2,300 (dollars in thousands) in foreign taxes payables related to the System benefit plans, and \$1,582 (dollars in thousands) in interest and dividends payable related to the System benefit plans.

Note (3): Fiduciary liabilities of \$680,182 (dollars in thousands) are not included in the Government-wide Statement of Net Assets. Governmental fund liabilities of \$541,710 (dollars in thousands) are included in the Government-wide Statement of Net Assets, but excluded from the above amounts.

	Component Units				
	Virginia Housing Development Authority	Virginia Public School Authority	University of Virginia (4)	Virginia Polytechnic Institute & State University	Virginia Commonwealth University (4)
Accrued Interest Payable	\$ 88,152	\$ 59,087	\$ 6,286	\$ 5,069	\$ 9,088
Other Liabilities	1,183	82	63,530	29,136	189,379
Deposits Pending Distribution	-	-	369,229	14,596	31,739
Short-term Debt	-	-	154,063	13,300	3,811
Grants Payable	-	-	-	-	-
Total Other Liabilities	<u>\$ 89,335</u>	<u>\$ 59,169</u>	<u>\$ 593,108</u>	<u>\$ 62,101</u>	<u>\$ 234,017</u>

	Component Units	
	Nonmajor Component Units	Total Component Units
Accrued Interest Payable	\$ 139,759	\$ 307,441
Other Liabilities	35,654	318,964
Deposits Pending Distribution	32,024	447,588
Short-term Debt	22,338	193,512
Grants Payable	9,230	9,230
Total Other Liabilities	<u>\$ 239,005</u>	<u>\$ 1,276,735</u>

Note (4): Other Liabilities of \$35,053 (dollars in thousands) for the University of Virginia and \$78,362 (dollars in thousands) for the Virginia Commonwealth University represent hedging derivative instruments reported in accordance with GASBS No. 53 (see Note 13 for additional information).

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, 2012, the estimated liability related to Medicaid claims totaled \$685.9 million. Of this amount, \$341.3 million is reflected in the General Fund (major) and \$344.6 million in the Federal Trust Special Revenue Fund (major).

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, 2012, the estimated liability related to claims totaled \$13.0 million. Of this amount, \$4.6 million is reflected in the General Fund (major) and \$8.4 million in the Federal Trust Special Revenue Fund (major).

Tax Refunds Payable

Tax refunds payable represent refunds due on individual tax returns filed for the calendar year ended on or before December 31, 2011, and on business tax returns filed for corporate fiscal years ending on or before June 30, 2012. 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 2012, the Commonwealth laid off 86 employees. The affected employees had the option of volunteering for enhanced retirement benefits or severance benefits. The enhanced retirement benefits option was elected by 12 employees, and the remaining 74 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 2012 and will end no later than June 30, 2013. The benefit cost expended and the outstanding liability as of June 30, 2012, is \$1.2 million and \$637,376, 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 2012, the primary government's agencies did not participate in short-term borrowings with external parties.

Various higher education institutions' foundations (component units) have short-term debt. University of Virginia foundations (major component unit) report \$26.6 million, Virginia Commonwealth University foundations (major component unit) report approximately \$3.8 million, and nonmajor component unit foundations report approximately \$22.3 million. This short-term debt is for working capital, property acquisition, construction costs, operating costs, and refinancing. The University of Virginia (major component unit) has commercial paper of approximately \$127.5 million and the Virginia Polytechnic Institute and State University (major component unit) reports \$13.3 million of commercial paper that provides bridge financing for capital projects. The Library of Virginia Foundation (nonmajor component unit) has a \$50,000 note with a related party. During the year ended June 30, 2012, \$5,000 of the loan was forgiven and has been recognized as a contribution.

The balance of Other Liabilities is spread among various other funds.

25. 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, credit, and taxing power of the Commonwealth. No other long-term debt or obligations are backed by the full faith, credit, and taxing power of the Commonwealth.

Section 9(d) bonds are revenue bonds and are not backed by the full faith, credit and taxing power of the Commonwealth. These bonds are not general obligation bonds and are not deemed to constitute a legal liability of the Commonwealth. 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). 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 (component units). Additionally, the 9(d)

Transportation Bonds (primary government) are payable solely from revenues or earnings, and other available sources of funds appropriated by the General Assembly.

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 bond issues and short-term debt supported by tax revenues (net of sinking fund requirements), for which debt service payments are made or are ultimately pledged to be made from general governmental funds.

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. However, in some cases, the Commonwealth has made a moral obligation pledge. A government's moral obligation pledge provides a deficiency make-up for bondholders should underlying project revenues prove insufficient. The mechanics involve funding a debt service reserve fund when the bonds are issued. If a revenue deficiency exists, reserve fund monies are used to pay bondholders. The issuer then informs the legislative body requesting that it replenish the reserve fund before subsequent debt service is due. The legislative body may, but is not legally required to, replenish the reserve fund. These bonds are considered to be moral obligation debt.

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 Assets.

Total Long-term Liabilities		
June 30, 2012		
	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)	\$ 831,148	\$ 71,067
9(c) Parking Facilities (3)	18,383	756
9(c) Transportation Facilities (3)	24,210	2,185
Total General Obligation Bonds	873,741	74,008
Nongeneral Obligation Bonds - 9(d):		
Transportation Debt (3) (4)	3,136,659	203,025
Virginia Public Building Authority (3)	2,566,789	182,830
Total Nongeneral Obligation Bonds	5,703,448	385,855
Other Long-term Obligations:		
Pension Liability	1,660,768	-
OPEB Liability	406,969	-
Compensated Absences	315,176	143,967
Capital Lease Obligations	77,400	10,564
Pollution Remediation Obligations	5,171	2,591
Regional Jail Financing Payable	2,748	1,911
Notes Payable	49,689	20,606
Installment Purchase Obligations	114,959	9,342
Economic Development Authority Obligations (3)	81,747	4,070
Other Liabilities	27,647	4,000
Total Other Long-term Obligations	2,742,274	197,051
Total Governmental Activities (3)	9,319,463	656,914
Business-type Activities: (1) (5)		
Other Long-term Obligations:		
Pension Liability	42,249	-
OPEB Liability	12,751	-
Compensated Absences	9,267	4,994
Capital Lease Obligations	449	449
Tuition Benefits Payable	2,175,296	192,471
Lottery Prizes Payable	194,481	35,670
Total Other Long-term Obligations	2,434,493	233,584
Total Business-type Activities	2,434,493	233,584
Total Primary Government	11,753,956	890,498

Total Long-term Liabilities

June 30, 2012

	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)	906,474	47,343
Nongeneral Obligation Bonds:		
Higher Education Institutions - 9(d) (3) (5)	1,541,802	23,633
Virginia College Building Authority (3)	2,470,589	145,283
Innovation and Entrepreneurship Investment Authority	2,375	1,155
Virginia Port Authority (3) (6)	519,299	13,604
Virginia Housing Development Authority (3) (5)	5,945,174	278,878
Virginia Resources Authority (3) (7)	3,279,627	125,341
Virginia Public School Authority (3) (5)	3,378,084	202,148
Hampton Roads Sanitation District Commission (5)	639,286	47,814
Virginia Biotechnology Research Park Authority (3)	37,162	1,878
Foundations (5) (8)	975,148	20,789
Total Nongeneral Obligation Bonds	<u>18,788,546</u>	<u>860,523</u>
Other Long-term Obligations:		
Pension Liability (9)	785,472	-
OPEB Liability (10)	470,661	-
Compensated Absences	253,845	173,339
Capital Lease Obligations	91,166	5,376
Notes Payable (5)	2,070,152	251,702
Installment Purchase Obligations	100,161	16,217
Trust and Annuity Obligations (5) (11)	2,508	-
Other Liabilities (5)	293,405	93,721
Total Other Long-term Obligations (Excluding Foundations)	<u>4,067,370</u>	<u>540,355</u>
Other Long-term Obligations (Foundations): (5) (8)		
Pension Liability	98,259	-
OPEB Liability	30	-
Compensated Absences	8,382	7,931
Capital Lease Obligations	432	114
Notes Payable	211,556	8,774
Trust and Annuity Obligations (11)	72,630	2,822
Other Liabilities	204,010	13,358
Total Other Long-term Obligations - Foundations	<u>595,299</u>	<u>32,999</u>
Total Other Long-term Obligations	<u>4,662,669</u>	<u>573,354</u>
Total Component Units	<u>24,357,689</u>	<u>1,481,220</u>
Total Long-term Liabilities	<u>\$ 36,111,645</u>	<u>\$ 2,371,718</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 \$1.8 billion.
- Amounts are net of any unamortized discounts, premiums, and deferrals.
- This debt includes \$481.2 million that is not supported by taxes.
- This debt is not supported by taxes.
- This debt includes \$282.0 million that is not supported by taxes.
- This debt is not supported by taxes; however, \$801.4 million is considered moral obligation debt.
- Foundations represent FASB reporting entities defined in Note 1.B.
- This includes pension obligations that do not relate to the Virginia Retirement System from Virginia Commonwealth University of \$3.5 million and Virginia Port Authority of \$7.8 million. It does not include pension obligations from fiduciary funds of \$11.3 million.
- This includes OPEB obligations that do not relate to the Virginia Retirement System from University of Virginia of \$25.3 million and Virginia Port Authority of \$185,386. It does not include OPEB obligations from fiduciary funds of \$3.9 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 \$24,210,496 of Section 9(c) general obligation bonds and \$3,136,659,265 of Transportation Facilities Section 9(d) debt. The Section 9(d) debt includes \$2,655,481,504 of Section 9(d) revenue bonds, \$182,449,414 of outstanding Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes, and \$298,728,347 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 \$3,193,850. 9(d) Principal and interest requirements for the current year totaled \$258,344,895. The Section 9(c) Transportation Facilities Bonds were issued to fund the construction and improvement of the George P. Coleman Bridge. The Section 9(d) Transportation Facilities Bonds were issued to fund the construction of State Route 28, U.S. Route 58, the Northern Virginia Transportation District Program, and the Oak Grove Connector (Chesapeake). The Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes were issued to finance various capital transportation projects throughout the Commonwealth. The interest rates for these bonds range from 2.00 percent to 5.25 percent and the issuance dates range from October 10, 2002, to May 23, 2012. The GARVEES were issued to finance various Federal Aid Transportation projects throughout the Commonwealth. The interest rates for these bonds range from 3.00 percent to 5.00 percent and the issuance date was March 15, 2012.

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 will receive a 35.0 percent interest subsidy to reimburse interest payments of \$126,765,808 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
2013	\$ 2,185,000	\$ 1,009,850	\$ 3,194,850
2014	2,290,000	900,600	3,190,600
2015	2,405,000	786,100	3,191,100
2016	2,520,000	665,850	3,185,850
2017	2,620,000	568,200	3,188,200
2018-2022	11,585,000	1,180,800	12,765,800
Less:			
Deferral on Debt Defeasance	(41,600)	-	(41,600)
Add:			
Unamortized Premium	647,096	-	647,096
Total	<u>\$ 24,210,496</u>	<u>\$ 5,111,400</u>	<u>\$ 29,321,896</u>

9(d) TRANSPORTATION FACILITIES DEBT Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2013	\$ 203,025,000	\$ 130,097,729	\$ 333,122,729
2014	146,845,000	124,809,123	271,654,123
2015	153,510,000	118,029,291	271,539,291
2016	160,780,000	110,564,641	271,344,641
2017	136,430,000	103,485,276	239,915,276
2018-2022	637,035,003	424,369,351	1,061,404,354
2023-2027	562,350,268	287,340,201	849,690,469
2028-2032	463,885,000	165,183,890	629,068,890
2033-2037	421,205,000	49,990,460	471,195,460
Less:			
Unamortized Discount	(110,037)	-	(110,037)
Add:			
Accretion on Capital Appreciation Bonds	16,338,961	-	16,338,961
Unamortized Premium	235,365,070	-	235,365,070
Total	<u>\$ 3,136,659,265</u>	<u>\$ 1,513,869,962</u>	<u>\$ 4,650,529,227</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. 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 4.25 percent to 5.00 percent and the issue date was April 12, 2006. The principal and interest requirements for current year totaled \$7,828,188. The following schedule details the annual funding requirements necessary to repay these bonds.

FAIRFAX COUNTY ECONOMIC DEVELOPMENT AUTHORITY Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2013	\$ 4,070,000	\$ 3,759,438	\$ 7,829,438
2014	4,270,000	3,555,938	7,825,938
2015	4,485,000	3,342,438	7,827,438
2016	4,710,000	3,118,188	7,828,188
2017	4,945,000	2,882,688	7,827,688
2018-2022	28,480,000	10,663,500	39,143,500
2023-2027	27,940,000	3,375,050	31,315,050
Add:			
Unamortized Premium	2,846,608	-	2,846,608
Total	<u>\$ 81,746,608</u>	<u>\$ 30,697,240</u>	<u>\$ 112,443,848</u>

Public Facilities Bonds

Section 9(b) general obligation bonds consist of Public Facilities Bonds, Series 2003A, 2004A, Series 2004B Refunding, Series 2005A, Series 2006A Refunding, Series 2006B, Series 2007A, Series 2007B, Series 2008A, Series 2008B, Series 2008B Refunding, Series 2009A, Series 2009D Refunding, Series 2009E, and Series 2012A Refunding. Bonds were issued to fund construction projects for higher educational institutions, mental health, and/or park facilities. The Series 2003A bonds were issued to advance refund outstanding Series 1993A and B, Series 1994, and Series 1996 bonds. The Series 2004B bonds were issued to advance refund outstanding Series 1997, Series 1998, and Series 1999A bonds. The Series 2006A bonds were issued to advance refund outstanding Series 1996 bonds. The Series 2008B bonds were issued to advance refund outstanding Series 1998 refunding bonds. The Series 2009D bonds were issued to advance refund outstanding Series 2004A, Series 2005A, and Series 2006B bonds. The Series 2012A bonds were issued to advance refund outstanding Series 2002, Series 2003A, Series 2004A, and Series 2005A bonds. Principal and interest requirements for the current year totaled \$118,289,014. The interest rates for all bonds range from 1.2 percent to 5.5 percent and the issuance dates range from June 30, 2003, to March 7, 2012. The following schedule details the annual funding requirements necessary to repay these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth will receive a 35.0 percent interest subsidy to reimburse interest payments of \$5,582,311 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>
2013	\$ 71,067,178	\$ 36,594,976	\$ 107,662,154
2014	72,540,000	33,305,063	105,845,063
2015	68,240,000	29,924,223	98,164,223
2016	60,550,000	26,739,473	87,289,473
2017	52,945,000	23,800,995	76,745,995
2018-2022	244,835,000	83,462,171	328,297,171
2023-2027	192,075,000	28,951,806	221,026,806
2028-2032	22,665,000	1,323,763	23,988,763
Less:			
Deferral on			
Debt Defeasance	(16,635,800)	-	(16,635,800)
Add:			
Unamortized Premium	62,867,930	-	62,867,930
Total	<u>\$ 831,149,308</u>	<u>\$ 264,102,470</u>	<u>\$ 1,095,251,778</u>

Parking Facilities Bonds

Section 9(c) general obligation bonds consist of Parking Facilities Bonds, Series 2004A, 2009B, and 2009D Refunding, and 2012A Refunding. The Series 2004A bonds were issued to fund the renovation of the 9th and Franklin Street parking deck. 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 and 2006B

Refunding bonds. The Series 2012A Refunding bonds were issued to advance refund outstanding Series 2002 Refunding and Series 2004A bonds. The interest rates for these bonds range from 2.5 percent to 5.5 percent and the issuance dates range from August 4, 2004, to March 7, 2012. Current year principal and interest requirements totaled \$1,575,167.

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>
2013	\$ 755,892	\$ 795,905	\$ 1,551,797
2014	805,604	780,730	1,586,334
2015	847,843	743,436	1,591,279
2016	722,093	704,073	1,426,166
2017	890,000	667,610	1,557,610
2018-2022	5,185,000	2,622,052	7,807,052
2023-2027	5,249,045	1,277,842	6,526,887
2028-2032	2,110,000	159,500	2,269,500
Less:			
Deferral on			
Debt Defeasance	(599,400)	-	(599,400)
Add:			
Unamortized Premium	2,417,036	-	2,417,036
Total	<u>\$ 18,383,113</u>	<u>\$ 7,751,148</u>	<u>\$ 26,134,261</u>

Virginia Public Building Authority

Virginia Public Building Authority (VPBA) Section 9(d) bonds consist of Series 2002A, 2003A Refunding, 2004A Refunding, 2004B, 2004C Refunding, 2004D Refunding, 2005A Refunding, 2005B Refunding, 2005C, 2005D, 2006A, 2006B, 2007A, 2008A Refunding, 2008B, 2009A, 2009B, 2009C, 2009D Refunding, 2010A, 2010B-1, 2010B-2, 2010B-3 Refunding, 2011AB, and 2012A Refunding. All bonds were issued for the purpose of constructing, improving, furnishing, maintaining, and acquiring public buildings for the use of the Commonwealth and also to reimburse localities, regional jail authorities or other combination of localities under the Regional Jail Financing Program. The Series 2003A and 2004A bonds were issued to advance refund outstanding Series 1993A, 1994A, 1995, and 1997A bonds. The Series 2004C and 2005A bonds were issued to refinance certain capital lease obligations of the Commonwealth. The Series 2004D bonds were issued to advance refund outstanding Series 1997A, Series 1999B, and Series 2000A bonds. The Series 2005B bonds were issued to advance refund outstanding Series 1996A, Series 1998B, and Series 1999A bonds. The Series 2008A bonds were issued to advance refund outstanding series 1998A Refunding bonds. The Series 2009D bonds were issued to advance refund outstanding series 2001A and 2002A Revenue bonds. The Series 2010B-3 bonds were issued to advance refund outstanding series 2002A and 2004B Revenue bonds. The Series 2012A bonds were issued to advance refund outstanding series 2004B and 2005C Revenue bonds. The interest rates for all fixed rate bonds range from 2.0 percent to 5.75 percent and the issuance dates range from August 1, 2002, to February 23, 2012. 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 \$283,157,424. The following schedule details the annual funding requirements necessary to repay these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth will receive a 35.0 percent interest subsidy to reimburse interest payments of \$105,348,837 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>
2013	\$ 182,830,000	\$ 111,466,849	\$ 294,296,849
2014	174,040,000	103,092,707	277,132,707
2015	178,290,000	94,479,027	272,769,027
2016	175,520,000	86,040,356	261,560,356
2017	159,565,000	78,199,853	237,764,853
2018-2022	630,410,000	294,171,712	924,581,712
2023-2027	600,010,000	155,475,401	755,485,401
2028-2032	342,120,000	35,078,121	377,198,121
Less:			
Deferral on			
Debt Defeasance	(25,153,157)	-	(25,153,157)
Add:			
Unamortized Premium	149,157,725	-	149,157,725
Total	<u>\$ 2,566,789,568</u>	<u>\$ 958,004,026</u>	<u>\$ 3,524,793,594</u>

Regional Jail Financing Program

The Regional Jail Financing Program of the Commonwealth of Virginia Treasury Board was created during the 1993 Session of the General Assembly to establish a method of reimbursing localities, regional jail authorities or other combination of localities for a portion of the capital and financing costs of a jail project, made pursuant to Sections 53.1-80, 53.1-81, or 53.1-82 of the *Code of Virginia*. The General Assembly, upon recommendation from the Department of Planning and Budget, may determine to reimburse localities for approved capital costs over time through a contractual reimbursement agreement between the localities or authority and the Treasury Board. The Board of Corrections determines the amount of reimbursable capital costs. If approved for reimbursement over time, the Treasury Board determines the amount of reimbursable financing costs and calculates the periodic reimbursement payments.

In 1996, the General Assembly adopted legislation that authorized funding of jail project reimbursements through bonds issued by the Virginia Public Building Authority (VPBA). As of June 30, 1998, all future jail reimbursements were approved for funding through the VPBA as opposed to the Treasury Board. All reimbursements whether up front or over time, are subject to appropriation by the General Assembly. Current year principal and interest requirements totaled \$2,635,715.

The following schedule details the annual funding requirements necessary to repay these obligations.

REGIONAL JAILS FINANCING Financial Obligations to Maturity			
<i>Calendar Year</i> <i>Obligations</i>	<i>Capital</i> <i>Costs</i>	<i>Financing</i> <i>Costs</i>	<i>Total</i>
2013	\$ 1,911,009	\$ 725,511	\$ 2,636,520
2014	837,165	(646,925)	190,240
Total	<u>\$ 2,748,174</u>	<u>\$ 78,586</u>	<u>\$ 2,826,760</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	\$ 1,205,869
College and university debt backed exclusively by pledged revenues of an institution	335,933
Total Higher Education Institution 9(d) debt	<u>\$ 1,541,802</u>

The interest rates for these bonds range from 0.04 percent to 6.2 percent and the issuance dates range from November 17, 1981, to March 7, 2012. The VCBA Series 2006B and 2006C bonds, the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University) Series 2005 and 2008 bonds, and the UVA Series 2003A bonds are variable rate bonds and the rates are reset weekly by the remarketing agent.

The following schedules detail the annual funding requirements necessary to amortize Higher Education Institution 9(c) and 9(d) bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth will receive a 35 percent interest subsidy to reimburse interest payments of \$403,629,901 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>
2013	\$ 45,241,930	\$ 38,861,829	\$ 84,103,759
2014	44,909,396	36,824,488	81,733,884
2015	48,292,157	34,737,331	83,029,488
2016	48,102,907	32,480,445	80,583,352
2017	47,705,000	30,379,103	78,084,103
2018-2022	222,760,000	122,079,577	344,839,577
2023-2027	224,420,955	72,836,908	297,257,863
2028-2032	137,600,000	28,011,878	165,611,878
2033-2037	44,585,000	5,947,705	50,532,705
2038-2042	5,190,000	493,030	5,683,030
Less:			
Deferral on			
Debt Defeasance	(11,692,000)	-	(11,692,000)
Add:			
Unamortized Premium	49,359,024	-	49,359,024
Total	<u>\$ 906,474,369</u>	<u>\$ 402,652,294</u>	<u>\$ 1,309,126,663</u>

9(d) HIGHER EDUCATION INSTITUTION BONDS
Debt Service Requirements to Maturity

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2013	\$ 23,557,379	\$ 60,854,606	\$ 84,411,985
2014	23,221,381	62,115,202	85,336,583
2015	26,655,503	61,159,064	87,814,567
2016	26,874,749	60,093,030	86,967,779
2017	21,249,125	59,023,213	80,272,338
2018-2022	109,403,843	282,657,225	392,061,068
2023-2027	128,355,000	262,811,382	391,166,382
2028-2032	157,195,000	242,866,779	400,061,779
2033-2037	287,674,000	222,083,302	509,757,302
2038-2042	720,715,000	100,456,313	821,171,313
Less:			
Deferral on			
Debt Defeasance	(14,123,688)	-	(14,123,688)
Add:			
Unamortized Premium	31,024,194	-	31,024,194
Total	<u>\$ 1,541,801,486</u>	<u>\$ 1,414,120,116</u>	<u>\$ 2,955,921,602</u>

9(d) VIRGINIA COLLEGE BUILDING AUTHORITY BONDS
Debt Service Requirements to Maturity

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2013	\$ 131,585,000	\$ 106,342,488	\$ 237,927,488
2014	139,055,000	98,739,467	237,794,467
2015	149,885,000	92,429,254	242,314,254
2016	148,010,000	85,968,691	233,978,691
2017	154,275,000	79,597,925	233,872,925
2018-2022	634,790,000	306,827,277	941,617,277
2023-2027	586,435,000	169,857,733	756,292,733
2028-2032	382,650,000	42,388,776	425,038,776
Less:			
Deferral on			
Debt Defeasance	(14,320,300)	-	(14,320,300)
Add:			
Unamortized Premium	158,224,662	-	158,224,662
Total	<u>\$ 2,470,589,362</u>	<u>\$ 982,151,611</u>	<u>\$ 3,452,740,973</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>
2013	\$ 20,789,420
2014	35,342,526
2015	24,035,802
2016	27,859,614
2017	26,268,414
Thereafter	840,851,962
Total	<u>\$ 975,147,738</u>

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

Innovation and Entrepreneurship Investment Authority

The Innovation and Entrepreneurship Investment Authority (IEIA) (nonmajor) has issued Taxable Lease Revenue Bonds, Series 1989, and Series 1997 Refunding. The Series 1989 bonds were issued to cover a portion of the costs related to the construction of a software development center and office building. Series 1997 bonds were issued to advance refund \$11.2 million of the outstanding 1989 bonds.

The 1989 bonds had an average interest rate of 10.3 percent and the 1997 bonds have an average interest rate of 7.4 percent. The bonds were issued on March 1, 1989, and May 1, 1997, respectively. The following schedule details the annual funding requirements necessary to amortize IEIA bonds.

9(d) INNOVATION AND ENTREPRENEURSHIP INVESTMENT AUTHORITY BONDS
Debt Service Requirements to Maturity

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2013	\$ 1,155,000	\$ 178,600	\$ 1,333,600
2014	1,220,000	91,744	1,311,744
Total	<u>\$ 2,375,000</u>	<u>\$ 270,344</u>	<u>\$ 2,645,344</u>

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 3.375 percent to 5.5 percent and the issuance dates range from July 23, 2002, to January 25, 2012. 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. 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>	
2013	\$ 12,935,000	\$ 23,433,923	\$	36,368,923
2014	15,090,000	21,854,582		36,944,582
2015	15,580,000	21,369,260		36,949,260
2016	16,105,000	20,836,311		36,941,311
2017	16,515,000	20,261,559		36,776,559
2018-2022	84,605,000	92,102,370		176,707,370
2023-2027	103,450,000	73,246,997		176,696,997
2028-2032	103,075,000	49,677,388		152,752,388
2033-2037	123,450,000	23,339,450		146,789,450
2038-2042	17,095,000	2,189,000		19,284,000
Less:				
Deferral on				
Debt Defeasance	(969,200)	-		(969,200)
Add:				
Unamortized Premium	12,368,074	-		12,368,074
Total	<u>\$ 519,298,874</u>	<u>\$ 348,310,840</u>	<u>\$</u>	<u>867,609,714</u>

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 0.184 percent to 8.18 percent and the origination dates range from January 9, 2001, to September 27, 2011. 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>	
2013	\$ 278,877,856	\$ 275,400,045	\$	554,277,901
2014	271,400,000	264,007,815		535,407,815
2015	265,995,000	253,607,786		519,602,786
2016	265,070,000	242,861,950		507,931,950
2017	262,430,000	231,882,225		494,312,225
2018-2022	1,235,485,000	984,034,731		2,219,519,731
2023-2027	997,540,000	719,157,687		1,716,697,687
2028-2032	987,292,004	466,171,500		1,453,463,504
2033-2037	750,037,878	244,716,771		994,754,649
2038-2042	552,234,250	59,061,170		611,295,420
2043-2047	47,430,000	3,759,346		51,189,346
Add:				
Unamortized				
Premium	31,381,758	-		31,381,758
Total	<u>\$ 5,945,173,746</u>	<u>\$ 3,744,661,026</u>	<u>\$</u>	<u>9,689,834,772</u>

Virginia Resources Authority

The Virginia Resources Authority (VRA) (nonmajor) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 1.25 percent to 8.70 percent and the origination dates range from October 15, 1999, to June 13, 2012. The following schedule details the annual funding requirements necessary to amortize these bonds.

9(d) VIRGINIA RESOURCES AUTHORITY BONDS Debt Service Requirements to Maturity				
<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
2013	\$ 113,711,100	\$ 141,892,119	\$	255,603,219
2014	126,923,450	139,057,487		265,980,937
2015	134,475,000	133,784,088		268,259,088
2016	140,415,000	127,906,117		268,321,117
2017	154,405,000	121,446,747		275,851,747
2018-2022	754,830,000	501,663,009		1,256,493,009
2023-2027	713,105,000	329,971,357		1,043,076,357
2028-2032	588,515,000	166,100,268		754,615,268
2033-2037	281,375,000	59,876,341		341,251,341
2038-2042	112,330,000	14,535,534		126,865,534
2043-2047	9,870,000	223,425		10,093,425
Less:				
Unaccreted				
Capital				
Appreciation				
Bonds	(39,276,094)	-		(39,276,094)
Add:				
Unamortized				
Premium	188,948,095	-		188,948,095
Total	<u>\$ 3,279,626,551</u>	<u>\$ 1,736,456,492</u>	<u>\$</u>	<u>5,016,083,043</u>

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 0.05 percent to 5.95 percent, and the origination dates range from December 21, 2001, to February 24, 2012. The following schedule details the annual funding requirements necessary to amortize these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth will receive a 100.0 percent interest subsidy to reimburse interest payments of \$204,759,508 for Qualified School Construction Bonds (QSCBs) issued. The QSCBs are applicable to Series 2010-1 and 2011-1 Revenue Bonds.

9(d) VIRGINIA PUBLIC SCHOOL AUTHORITY BONDS Debt Service Requirements to Maturity				
<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
2013	\$ 199,050,000	\$ 149,240,426	\$	348,290,426
2014	218,820,000	140,149,301		358,969,301
2015	212,930,000	129,805,044		342,735,044
2016	211,914,060	119,515,757		331,429,817
2017	206,733,003	109,425,232		316,158,235
2018-2022	922,425,000	407,439,196		1,329,864,196
2023-2027	877,540,000	216,624,015		1,094,164,015
2028-2032	425,785,000	58,499,541		484,284,541
2033-2037	44,850,000	4,657,394		49,507,394
2038-2042	905,000	20,363		925,363
Less:				
Deferral on				
Debt Defeasance	(108,385,900)	-		(108,385,900)
Add:				
Unamortized Premium	165,517,693	-		165,517,693
Total	<u>\$ 3,378,083,856</u>	<u>\$ 1,335,376,269</u>		<u>\$ 4,713,460,125</u>

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, 2003. The interest cost for these bonds range from 2.38 percent to 5.86 percent. The following schedule details the annual funding requirements necessary to amortize these bonds.

HAMPTON ROADS SANITATION DISTRICT COMMISSION Debt Service Requirements to Maturity				
<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
2013	\$ 22,603,000	\$ 28,010,000	\$	50,613,000
2014	24,029,000	27,027,000		51,056,000
2015	24,604,000	26,086,000		50,690,000
2016	24,143,000	25,163,000		49,306,000
2017	18,947,000	24,346,000		43,293,000
2018-2022	104,241,000	109,827,000		214,068,000
2023-2027	120,962,000	85,436,000		206,398,000
2028-2032	122,329,000	56,309,000		178,638,000
2033-2037	109,109,000	26,810,000		135,919,000
2038-2042	63,625,000	3,033,000		66,658,000
Add:				
Unamortized Premium	4,694,000	-		4,694,000
Total	<u>\$ 639,286,000</u>	<u>\$ 412,047,000</u>		<u>\$ 1,051,333,000</u>

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 6.4 percent.

VIRGINIA BIOTECH RESEARCH PARTNERSHIP AUTHORITY Debt Service Requirements to Maturity				
<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
2013	\$ 1,835,000	\$ 1,563,475	\$	3,398,475
2014	3,270,000	1,486,900		4,756,900
2015	3,385,000	1,370,150		4,755,150
2016	3,525,000	1,231,950		4,756,950
2017	3,665,000	1,088,150		4,753,150
2018-2022	21,060,000	2,717,175		23,777,175
Less:				
Unamortized				
Discount	(559,836)	-		(559,836)
Deferral on				
Debt Defeasance	(2,439,409)	-		(2,439,409)
Add:				
Unamortized Premium	3,421,431	-		3,421,431
Total	<u>\$ 37,162,186</u>	<u>\$ 9,457,800</u>		<u>\$ 46,619,986</u>

Total principal outstanding at June 30, 2012, on all component unit bonds amounted to \$19.7 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, 2011	Issuances and Other Increases	Retirements and Other Decreases	Subtotal June 30, 2012
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	\$ 873,489	\$ 71,065	\$ (159,637)	\$ 784,917
Parking Facilities Bonds	17,322	1,143	(1,900)	16,565
Transportation Facilities Bonds	25,685	-	(2,080)	23,605
Add: Unamortized Premium	60,358	16,781	(11,208)	65,931
Less: Deferral on Debt Defeasance	(16,480)	2,303	(3,100)	(17,277)
Total General Obligation Bonds	960,374	91,292	(177,925)	873,741
Long-term Debt/Obligations Not Bearing the Pledge				
of the Full Faith and Credit of the Commonwealth:				
Transportation Facilities Bonds	2,157,564	1,072,340	(344,838)	2,885,066
Virginia Public Building Authority Bonds	2,320,885	370,915	(249,015)	2,442,785
Regional Jails Financing Payable	4,617	-	(1,869)	2,748
Economic Development Authority Obligations	82,775	-	(3,875)	78,900
Add: Unamortized Premium	231,325	200,587	(44,544)	387,368
Accretion on Capital Appreciation Bonds	19,865	-	(3,526)	16,339
Less: Unamortized Discount	(115)	5	-	(110)
Deferral on Debt Defeasance	(24,708)	17,092	(17,537)	(25,153)
Installment Purchase Obligations (3)	101,014	34,373	(20,428)	114,959
Notes Payable - Transportation	8,000	-	-	8,000
Notes Payable - Aviation	1,336	-	(286)	1,050
Notes Payable - Tax Refund	60,959	-	(20,320)	40,639
Compensated Absences	311,523	6,785	(3,132)	315,176
Capital Lease Obligations	87,219	1,136	(10,955)	77,400
Pension Liability	1,405,714	255,054	-	1,660,768
OPEB Liability	301,771	105,198	-	406,969
Pollution Remediation Liability	4,772	652	(253)	5,171
Other	24,308	7,893	(4,554)	27,647
Total Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth	7,098,824	2,072,030	(725,132)	8,445,722
Total Governmental Activities	8,059,198	2,163,322	(903,057)	9,319,463
Business-type Activities:				
Long-term Debt/Obligations Not Bearing the Pledge				
of the Full Faith and Credit of the Commonwealth:				
Capital Lease Obligations	918	-	(469)	449
Compensated Absences	9,044	2,310	(2,087)	9,267
Pension Liability	34,054	8,195	-	42,249
OPEB Liability	9,099	3,652	-	12,751
Lottery Prizes Payable	216,408	9,588	(31,515)	194,481
Tuition Benefits Payable	2,215,261	93,316	(133,281)	2,175,296
Total Business-type Activities	2,484,784	117,061	(167,352)	2,434,493
Total Primary Government	\$ 10,543,982	\$ 2,280,383	\$ (1,070,409)	\$ 11,753,956

<u>Foundations (5)</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
\$ -	\$ 784,917	\$ 71,067
-	16,565	756
-	23,605	2,185
-	65,931	-
-	(17,277)	-
-	<u>873,741</u>	<u>74,008</u>
-	2,885,066	203,025
-	2,442,785	182,830
-	2,748	1,911
-	78,900	4,070
-	387,368	-
-	16,339	-
-	(110)	-
-	(25,153)	-
-	114,959	9,342
-	8,000	-
-	1,050	286
-	40,639	20,320
-	315,176	143,967
-	77,400	10,564
-	1,660,768	-
-	406,969	-
-	5,171	2,591
-	<u>27,647</u>	<u>4,000</u>
-	<u>8,445,722</u>	<u>582,906</u>
-	<u>9,319,463</u>	<u>656,914</u>
-	449	449
-	9,267	4,994
-	42,249	-
-	12,751	-
-	194,481	35,670
-	<u>2,175,296</u>	<u>192,471</u>
-	<u>2,434,493</u>	<u>233,584</u>
<u>\$ -</u>	<u>\$ 11,753,956</u>	<u>\$ 890,498</u>

Continued on next page

Schedule of Changes in Long-term Debt and Obligations (1) (2)

(continued)

(Dollars in Thousands)

	Balance July 1, 2011 as restated (6)	Issuances and Other Increases	Retirements and Other Decreases	Subtotal June 30, 2012
Component Units				
Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
General Obligation Bonds - Higher Education 9(c) (4)	\$ 765,280	\$ 212,778	\$ (71,584)	\$ 906,474
Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Bonds (4)	16,834,461	3,426,546	(2,447,609)	17,813,398
Installment Purchase Obligations	118,277	1,291	(19,407)	100,161
Capital Lease Obligations	99,569	-	(8,403)	91,166
Notes Payable	2,403,627	980,915	(1,314,390)	2,070,152
Compensated Absences	248,148	234,662	(228,965)	253,845
Pension Liability	644,481	144,525	(3,534)	785,472
OPEB Liability	342,066	128,618	(23)	470,661
Trust and Annuity Obligations	2,376	132	-	2,508
Other	335,307	837,380	(879,282)	293,405
Total Component Units	<u>\$ 21,793,592</u>	<u>\$ 5,966,847</u>	<u>\$ (4,973,197)</u>	<u>\$ 22,787,242</u>

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 special revenue funds. 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) Included in the installment purchase obligation is \$17.4 million for which the property management fund (internal service) is contractually obligated for which there is no offsetting internal service fund asset. Accordingly, this activity is excluded from the Noncash Investing, Capital, and Financing Activities reported on page 61.

Note (4) Amounts are net of any unamortized discounts, premiums, and deferrals.

Note (5) Foundations represent FASB reporting entities defined in Note 1.B.

Note (6) Beginning balances have been restated by \$19,950 (dollars in thousands) for the University of Virginia (major component unit) due to the elimination of an intrafund capital lease with its foundation.

Bond Defeasance

Primary Government

On February 23, 2012, the Virginia Public Building Authority issued \$72,415,000 of Series 2012A Public Facilities Revenue refunding bonds. The bonds refunded were \$48,285,000 of Series 2004B and \$31,390,000 of Series 2005C Public Facilities Revenue Bonds. The net proceeds from the sale of the refunding bonds of \$89,956,103 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the defeased bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$7,431,355. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt which is shorter than the life of the new debt issued. Total debt service payments over the next 13 years will be reduced by \$11,183,480 resulting in an economic gain of \$9,832,709 discounted at the rate of 1.724 percent.

On February 23, 2012, the Commonwealth Transportation Board of the Commonwealth of Virginia issued \$86,430,000 in Transportation Revenue Refunding Bonds Series 2012A and \$37,700,000 in Transportation Revenue Refunding Bonds Series 2012B with a varying interest rate of 2 to 5 percent. The bonds that were refunded with the Series 2001A Transportation Refunding Bonds include \$15,380,000. The bonds that were refunded with the Series 2001B Transportation Refunding Bonds include \$3,565,000. The bonds that were refunded with the Series 2002A Transportation Refunding Bonds include \$81,130,000. The bonds that were refunded with the Series 2002B Transportation Refunding Bonds include \$36,640,000. The net proceeds from the sale of the Refunding Bonds of \$141,299,388 (after payment of underwriter's fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the refunded bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$3,305,298. This amount is being netted against the new debt and amortized over the remaining life the refunded debt or the new debt, whichever is shorter. Total debt service payments will be reduced by \$24,741,687 resulting in an economic gain of \$25,860,645, discounted at a rate of 1.33 percent.

On March 7, 2012, the Commonwealth issued \$95,490,000 General Obligation Refunding Bonds, Series 2012A, pursuant to Sections 9(b) and 9(c) of Article X of the *Constitution of Virginia*, with a true interest cost (TIC) of 1.58 percent to refund \$108,035,000 of certain outstanding bonds. The bonds that were refunded include \$14,385,000 of outstanding Higher Education Institution Refunding Bonds, Series 2002, \$1,065,000 of Higher Education Institution Bonds, Series 2002A, \$3,910,000 of Higher Education Institution Bonds, Series 2004A, \$6,600,000 of Higher Education Institution Bonds, Series 2005A, \$19,910,000 of Public Facilities Refunding Bonds, Series 2002, \$25,235,000 of Public Facilities Bonds, Series 2003A, \$24,190,000 of Public Facilities Bonds, Series 2004A, \$11,580,000 of Public Facilities Bonds, Series 2005A, \$95,000 of Parking Facilities Refunding Bonds, Series

Foundations (5)	Balance June 30, 2012	Due Within One Year
\$ -	\$ 906,474	\$ 47,343
975,148	18,788,546	860,523
-	100,161	16,217
432	91,598	5,490
211,556	2,281,708	260,476
8,382	262,227	181,270
98,259	883,731	-
30	470,691	-
72,630	75,138	2,822
204,010	497,415	107,079
<u>\$ 1,570,447</u>	<u>\$ 24,357,689</u>	<u>\$ 1,481,220</u>

2002, and \$1,065,000 of Parking Facilities Bonds, Series 2004A. The net proceeds from the sale of the Refunding Bonds of \$116,184,421 (after payment of underwriter's fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the refunded bonds. The debt defeasance resulted in an accounting loss of \$3,310,000. It will, however, reduce total debt service payments over the next 14 years by \$13,153,182 resulting in an economic gain of \$12,700,398 discounted at the rate of 1.56 percent.

On May 23, 2012, the Commonwealth Transportation Board of the Commonwealth of Virginia issued \$50,620,000 in Transportation Contract Revenue Refunding Bonds Series 2012 with a varying interest rate of 2.0 to 5.0 percent. The bonds that were refunded with the Series 2002 CIB Transportation Refunding Bonds include \$9,608,396. The bonds that were refunded with the Series 2002 CAB Transportation Refunding Bonds include \$38,390,000. The net proceeds from the sale of the Refunding Bonds of \$55,024,253 (after payment of underwriter's fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the refunded bonds. 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 assets. The reacquisition price exceeded the net carrying amount of the old debt by \$6,800,759. 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 \$20,107,139 resulting in an economic gain of \$12,297,449 discounted at a rate of 2.72 percent.

Component Units

On October 12, 2011, the University of Virginia (major) issued \$4,691,000 of Taxable Commercial Paper and on October 13, 2011, issued Series 2011 Bonds of \$73,950,000 to advance refund \$82,215,000 of Series 2003B Bonds. The advance refunding reduced the aggregate debt service by \$12,435,451 resulting in an economic gain of \$8,589,746 and an accounting loss of \$7,993,477 discounted at the rate of 3.33 percent.

In March 2012, the Virginia College Building Authority (nonmajor) issued \$164,475,000 of Series 2012A Pooled Bond Program refunding bonds. The bonds refunded were \$50,695,000 of series 2003A, \$66,495,000 of series 2004A, and \$56,255,000 of series 2005A Pooled Bond Program bonds. The net proceeds from the sale of the refunding bonds of \$193,140,527 were deposited in irrevocable trusts with escrow agents to provide for all future debt service on the defeased bonds. This defeasance resulted in an accounting loss of \$17,579,000. Total debt service payments over the next 19 years will be reduced by \$19,384,966 resulting in an economic gain of \$16,245,212 discounted at the rate of 2.09 percent.

In March 2012, the Virginia Public School Authority (major) issued \$282,230,000 of Series 2012A refunding

bonds ("Refunding Bonds"). The bonds refunded were \$7,595,000 of series 2001B, \$14,830,000 of series 2003A bonds, \$24,625,000 of series 2004A, \$54,330,000 of series 2004B, \$79,810,000 of series 2005C, and \$118,490,000 of series 2005D. The net proceeds of \$337,082,264 from the sale of the Refunding Bonds were placed with an escrow agent to provide for all future debt service on the defeased bonds. This defeasance resulted in an accounting loss of \$37,402,000. Total debt service payments over the next 19 years will be reduced by \$22,210,383 resulting in an economic gain of \$21,973,019 discounted at the rate of 2.08 percent.

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, 2012, there were \$334.9 million in bonds from the primary government that have been refunded and defeased in-substance from the governmental activities column by placing existing assets and the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments. In addition, there were \$1.2 billion in bonds outstanding considered defeased from the component units.

Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986 calculate and rebate arbitrage earnings to the federal government. The U.S. Treasury has issued regulations on calculating the rebate amount and complying with the provisions of the Tax Reform Act of 1986. Governmental issuers must comply with the rebate regulations in order for their bonds to maintain tax-exempt status. The regulations require the excess of the aggregate amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, to be rebated to the federal government. Income earned on excess earnings is also subject to rebate. Rebate liability, if any, must be paid every five years over the life of the bonds. Governmental issuers may elect to pay a penalty in lieu of rebate. Some bonds may be exempt from the rebate requirements if they qualify for certain regulatory exceptions. If the issuer meets one of the exceptions, the issuer retains any arbitrage earnings. Rebate and penalty payments are calculated and paid as required by law on bond issues that do not qualify for an exception.

Although rebatable arbitrage need only be calculated for tax purposes every fifth year that debt is outstanding, and consistent with modified accrual basis of accounting, is not recognized as a liability in governmental funds until amounts actually become due and payable, a liability is recognized in accrual basis government-wide statements as soon as the underlying event has occurred. Accordingly, as of June 30, 2012, the Commonwealth has recognized a government-wide liability of \$1.2 million and the Virginia Resources Authority (nonmajor component unit) has recognized a liability of \$3.1 million.

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 2012, a rebate payment in the amount of \$1.4 million was made on the Commonwealth's Series 2006B General Obligation Bonds. No rebate payments were owed on bonds of the Virginia Public Building Authority, Commonwealth Transportation Board, or the Virginia College Building Authority 21st Century or Pooled Bond Programs.

Rebate liability on bonds of the Virginia Public School Authority (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 the year, \$972,263 was paid to the federal government for rebate on various VPSA school financing bonds.

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, 2012, are shown in the following table (dollars in thousands).

	Governmental Activities	Business-Type Activities	Component Units (1)
2013	\$ 15,614	\$ 588	\$ 8,623
2014	16,031	-	8,566
2015	15,725	-	8,071
2016	15,559	-	7,985
2017	8,545	-	6,316
2018-2022	29,432	-	29,002
2023-2027	1,618	-	25,704
2028-2032	-	-	25,245
2033-2037	-	-	5,403
2038-2042	-	-	1,557
2043-2047	-	-	622
2048-2052	-	-	1,157
Total Gross Minimum Lease Payments	102,524	588	128,251
Less: Amount Representing Executory Costs	(7,325)	-	-
Net Minimum Lease Payments	95,199	588	128,251
Less: Amount Representing Interest	(17,799)	(139)	(37,085)
Present Value of Net Minimum Lease Payments	\$ 77,400	\$ 449	\$ 91,166

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

	Foundations (2)
2013	\$ 117
2014	115
2015	95
2016	86
2017	27
Net Minimum Lease Payments	440
Less: Amount Representing Interest	(8)
Present Value of Net Minimum Lease Payments	\$ 432

Note (2): Foundations represent FASB reporting entities defined in Note 1.B.

At June 30, 2012, assets purchased under capital leases were included in depreciable capital assets as follows (dollars in thousands). The amounts are net of accumulated depreciation where applicable. For a portion of these assets, ownership will pass to the Commonwealth at the end of the lease term.

	Buildings	Equipment	Total
Governmental Activities:			
Gross Capital Assets	\$ 170,559	\$ 3,529	\$ 174,088
Less: Accumulated Depreciation	(64,854)	(845)	(65,699)
Total Governmental Activities	\$ 105,705	\$ 2,684	\$ 108,389
Business-Type Activities:			
Gross Capital Assets	\$ 2,347	\$ -	\$ 2,347
Less: Accumulated Depreciation	(225)	-	(225)
Total Business-Type Activities	\$ 2,122	\$ -	\$ 2,122
Component Units:			
Gross Capital Assets	\$ 165,267	\$ 1,705	\$ 166,972
Less: Accumulated Depreciation	(41,388)	(1,701)	(43,089)
Subtotal (excluding Foundations)	123,879	4	123,883
Foundations:			
Gross Capital Assets	-	458	458
Less: Accumulated Depreciation	-	(58)	(58)
Subtotal Foundations	-	400	400
Total Component Units (3)	\$ 123,879	\$ 404	\$ 124,283

Note (3): Land purchased under capital leases by the University of Virginia (major) 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	
Transportation Note	\$ 8,000
Aviation Note	1,050
Installment Notes	114,959
Tax Refund Note	40,639
Total Primary Government	164,648
Component Units	
Virginia Public School Authority	161,170
Virginia Housing Development Authority	109,500
University of Virginia	45,771
Virginia Polytechnic Institute and State University	237,691
Virginia Commonwealth University	299,784
Nonmajor Component Units	1,216,236
Installment Notes	100,161
Subtotal (excluding Foundations)	2,170,313
Foundations:	
Notes Payable	211,556
Subtotal - Foundations	211,556
Total Component Units	2,381,869
Total Notes Payable	\$ 2,546,517

The Transportation (primary government) Note represents an interest free note payable to Chesterfield County, Virginia, of \$8,000,000 for the repayment of the Powhite Parkway Extension Toll Road from surplus net revenues of the project prior to the retirement of all the bonds issued.

The Aviation (primary government) Note represents a loan agreement with the Virginia Resources Authority (nonmajor component unit) with an outstanding balance of \$1,050,000. 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 Tax Refund (primary government) Note of \$40,639,103 is owed to a taxpayer and will be paid in four annual installments. Variable interest not to exceed 4.0 percent will be included in the annual payments.

The Virginia Public School Authority (major component unit) notes of \$161,170,000 are for the School Equipment Financing Notes Educational Technology program. The note proceeds were used to make grants to school divisions for the purchase of educational technology equipment. The notes will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund (major special revenue fund).

The Virginia Housing Development Authority (major component unit) has notes payable of \$109,500,000 representing a credit agreement with the Federal Home Loan Bank of Atlanta. The proceeds along with the bond proceeds are used to make mortgage loans.

The Virginia Resources Authority (nonmajor component unit) notes of \$4,094,949 are Equipment and Term Financing loans.

The Virginia Biotechnology Research Partnership Authority (nonmajor component unit) has notes payable in the amount of \$1,853,437 used for refunding the 1998 bonds issued for BioTech One, making tenant improvements to BioTech Six and purchasing two pieces of land.

An additional amount of \$1,793,534,000 is comprised primarily of higher education (component unit) promissory notes with the Virginia College Building Authority (VCBA) (nonmajor component unit) to finance the construction of various higher education facilities. The VCBA principal amount net of unamortized accruals is as follows: University of Virginia (major component unit) \$45,517,595; Virginia Polytechnic Institute and State University (major component unit) \$237,691,223; Virginia Commonwealth University (major component unit) \$299,664,357; and nonmajor component units \$1,207,870,019. Interest rates range from 2.1 percent to 5.75 percent and shall be paid semi-annually. The final principal payment is due in 2041.

The higher education institutions (component units) also have notes payable. The University of Virginia (major component unit) has notes payable of \$253,000 for a GPS system and software. The Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – major component unit) has a notes payable of \$119,390 regarding a parking deck. Virginia State University (nonmajor component unit) has a note payable of \$1,496,539, which is the result of a loan agreement with the U.S. Department of Housing and Urban Development to repair seven dormitories. The loan is to be repaid over 30 years at 3.0 percent interest per annum, and is secured by a lien on the net revenues from the ownership, operation, and use of the seven dormitories under repair. The Radford University Property Acquisition Corporation (blended component unit of Radford University – nonmajor component unit) has a notes payable of \$922,153 to purchase land and a building. The terms include an interest rate of 5.53 percent, payable in monthly installments with a final payment in 2022.

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, 2012, are shown in the following table (dollars in thousands).

Foundations' Notes Payable (Component Units) (1)			
June 30, 2012			
Maturity		Principal	
2013	\$	9,395	
2014		33,903	
2015		35,915	
2016		4,856	
2017		64,869	
Thereafter		62,618	
Total	\$	<u>211,556</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 \$215,120,511 of the total outstanding debt of the Commonwealth. Presented in the following tables are repayment schedules for installment purchase obligations.

Installment Purchase Obligations - Governmental Funds				
June 30, 2012				
Maturity		Principal	Interest	Total
2013	\$	9,342,780	\$ 4,109,641	\$ 13,452,421
2014		9,969,300	3,768,894	13,738,194
2015		10,296,157	3,434,361	13,730,518
2016		10,574,487	3,087,897	13,662,384
2017		10,165,037	2,732,544	12,897,581
2018-2022		40,760,474	8,756,571	49,517,045
2023-2027		23,845,604	2,023,277	25,868,881
2028-2032		5,278	8	5,286
Total	\$	<u>114,959,117</u>	<u>\$ 27,913,193</u>	<u>\$ 142,872,310</u>

Installment Purchase Obligations - Component Units				
June 30, 2012				
Maturity		Principal	Interest	Total
2013	\$	16,216,708	\$ 3,028,617	\$ 19,245,325
2014		16,238,381	2,616,314	18,854,695
2015		13,672,046	2,146,824	15,818,870
2016		10,662,120	1,736,313	12,398,433
2017		10,422,117	1,408,085	11,830,202
2018-2022		28,626,370	2,964,147	31,590,517
2023-2027		4,323,652	389,485	4,713,137
Total	\$	<u>100,161,394</u>	<u>\$ 14,289,785</u>	<u>\$ 114,451,179</u>

The various foundations (component units) had no installment purchase obligations as of June 30, 2012.

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, 2012, are shown in the following table:

	<u>Jackpot</u>	<u>Win For Life</u>	<u>Total</u>
Due within one year	\$ 31,065,238	\$ 4,604,416	\$ 35,669,654
Due in subsequent years	<u>98,068,581</u>	<u>60,742,182</u>	<u>158,810,763</u>
Total (present value)	129,133,819	65,346,598	194,480,417
Add:			
Interest to Maturity	<u>42,196,181</u>	<u>40,564,402</u>	<u>82,760,583</u>
Lottery Prizes Payable at Maturity	<u>\$ 171,330,000</u>	<u>\$ 105,911,000</u>	<u>\$ 277,241,000</u>

Tuition Benefits Payable

The Virginia College Savings Plan administers the Virginia Prepaid Education Program (VPEP). VPEP offers contracts which, for actuarially determined amounts, provide for guaranteed full future tuition payments at state higher education institutions. The contract provisions also allow the benefits to be used for private or out-of-state institutions at a prorated amount based upon the amounts charged by the state's higher education institutions.

At June 30, 2012, tuition benefits payable of \$2.2 billion have been recorded for the VPEP program on the balance sheet for the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for the VPEP program. In addition, a receivable in the amount of \$244.8 million has been recorded to reflect the actuarially determined present value of future payments anticipated from contract holders.

26. OTHER REVENUE

The following table (dollars in thousands) summarizes Other Revenue for the fiscal year ended June 30, 2012.

	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	\$ 2,548	\$ 218,784	\$ 16,209	\$ 648	\$ 30,188
Major Special Revenue Funds:					
Commonwealth Transportation	17,874	11,195	22,220	22,422	2,368
Federal Trust	-	735	-	217	370
Literary	-	65,570	-	8	-
Nonmajor Governmental Funds	99,796	52,452	65,475	8,876	7,937
Major Enterprise Funds:					
Virginia College Savings Plan	-	-	-	-	-
Nonmajor Enterprise Funds	-	12,979	-	-	-
Internal Service Funds	-	-	-	-	-
Pension and Other Employee Benefit Trust	-	-	-	-	-
Total Primary Government	<u>\$ 120,218</u>	<u>\$ 361,715</u>	<u>\$ 103,904</u>	<u>\$ 32,171</u>	<u>\$ 40,863</u>

	Tobacco Master Settlement	Taxes	E-Z Pass	Other (1)	Total Other Revenue
Primary Government:					
General	\$ 49,136	\$ -	\$ -	\$ 267,845	\$ 585,358
Major Special Revenue Funds:					
Commonwealth Transportation	-	-	9,724	4,599	90,402
Federal Trust	-	-	-	120,778	122,100
Literary	-	-	-	77,293	142,871
Nonmajor Governmental Funds	-	-	-	161,676	396,212
Major Enterprise Funds:					
Virginia College Savings Plan	-	-	-	18	18
Nonmajor Enterprise Funds	-	3,498	-	932	17,409
Internal Service Funds	-	-	-	1	1
Pension and Other Employee Benefit Trust	-	-	-	4,568	4,568
Total Primary Government	<u>\$ 49,136</u>	<u>\$ 3,498</u>	<u>\$ 9,724</u>	<u>\$ 637,710</u>	<u>\$ 1,358,939</u>

Note (1): \$75,000 (dollars in thousands) of the total amount recorded for the Literary fund is related to unclaimed property.

27. PRIZES AND CLAIMS

The following table summarizes Prizes and Claims Expense for the fiscal year ended June 30, 2012.

(Dollars in Thousands)

	Insurance Claims	Lottery Prize Expense	Total Prizes and Claims
Proprietary Funds:			
Major Enterprise Funds:			
State Lottery	\$ -	\$ 950,628	\$ 950,628
Unemployment Compensation	637,955	-	637,955
Nonmajor Enterprise Funds	261,814	-	261,814
Total Enterprise Funds	<u>\$ 899,769</u>	<u>\$ 950,628</u>	<u>\$ 1,850,397</u>
Internal Service Funds	<u>\$ 1,219,077</u>	<u>\$ -</u>	<u>\$ 1,219,077</u>

28. OTHER EXPENSES

The following table summarizes Other Expenses for the fiscal year ended June 30, 2012.

(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	\$ -	\$ 445	\$ 2,006	\$ 2,451
Nonmajor Enterprise Funds	119	2,823	821	3,763
Total Enterprise Funds	<u>\$ 119</u>	<u>\$ 3,268</u>	<u>\$ 2,827</u>	<u>\$ 6,214</u>
Internal Service Funds	<u>\$ 1,660</u>	<u>\$ 3,779</u>	<u>\$ 6,886</u>	<u>\$ 12,325</u>
Pension and Other Employee Benefit Trust (2)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,406</u>	<u>\$ 1,406</u>

Note (1): \$5,851 (dollars in thousands) can be attributed to expenses related to closing cases in the Risk Management internal service fund.
\$2,006 (dollars in thousands) can be attributed to the SOAR scholarship program for Virginia College Savings Plan Fund.

Note (2): Fiduciary expenses of \$1,406 (dollars in thousands) are not included in the Government-wide Statement of Activities.

29. OTHER NON-OPERATING REVENUE/EXPENSES

The following table summarizes Other Non-Operating Revenue/Expenses for the fiscal year ended June 30, 2012.

(Dollars in Thousands)

	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:						
State Lottery	\$ -	\$ (398)	\$ -	\$ -	\$ 357	\$ (41)
Virginia College Savings Plan	-	-	(106)	-	-	(106)
Unemployment Compensation	-	-	-	68,079	-	68,079
Nonmajor Enterprise Funds	-	(1)	-	-	9,196	9,195
Total Enterprise Funds	<u>\$ -</u>	<u>\$ (399)</u>	<u>\$ (106)</u>	<u>\$ 68,079</u>	<u>\$ 9,553</u>	<u>\$ 77,127</u>
Internal Service Funds	<u>\$ (270)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,298)</u>	<u>\$ (2,568)</u>

Note (1): Other Non-Operating Revenue/Expenses of the nonmajor enterprise funds are comprised of \$9,196 reported by the Department of Alcoholic Beverage Control.

30. TRANSFERS

The following table summarizes Transfers In and Transfers Out for the fiscal year ended June 30, 2012 (dollars in thousands).

Transfers In (Reported In):					
Transfers Out (Reported In):	General	Commonwealth Transportation	Federal Trust	Literary	Nonmajor Governmental Funds
Primary Government					
General	\$ -	\$ 194,984	\$ 110	\$ -	\$ 420,855
Major Special Revenue Funds:					
Commonwealth Transportation	28,847	-	1,227	-	278,319
Federal Trust	798	9,114	-	-	11,053
Nonmajor Governmental Funds	146,703	-	17	400	1,760
Major Enterprise Funds:					
State Lottery	487,953	-	-	11,298	-
Virginia College Savings Plan	679	-	-	-	-
Unemployment Compensation	-	-	10,361	-	-
Nonmajor Enterprise Funds	144,654	-	-	1	15,659
Internal Service Funds	3,809	-	758	-	-
Total Primary Government	\$ 813,443	\$ 204,098	\$ 12,473	\$ 11,699	\$ 727,646

Transfers are used to (1) move revenues from the fund that the *Code of Virginia* or budget requires to collect them to the fund that the *Code of Virginia* or budget requires to expend them; (2) move receipts restricted for debt service from the funds holding the resources to the debt service fund as principal and interest payments become due; (3) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and (4) reimburse the General Fund for expenses incurred on behalf of nongeneral funds.

During the fiscal year, the following significant transfers were made that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer.

- Various nongeneral funds transferred approximately \$114.3 million to the General Fund as required by Chapter 2, 2012 Acts of Assembly.
- The Department of Motor Vehicles transferred certain fees of approximately \$7.4 million to the General Fund as required by Chapter 2, 2012 Acts of Assembly.

Nonmajor Enterprise Funds	Internal Service Funds	Total Primary Government
\$ 185	\$ -	\$ 616,134
-	363	308,756
74	82	21,121
1,843	-	150,723
-	-	499,251
-	-	679
-	-	10,361
-	-	160,314
-	-	4,567
<u>\$ 2,102</u>	<u>\$ 445</u>	<u>\$ 1,771,906</u>

31. ON-BEHALF PAYMENTS

Higher education institutions (component units) received various on-behalf payments from foundations primarily for salary supplements and stipends during fiscal year 2012. Since the foundations are included as part of the higher education entity, the on-behalf payments were considered intrafund and were eliminated from the financial statements.

32. ENDOWMENTS

Donor restricted endowments reside primarily within the higher education institutions. The net appreciation available for expenditure is \$1.0 billion. Of this amount, \$1.0 million is reported as unrestricted net assets and the remainder is reported as restricted net assets. 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.

33. CASH FLOWS – ADDITIONAL DETAILED INFORMATION

The following table (dollars in thousands) summarizes specific cash flows for the fiscal year ended June 30, 2012.

	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor Enterprise Funds
Cash Flows Resulting from:				
Payments for Prizes, Claims, and Loss Control:				
Lottery Prizes	\$ (994,554)	\$ -	\$ -	\$ -
Claims and Loss Control	-	-	(639,541)	(244,227)
Total	<u>\$ (994,554)</u>	<u>\$ -</u>	<u>\$ (639,541)</u>	<u>\$ (244,227)</u>
Other Operating Revenue:				
Other Operating Revenue	\$ -	\$ -	\$ -	\$ 3,087
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,087</u>
Other Operating Expense:				
Other Operating Expenses (1)	\$ -	\$ (2,006)	\$ -	\$ (1,840)
Total	<u>\$ -</u>	<u>\$ (2,006)</u>	<u>\$ -</u>	<u>\$ (1,840)</u>
Other Noncapital Financing Receipt Activities:				
Advances/Contributions from the Commonwealth	\$ -	\$ -	\$ -	\$ 28,489
Receipts from Taxes	-	-	61,774	184,065
Other Noncapital Financing Receipt Activities (2)	328	-	263,599	248
Total	<u>\$ 328</u>	<u>\$ -</u>	<u>\$ 325,373</u>	<u>\$ 212,802</u>
Other Noncapital Financing Disbursement Activities:				
Repayments of Advances/Contributions from the Commonwealth	\$ -	\$ -	\$ -	\$ (29,468)
Other Noncapital Financing Disbursement Activities (3)	-	-	(445,818)	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (445,818)</u>	<u>\$ (29,468)</u>
Other Capital and Related Financing Disbursement Activities				
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note (1): \$2,006 (dollars in thousands) can be attributed to disbursements related to Virginia College Savings Plan for the SOAR scholarship. Also, \$5,851 (dollars in thousands) can be attributed to disbursements related to closing cases in the Risk Management internal service fund.

Note (2): \$263,599 (dollars in thousands) can be attributed to Federal repayable advances under Title XII of the Social Security Act. Also, \$17,385 (dollars in thousands) can be attributed to the Property Management internal service fund related to energy performance contracts where the asset is retained by the primary government.

Note (3): The entire amount can be attributed to repayments of Federal repayable advances under Title XII of the Social Security Act.

34. TOBACCO SETTLEMENT AND SECURITIZATION

Total Enterprise Funds	Internal Service Funds
\$ (994,554)	\$ -
(883,768)	(1,058,674)
<u>\$ (1,878,322)</u>	<u>\$ (1,058,674)</u>
\$ 3,087	\$ -
<u>\$ 3,087</u>	<u>\$ -</u>
\$ (3,846)	\$ (10,199)
<u>\$ (3,846)</u>	<u>\$ (10,199)</u>
\$ 28,489	\$ -
245,839	-
264,175	17,791
<u>\$ 538,503</u>	<u>\$ 17,791</u>
\$ (29,468)	\$ (9,545)
(445,818)	-
<u>\$ (475,286)</u>	<u>\$ (9,545)</u>
\$ -	\$ (632)
<u>\$ -</u>	<u>\$ (632)</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 Virginia Tobacco Indemnification and Community Revitalization Commission (Commission), 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). 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. The Commission and the Foundation are included in the Comprehensive Annual Financial Report as component units.

Additionally, the General Assembly created two special non-reverting funds. The Tobacco Settlement monies are accounted for in these funds and the General Fund. Fifty percent of the Settlement monies will be deposited into the Tobacco Indemnification and Community Revitalization Fund. Ten percent of the Settlement monies will be deposited into the Virginia Tobacco Settlement Fund. The remaining 40.0 percent will be reported in the General Fund.

In May 2005, pursuant to a Purchase and Sale Agreement with the Commonwealth, acting as an agent on behalf of the Tobacco Indemnification and Community Revitalization Commission (Commission), the Commonwealth sold to the Tobacco Settlement Financing Corporation (Corporation) 25.0 percent of its future right, title and interest in the Tobacco Settlement Revenues (TSRs). In May 2007, pursuant to a Purchase and Sale Agreement with the Commonwealth, acting as an agent on behalf of the Commission, the Commonwealth sold to the Corporation the remaining 25.0 percent of its future right, title and interest in the TSRs. Specifically, these rights include the 50.0 percent share of the TSRs received by the Commission

starting May 15, 2005, and in perpetuity under the Master Settlement Agreement.

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. The bonds of the Corporation are asset-backed instruments secured solely by the TSRs, and the Corporation's right to receive TSRs is expected to produce funding for its obligations.

The Commission is a discrete component unit of the Commonwealth and the Corporation is disclosed as a related organization.

35. 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 Information Technology, Inc (NG). The Commonwealth's primary goal is to significantly improve the Commonwealth's IT infrastructure and the manner in which such infrastructure is operated, supported, and maintained for the following service towers: Cross-Functional Services; Desktop Computing Services; Data Network Services; Voice and Video Telecom Services; Mainframe and Server Services; Help Desk Services; Messaging Services; Security Services; Internal Application Services; and Data Center facilities.

On March 31, 2010, contract revisions to the CIA were completed between the Commonwealth and Northrop Grumman. As a result of the contract changes, the Commonwealth renewed the contract for an additional three years, the parties established the products and services covered in the contractual cap including the baseline quantities to be billed and the prices at which those quantities will be billed, a shortened formula for contract year ten cost of living adjustment, and increased resolution and disentanglement fees. These contract changes are intended to provide improved performance to the VITA customer agencies, provide greater accountability and operational efficiencies for the services provided, and resolve outstanding financial issues. Additional contract revisions to the CIA were completed between the Commonwealth and Northrop Grumman during fiscal years 2011 and 2012. The contract term expires June 30, 2019.

Expenses associated with the CIA in fiscal year 2012 are \$267.2 million, including payments to Northrop Grumman of \$210.2 million. The Commonwealth expects to spend an additional \$1.8 billion over the next seven fiscal years.

The Commonwealth may terminate the CIA due to a variety of reasons including the Commonwealth's convenience; a significant change of control in the equity interests in NG; NG's failure to implement satisfactory improvements; or, NG's failure to prevent service interruption of 15 days or more. In these

instances, the Commonwealth will be required to pay exit and resolution fees as outlined in the CIA. Additional causes for termination that do not require the payment of exit or resolution fees are NG's default on the CIA terms, the Commonwealth's lack of funds, or NG's incurrence of liabilities equal to or more than 75 percent of the direct damages cap. NG may terminate the CIA only if the Commonwealth owes an aggregate amount in excess of \$100.0 million that is more than 30 days past due and not being disputed in good faith. The Commonwealth may be required to pay exit and resolution fees, as outlined in the CIA, if NG terminates the CIA. Fees resulting from the termination of the agreement are expected to be significant to the Commonwealth. However, exit fees are subject to the appropriation, allocation and availability of Commonwealth funds. Further, if the Commonwealth and NG terminate the business relationship at the conclusion of the CIA term, the Commonwealth could incur significant costs to obtain and transition the IT infrastructure necessary to continue the Commonwealth's operations.

36. CONTINGENCIES

A. Grants and Contracts

The Commonwealth has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Commonwealth.

Institutions of higher education (component units) and other state agencies are required to comply with various federal regulations issued by the Office of Management and Budget, if such agencies are recipients of federal grants, contracts, or other sponsored agreements. Failure to comply with certain requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. It is believed that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the Commonwealth.

The U.S. Department of Health and Human Services (DHHS) Office of the Inspector General conducted a review and indicated that the Commonwealth's Statewide Indirect Cost Allocation Plan rates have allowed over-recoveries and transfers in the internal service funds. The U.S. DHHS has received the 2013 cost allocation plan, which is based on fiscal year 2011 data. The Commonwealth believes this liability has the potential to total \$1.2 million as of June 30, 2012.

Virginia's combined overpayment and underpayment SNAP error rate for federal fiscal year 2011 was 3.41 percent. The national performance measure (national average payment

error rate) for fiscal 2011 was 3.80 percent. Information for fiscal year 2012 is not yet available.

Under the Food and Nutrition Act of 2008 (the Act), a 2-year liability system for excessive payment error rates is in place. Under this system, a liability amount shall be established when, for the second or subsequent consecutive fiscal year, FNCS (Food, Nutrition, and Consumer Services) determines that there is a 95.0 percent statistical probability that a State's payment error rate exceeds 105.0 percent of the national performance measure for payment error rates. For fiscal year 2010, the FNCS determined that there was a 95.0 percent statistical probability that Virginia's payment error rate of 5.87 percent exceeded 105.0 percent of the national performance measure for fiscal year 2010. On June 16, 2011, Virginia was notified that fiscal year 2010 was the first year of two possible consecutive years of excessive payment error rates. For fiscal year 2011, VDSS fell within the tolerance level and fiscal year 2011 will not count as a first year or a second year for excessive payment error rates and a liability amount will not be established.

The Virginia Tourism Authority (nonmajor component unit) had unclaimed awards totaling \$1.5 million payable to awardees upon submission of proper claims for reimbursement for the Marketing Leverage Program. Also, the Authority received a donation of land from King George County to be used as the Gateway Welcome Center on highway U.S. 301 at the Virginia Maryland border. The deed requires the land to revert to the U.S. government if needed for national defense. The book value of the land is \$824,000. Additionally, the Authority had unclaimed awards totaling \$84,004 payable to awardees' upon submission of proper claims for reimbursement for the Sesquicentennial Marketing Program.

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 \$2.7 billion. The discretely presented component units have such debt of \$2.5 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, 2012, the bailment inventory was valued at \$37.1 million.

E. Loan Guarantees

The Assistive Technology Loan Fund Authority (nonmajor component unit) has an alternative financing program which provides guarantees of loans made and serviced by its banking partner. As of June 30, 2012, there was approximately \$421,494 of guaranteed loans held by the Authority's banking partner.

The Virginia Small Business Financing Authority (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. As of June 30, 2012, the loan guaranty program has guarantees outstanding of \$5.4 million.

F. Other

The Virginia Horse Center Foundation (nonmajor component unit) has incurred recurring losses from operations and is in violation of selected covenants contained in agreements with the USDA and with the Commonwealth. Bank notes outstanding were not renewed when due and a forbearance agreement is under negotiation. Management is actively developing plans in regard to these matters.

37. SUBSEQUENT EVENTS

Primary Government

Other

Title XII of the Social Security Act provides for interest bearing repayable advances to States for the purpose of payment of unemployment compensation claims in the event the state Unemployment Trust Fund reserves are reduced to zero. These advances are repayable from future collections of employer contributions to the Unemployment Trust Fund. Federal advances are anticipated for the months of January 2013 through May 2013. Also, the Trust Fund received approval for short-term Commonwealth Treasury loans in the amount of \$63.0 million through December 2012. Of this authorized amount, \$18.0 million has been drawn down.

Debt

In July 2012, the Commonwealth Transportation Board issued \$120.6 million Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes Series 2012B. The 2012B bonds will provide funding costs associated with the Interstate 95 HOV/HOT Lanes Project in Northern Virginia and the Downtown Tunnel/Midtown Tunnel/Martin Luther King Freeway Extension Project in Hampton Roads.

Component Units

Debt

Subsequent to June 30, 2012, the Virginia Resources Authority (nonmajor) issued bonds in the amount of \$79.1 million. The interest rates range from 2.0 percent to 5.0 percent with a final due date of November 1, 2041.

Subsequent to June 30, 2012, the Virginia Housing Development Authority (VHDA) (major) issued \$125.1 million of Bank of America, N.A., Revolving Credit Agreement and Series 2012B Rental Housing Bonds. Additionally, in September 2012, VHDA repaid \$60.1 million of 2003B Rental Housing Bonds and VHDA General Purpose Bonds, Series 2002Y and 2002Z.

In April 2012, the Virginia Secretary of Transportation received an unsolicited proposal to operate the facilities of the Virginia Port Authority (nonmajor). Under Virginia law, the state was required to open up the bidding to alternative proposals. Subsequent to year-end, interested vendors were required to submit proposals. The Virginia Transportation Secretary will oversee the process of proposal selection and make recommendations, but the final decision rests with the Governor and the Virginia Port Authority Board of Commissioners. No decision has been made to date.

In August 2012, the Virginia Public School Authority (VPSA) (major) issued its \$65.7 million Special Obligation School Financing Bonds Prince William County Series 2012 as part of its stand-alone bond program. The proceeds will be used to purchase general obligation bonds issued by Prince William County to pay the costs of various capital school improvement projects for the County.

In September 2012, the Commonwealth agreed to purchase of certain improvements to Launch Pad 0-A from Orbital Sciences Corporation (Orbital), on behalf of the Virginia Commercial Space Flight Authority (VCSF) (nonmajor), in the amount of \$25.6 million. The Commonwealth also has the option to purchase, on behalf of the VCSF, additional improvements up to \$16.5 million. Additionally, the Commonwealth agreed to provide funding to VCSF for completion of these improvements. VCSF will provide Orbital future access to Launch Pad 0-A, in return for a fixed fee arrangement of \$1.5 million per covered mission plus bulk commodities at cost.

In September 2012, the Virginia Port Authority (VPA) (nonmajor) issued \$45.2 million of Virginia Port Authority, Commonwealth Port Fund Revenue Bonds, Series 2012B (Taxable), and \$4.8 million of Virginia Port Authority, Commonwealth Port Fund Revenue Bonds, Series 2012C. Serial bonds issued in the principal amount of \$45.2 million are payable in annual installments beginning July 1, 2013, in amounts ranging from \$635,000 to \$3.6 million with interest ranging from 0.4 percent to 3.4 percent payable semiannually, the first interest installment due January 1, 2013 and the final installment due July 1, 2029. Serial bonds issued for the 2012C series in the principal amount of \$4.8 million are payable in annual installments beginning July 1, 2029, in amounts ranging from \$780,000 to \$4.0 million with interest ranging from 3.0 percent to 5.0 percent payable semiannually, the first interest installment due January 1, 2013 and the final installment due July 1, 2030. Proceeds will be used to defease all or portions of the Commonwealth Port Fund Revenue Bonds, Series 2005B (Non-AMT) for debt service savings.

In November 2012, the Virginia Public School Authority (VPSA) (major) sold two different series of bonds. First, VPSA issued \$66.0 million of School Financing Series 2012C bonds. The proceeds will be used to purchase general obligation school bonds issued by certain Virginia localities for capital projects for their public schools. Second, VPSA sold \$23.3 million in School Tax Credit Bonds, a portion of which will be issued as direct payment "qualified school construction bonds" and the remainder as "qualified zone academy bonds" Series 2012-1. VPSA will irrevocably elect to receive interest subsidy payments from the United States Treasury rather than to provide a tax credit to the owners of the 2012-1 bonds. VPSA will transfer the interest subsidy payments received to the 2012-1 local issuers.

In November 2012, VCBA sold its Educational Facilities Revenue Bonds (Public Higher Education Financing Program) \$141.1 million Series 2012B. The proceeds were used to buy Institutional Notes of nine higher education institutions to fund capital projects at those institutions.

In November 2012, VCBA issued its Educational Facilities Revenue Bonds (21st Century College and Equipment Programs) \$377.6 million Series 2012B. The proceeds were used to fund certain capital projects and to acquire equipment at higher education institutions.

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, 2012
(Dollars in Thousands)

	General Fund			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes:				
Individual and Fiduciary Income	\$ 10,329,600	\$ 10,526,400	\$ 10,612,836	\$ 86,436
Sales and Use	3,340,600	3,282,100	3,335,601	53,501
Corporation Income	831,600	827,800	859,923	32,123
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Communications Sales and Use	448,900	440,000	424,257	(15,743)
Deeds, Contracts, Wills, and Suits	310,200	331,409	330,938	(471)
Premiums of Insurance Companies	289,600	287,300	252,895	(34,405)
Alcoholic Beverage Sales	180,600	180,800	186,377	5,577
Tobacco Products	174,254	179,200	192,453	13,253
Estate	-	-	298	298
Public Service Corporations	96,400	93,900	94,429	529
Other Taxes	24,556	26,180	20,442	(5,738)
Rights and Privileges	89,089	82,838	72,817	(10,021)
Sales of Property and Commodities	29,285	14,447	30,146	15,699
Assessments and Receipts for Support of Special Services	2,025	2,325	2,570	245
Institutional Revenue	39,464	40,511	38,134	(2,377)
Interest, Dividends, and Rents	104,090	82,442	83,055	613
Fines, Forfeitures, Court Fees, Penalties, and Escheats	219,605	227,206	216,032	(11,174)
Federal Grants and Contracts	-	-	-	-
Receipts from Cities, Counties, and Towns	15,249	14,991	16,209	1,218
Private Donations, Gifts and Contracts	450	532	680	148
Tobacco Master Settlement	58,560	50,205	49,136	(1,069)
Other	107,903	168,771	282,731	113,960
Total Revenues	16,692,030	16,859,357	17,101,959	242,602
Expenditures:				
Current:				
General Government	2,334,125	2,196,546	2,096,588	99,958
Education	7,130,084	7,225,088	7,123,221	101,867
Transportation	30	462	462	-
Resources and Economic Development	383,615	415,708	353,567	62,141
Individual and Family Services	5,215,566	5,149,191	5,027,601	121,590
Administration of Justice	2,324,610	2,383,519	2,284,948	98,571
Capital Outlay	16,787	19,397	7,627	11,770
Total Expenditures	17,404,817	17,389,911	16,894,014	495,897
Revenues Over (Under) Expenditures	(712,787)	(530,554)	207,945	738,499
Other Financing Sources (Uses):				
Transfers:				
Transfers In	641,365	748,237	799,070	50,833
Transfers Out	(543,013)	(602,512)	(621,163)	(18,651)
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Total Other Financing Sources (Uses)	98,352	145,725	177,907	32,182
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	(614,435)	(384,829)	385,852	770,681
Fund Balance, July 1, as restated	1,297,560	1,297,560	1,297,560	-
Fund Balance, June 30	\$ 683,125	\$ 912,731	\$ 1,683,412	\$ 770,681

See notes on page 177 in this section.

Special Revenue Funds			
Commonwealth Transportation Fund			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -
521,000	504,800	482,307	(22,493)
-	-	-	-
913,192	886,817	859,947	(26,870)
499,000	525,800	538,143	12,343
-	-	-	-
34,600	38,400	39,140	740
136,000	137,300	137,297	(3)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
38,447	40,060	37,920	(2,140)
524,359	541,024	537,963	(3,061)
556	556	3,646	3,090
17,563	17,654	17,867	213
-	-	-	-
41,580	20,958	30,039	9,081
11,917	11,667	11,008	(659)
1,173,860	1,290,875	1,178,487	(112,388)
102,495	98,605	19,173	(79,432)
-	-	28,812	28,812
-	-	-	-
12,993	685	15,973	15,288
4,027,562	4,115,201	3,937,722	(177,479)
3,155	2,458	2,037	421
2,414	2,414	2,405	9
4,046,933	6,116,968	4,406,333	1,710,635
13,972	13,410	9,553	3,857
-	-	-	-
9,650	9,650	9,497	153
38,761	36,822	11,076	25,746
4,114,885	6,181,722	4,440,901	1,740,821
(87,323)	(2,066,521)	(503,179)	1,563,342
103,061	170,302	209,459	39,157
(323,541)	(326,871)	(309,088)	17,783
897,590	897,590	897,590	-
131,946	131,946	131,946	-
809,056	872,967	929,907	56,940
721,733	(1,193,554)	426,728	1,620,282
2,331,014	2,331,014	2,331,014	-
\$ 3,052,747	\$ 1,137,460	\$ 2,757,742	\$ 1,620,282

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, 2012
(Dollars in Thousands)

	Special Revenue Funds			
	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	304	298	456	158
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	1,211	1,095	1,306	211
Fines, Forfeitures, Court Fees, Penalties, and Escheats	1,211	1,174	718	(456)
Federal Grants and Contracts	6,592,521	8,022,874	8,746,547	723,673
Receipts from Cities, Counties, and Towns	-	-	-	-
Private Donations, Gifts and Contracts	137	-	217	217
Tobacco Master Settlement	-	-	-	-
Other	24,434	22,706	145,555	122,849
Total Revenues	6,619,818	8,048,147	8,894,799	846,652
Expenditures:				
Current:				
General Government	142,236	169,093	126,732	42,361
Education	895,892	1,535,894	1,461,510	74,384
Transportation	35,037	21,548	16,033	5,515
Resources and Economic Development	176,411	262,993	209,522	53,471
Individual and Family Services	5,307,138	5,957,972	7,032,088	(1,074,116)
Administration of Justice	56,027	62,857	35,990	26,867
Capital Outlay	13,158	34,652	12,605	22,047
Total Expenditures	6,625,899	8,045,009	8,894,480	(849,471)
Revenues Over (Under) Expenditures	(6,081)	3,138	319	(2,819)
Other Financing Sources (Uses):				
Transfers:				
Transfers In	-	2	14,711	14,709
Transfers Out	(10)	(9,231)	(21,121)	(11,890)
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Total Other Financing Sources (Uses)	(10)	(9,229)	(6,410)	2,819
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	(6,091)	(6,091)	(6,091)	-
Fund Balance, July 1, as restated	6,091	6,091	6,091	-
Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

See notes on page 177 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, 2012, 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	\$ 1,683,412	\$ 2,757,742	\$ -
Adjustments from Budget to Modified Accrual:			
Accrued Revenues:			
Taxes	675,620	136,081	-
Tax Refunds	(390,947)	-	-
Other Revenue/Other Sources	96,945	73,533	628,676
Deferred Taxes (2)	(452,442)	-	-
Medicaid Payable	(341,332)	-	(353,112)
Accrued Expenditures/Other Uses	(758,897)	(220,762)	(175,830)
Fund Balance, Modified Accrual Basis	<u>\$ 512,359</u>	<u>\$ 2,746,594</u>	<u>\$ 99,734</u>

1. As discussed in Note 1.E., the Literary Fund has no approved budget.
2. See also Note 1.Q.

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, 2012, except the Literary Fund which has no approved budget.

<i>(Dollars in Thousands)</i>			
	General Fund (9)	Commonwealth Transportation Fund	Federal Trust Fund (10)
Appropriations (1)	\$ 17,404,817	\$ 4,114,885	\$ 6,625,899
Supplemental Appropriations:			
Reappropriations (2)	68,899	37,699	21,181
Subsequent Executive (3)	608,252	985,005	1,443,568
Subsequent Legislative (4)	(568,673)	1,013,216	1,297
Capital Outlay and Operating Reversions (5)	(577)	(27)	(178)
Transfers (6)	(109,692)	74,049	(28,374)
Capital Outlay Adjustment (7)	(13,115)	(39,610)	(18,384)
Debt Service Adjustment (8)	-	(3,495)	-
Appropriations, as adjusted	<u>\$ 17,389,911</u>	<u>\$ 6,181,722</u>	<u>\$ 8,045,009</u>

1. Represents the budget appropriated through Chapter 890, 2011 Acts of Assembly, as amended by Chapter 2, 2012 Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to carry forward any prior year unexpended balances, sum sufficient authority, and year 2 to year 1 reductions (General Fund) and actions taken to appropriate any additional revenues collected so that they can be legally spent (Special Revenue Funds).
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay and operating balances.
6. Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately \$1.4 billion (General Fund) and \$3.7 million (Commonwealth Transportation Fund) for transfers to component units and fiduciary funds that have been reclassified as expenditures in accordance with GASB Statement No. 34.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.
8. The Special Revenue Commonwealth Transportation Fund appropriations have been adjusted for debt service.
9. Budgetary reductions totaling \$17.4 million are excluded since they were not available for disbursement during the current fiscal year.
10. Appropriations do not include food stamp issuances of \$1.4 billion since this is a noncash item; however, this amount is included in actual expenditures.

Funding Progress for Defined Benefit Pension Plans

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL Entry Age [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
Virginia Retirement System (VRS)						
2011	\$ 52,559	\$ 75,185	\$ 22,626	69.9%	\$ 14,709	153.8%
2010	52,729	72,801	20,072	72.4%	14,758	136.0%
* 2009	53,185	66,323	13,138	80.2%	14,948	87.9%
2008	52,548	62,554	10,006	84.0%	14,559	68.7%
2007	47,815	58,116	10,301	82.3%	13,834	74.5%
2006	42,669	52,822	10,153	80.8%	13,002	78.1%
* 2005	40,372	49,628	9,256	81.3%	12,212	75.8%
2004	39,691	43,958	4,267	90.3%	11,510	37.1%
2003	39,243	40,698	1,455	96.4%	10,885	13.4%
2002	38,957	38,265	(692)	101.8%	10,669	(6.5%)
State Police Officers' Retirement System (SPORS)						
2011	\$ 617	\$ 986	\$ 369	62.6%	\$ 100	370.3%
2010	634	949	315	66.8%	98	321.4%
* 2009	647	879	232	73.6%	101	229.7%
2008	646	844	198	76.5%	103	192.2%
2007	595	806	211	73.8%	101	208.9%
2006	539	730	191	73.8%	94	203.2%
* 2005	514	673	159	76.4%	91	174.7%
2004	510	656	146	77.7%	82	178.0%
2003	509	616	107	82.6%	79	135.4%
2002	508	595	87	85.4%	81	107.4%
Virginia Law Officers' Retirement System (VaLORS)						
2011	\$ 926	\$ 1,683	\$ 757	55.0%	\$ 356	212.5%
2010	925	1,579	654	58.6%	346	189.0%
* 2009	913	1,412	499	64.7%	359	139.0%
2008	873	1,281	408	68.1%	368	110.9%
2007	766	1,166	400	65.7%	341	117.3%
2006	656	1,096	440	59.9%	321	137.1%
* 2005	575	980	405	58.7%	307	131.9%
2004	509	927	418	54.9%	298	140.3%
2003	458	854	396	53.6%	292	135.6%
2002	418	806	388	51.9%	306	126.8%
Judicial Retirement System (JRS)						
2011	\$ 371	\$ 569	\$ 198	65.2%	\$ 59	336.8%
2010	372	560	188	66.4%	61	308.2%
* 2009	378	521	143	72.6%	63	227.0%
2008	374	495	121	75.6%	61	198.4%
2007	340	442	102	76.9%	58	175.9%
2006	302	424	122	71.2%	54	225.9%
* 2005	288	402	114	71.6%	52	219.2%
2004	285	366	81	77.9%	48	168.8%
2003	282	348	66	81.0%	48	137.5%
2002	281	352	71	79.8%	48	147.9%

* Revised economic and demographic assumptions due to experience study.

See Notes on following page.

Notes for Funding Progress for Defined Benefit Pension Plans

Valuation Date:	June 30, 2011
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	
State Employees	Level percent, open
Teachers	Level percent, open
Political Subdivision Employees	Level percent, open
State Police/VA Law Officers/Judges	Level percent, open
Payroll Growth Rate:	
State Employees	3.00%
Teachers	3.00%
Political Subdivision Employees	3.00%
State Police/VA Law Officers/Judges	3.00%
Remaining Amortization Period:	
State Employees	10 and 30 years
Teachers	10 and 30 years
Political Subdivision Employees	30 years
State Police/VA Law Officers/Judges	10 and 30 years
Asset Valuation Method:	5 year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return (1)	7.00%
Projected Salary Increases (1)	
State Employees	3.75% to 5.60%
Teachers	3.75% to 6.20%
(Non-Hazardous Duty Employees)	3.75% to 5.60%
Political Subdivision Employees (Hazardous Duty Employees)	3.50% to 4.75%
State Police/VA Law Officers	3.50% to 4.75%
Judges	4.50%
Cost of Living Adjustments	Plan 1 2.50%
	Plan 2 2.25%
(1) Includes inflation at 2.50%.	

Schedule of Employer Contributions – Defined Benefit Pension Plans (1)

(Dollars in Thousands)

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Statutory Required Contribution</u>	<u>Percentage Contributed</u>
<i>Virginia Retirement System (VRS)</i>				
2012	\$ 1,614,464	59.56%	\$ 961,653	100.00%
2011	1,577,131	46.73%	736,950	100.00%
2010	1,489,124	66.57%	991,334	100.00%
2009	1,501,018	81.25%	1,219,645	100.00%
2008	1,378,993	92.58%	1,276,645	100.00%
2007	1,299,606	85.89%	1,116,217	100.00%
2006	864,245	89.51%	773,553	100.00%
2005	810,944	85.26%	691,415	100.00%
2004	469,200	91.66%	430,064	100.00%
2003	450,766	67.61%	304,784	100.00%
<i>State Police Officers' Retirement System (SPORS)</i>				
2012	\$ 26,250	43.58%	\$ 11,441	100.00%
2011	24,570	30.36%	7,460	100.00%
2010	23,791	66.05%	15,714	100.00%
2009	24,241	83.23%	20,175	100.00%
2008	22,941	91.49%	20,989	100.00%
2007	19,402	84.31%	16,358	100.00%
2006	23,132	65.96%	15,258	100.00%
2005	21,946	65.96%	14,475	100.00%
2004	20,187	51.16%	10,328	100.00%
2003	19,866	44.20%	8,781	100.00%
<i>Virginia Law Officers' Retirement System (VaLORS)</i>				
2012	\$ 55,306	44.27%	\$ 24,481	100.00%
2011	53,686	32.14%	17,255	100.00%
2010	57,894	67.41%	39,027	100.00%
2009	60,059	84.80%	50,932	100.00%
2008	61,325	91.20%	55,929	100.00%
2007	56,190	86.03%	48,338	100.00%
2006	77,414	67.96%	52,611	100.00%
2005	74,301	67.96%	50,495	100.00%
2004	72,752	55.80%	40,596	100.00%
2003	72,699	48.00%	34,895	100.00%
<i>Judicial Retirement System (JRS)</i>				
2012	\$ 27,631	68.43%	\$ 18,907	100.00%
2011	28,101	61.57%	17,303	100.00%
2010	23,638	72.20%	17,065	100.00%
2009	23,148	90.72%	21,000	100.00%
2008	23,599	94.86%	22,386	100.00%
2007	22,557	91.02%	20,530	100.00%
2006	23,871	67.89%	16,206	100.00%
2005	22,490	67.89%	15,269	100.00%
2004	21,341	71.18%	15,190	100.00%
2003	21,110	64.44%	13,604	100.00%

(1) Contributions made by employers were not in all cases in accordance with the actuarially determined Annual Required Contribution (ARC), but they did meet statutory requirements.

Funding Progress for Other Postemployment Benefit Plans

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
Group Life Insurance Fund						
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						
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						
2011	\$ 369	\$ 296	\$ (73)	124.6%	\$ 3,372	(2.2%)
2010 (3)	336	311	(25)	108.0%	3,168	(0.8%)
2009 (3)	290	291	1	99.7%	4,080	-
2008 (3)	313	392	79	79.9%	4,111	1.9%
2007	264	451	187	58.5%	3,909	4.8%
2006 (1)	192	423	231	45.4%	3,716	6.2%
Line of Duty Death and Disability						
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	-
Pre-Medicare Retiree Healthcare						
2011	\$ -	\$ 1,269	\$ 1,269	-	\$ 3,566	35.6%
2010 (3)	-	1,298	1,298	-	3,297	39.4%
2009	-	1,218	1,218	-	3,170	38.4%
2007 (5)	-	982	982	-	2,931	33.5%

(1) 2006 was the first actuarial valuation prepared using the required parameters of GASB Statement No. 43.

(2) Data for 2007-2010 has been restated to include the state-funded Retiree Health Insurance Credit benefit for local employees. Similar information for 2006 was not available so that year has been excluded.

(3) Data for 2008-2010 has been restated to include state-funded Long-Term Care program. Prior years were funded by premiums paid to insurance carrier and the insurance carrier was responsible for the liability.

(4) Contributions into the Line of Duty Act Trust Fund are based on the number of participants in the program using a per capita based contribution versus a payroll based contribution.

(5) 2007 was the first actuarial valuation prepared for Pre-Medicare Retiree Healthcare.

See Notes on following page.

Notes for Funding Progress for Other Postemployment Benefit Plans

	Group Life Insurance Fund	Retiree Health Insurance Credit Fund	Disability Insurance Trust Fund	Line of Duty Death and Disability	Pre-Medicare Retiree Healthcare
Valuation Date	June 30, 2011	June 30, 2011	June 30, 2011	June 30, 2011	July 01, 2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Pay, Open	Level Percent of Pay, Open	Level Percent of Pay, Open	Level Percent of Pay, Open	Level dollar, Open
Payroll Growth Rate:					
State Employees	3.00%	3.00%	3.00%	3.00%	3.00%
Teachers	3.00%	3.00%	N/A	N/A	N/A
Political Subdivision Employees	3.00%	3.00%	N/A	3.00%	N/A
State Police / Virginia Law Officers	3.00%	3.00%	3.00%	3.00%	3.00%
Judges	3.00%	3.00%	N/A	N/A	N/A
Remaining Amortization Period	30 years	30 years	30 years	5 and 30 years	30 years
Asset Valuation Method	5-Year, Smoothed Market	5-Year, Smoothed Market	Market Value	Market Value	Market Value
Actuarial Assumptions:					
Investment Rate of Return (1)	7.00%	7.00%	7.00%	4.75%	4.00%
Projected Salary Increases (1)					
State Employees	3.75% to 5.60%	3.75% to 5.60%	3.75% to 5.60%	N/A	4.00%
Teachers	3.75% to 6.20%	3.75% to 6.20%	N/A	N/A	N/A
Political Subdivision Employees (Non-Hazardous Duty Employees)	3.75% to 5.60%	3.75% to 5.60%	N/A	N/A	N/A
Political Subdivision Employees (Hazardous Duty Employees)	3.50% to 4.75%	3.50% to 4.75%	N/A	N/A	N/A
State Police / Virginia Law Officers	3.50% to 4.75%	3.50% to 4.75%	3.50% to 4.75%	N/A	4.00%
Judges	4.50%	4.50%	N/A	N/A	N/A

(1) Includes inflation at 2.50%.

Schedule of Employer Contributions – Other Postemployment Benefit Plans (1)

(Dollars in Thousands)

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Statutory Required Contribution</u>	<u>Percentage Contributed</u>
<i>Group Life Insurance Fund</i>				
2012	\$ 181,527	26.05%	\$ 47,293	100.00%
2011	177,378	25.23%	44,744	100.00%
2010	145,228	65.54%	95,185	100.00%
2009	146,545	92.13%	135,019	100.00%
2008	158,740	100.00%	158,740	100.00%
<i>Retiree Health Insurance Credit Fund</i>				
2012	\$ 138,195	37.54%	\$ 51,882	100.00%
2011	133,655	36.46%	48,736	100.00%
2010	148,956	66.70%	99,356	100.00%
2009	150,048	96.63%	144,989	100.00%
2008	147,524	100.00%	147,524	100.00%
<i>Disability Insurance Trust Fund</i>				
2012	\$ 30,285	3.62%	\$ 1,096	100.00%
2011	28,646	-	-	-
2010	76,530	40.32%	30,861	100.00%
2009	78,120	91.33%	71,344	100.00%
2008	97,975	80.00%	78,380	100.00%
<i>Line of Duty Death and Disability (2)</i>				
2012	\$ 25,033	33.25%	\$ 8,323	100.00%
2011	-	-	-	-
2010	16,901	53.75%	9,084	100.00%
2009	16,523	51.51%	8,511	100.00%
2008	9,786	102.45%	10,026	100.00%
<i>Pre-Medicare Retiree Healthcare</i>				
2012	\$ 172,910	21.21%	\$ -	-
2011	166,984	17.75%	-	-
2010	136,710	17.43%	-	-
2009	131,925	23.34%	-	-
2008	127,426	25.21%	-	-

(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	2003	2004	2005	2006
1. Required contribution and investment revenue:				
Earned	\$ 5,740	\$ 5,279	\$ 5,788	\$ 6,166
Ceded (a)	-	-	-	-
Net earned	5,740	5,279	5,788	6,166
2. Unallocated expenses	918	1,209	1,068	1,008
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	3,488	2,861	2,791	1,539
Ceded (a)	-	-	-	-
Net incurred	3,488	2,861	2,791	1,539
4. Net paid (cumulative) as of:				
End of policy year	380	161	227	177
One year later	1,894	1,072	1,699	745
Two years later	2,181	1,420	2,079	1,421
Three years later	2,375	1,539	2,332	2,087
Four years later	2,435	1,559	2,438	2,176
Five years later	2,454	1,569	2,451	2,554
Six years later	2,455	1,569	2,455	2,591
Seven years later	2,455	1,594	2,474	
Eight years later	2,456	1,649		
Nine years later	2,456			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	3,488	2,861	2,791	1,539
One year later	3,237	3,302	3,563	2,168
Two years later	2,910	2,306	3,418	2,494
Three years later	2,619	1,700	3,204	2,872
Four years later	2,447	1,697	2,763	2,820
Five years later	2,467	1,648	2,736	2,591
Six years later	2,457	1,642	2,671	2,676
Seven years later	2,458	1,621	2,746	
Eight years later	2,456	1,691		
Nine years later	2,456			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	(1,032)	(1,170)	(45)	1,137

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 188 in this section.

2007	2008	2009	2010	2011	2012
\$ 6,560	\$ 6,759	\$ 6,197	\$ 5,485	\$ 4,131	\$ 5,019
-	-	-	-	-	-
6,560	6,759	6,197	5,485	4,131	5,019
1,047	1,307	1,272	1,269	1,310	1,382
2,060	3,330	3,681	3,282	3,102	5,227
-	-	-	-	-	-
2,060	3,330	3,681	3,282	3,102	5,227
106	493	300	350	367	1,549
1,051	1,697	1,858	2,139	1,894	
2,436	3,476	2,690	5,140		
2,631	3,753	3,679			
2,662	3,834				
2,671					
-	-	-	-	-	-
2,060	3,330	3,681	3,282	3,102	5,227
3,316	3,928	3,742	5,845	3,862	
3,224	5,420	3,943	7,492		
2,887	5,309	4,721			
2,730	5,094				
2,731					
671	1,764	1,040	4,210	760	-

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	2003	2004	2005	2006
1. Required contribution and investment revenue:				
Earned	\$ 118,825	\$ 137,582	\$ 157,959	\$ 184,360
Ceded (a)	-	-	-	-
Net earned	118,825	137,582	157,959	184,360
2. Unallocated expenses	6,171	6,271	10,655	11,899
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	104,453	124,887	144,976	152,289
Ceded (a)	-	-	-	-
Net incurred	104,453	124,887	144,976	152,289
4. Net paid (cumulative) as of:				
End of policy year	99,443	99,656	140,452	147,534
One year later	N/A	N/A	N/A	N/A
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	N/A
Eight years later	N/A	N/A	N/A	N/A
Nine years later	N/A	N/A	N/A	N/A
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	104,453	124,887	144,976	152,289
One year later	104,453	124,887	144,976	152,289
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	N/A
Eight years later	N/A	N/A	N/A	N/A
Nine years later	N/A	N/A	N/A	N/A
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	-	-	-	-

The Commonwealth, through its Department of Human Resource Management, provides health care insurance for local governmental units, which went into effect in fiscal year 1987.

See Notes on page 188 in this section.

2007		2008		2009		2010		2011		2012	
\$	202,366	\$	211,034	\$	222,498	\$	240,305	\$	246,730	\$	259,135
	-		-		-		-		-		-
	202,366		211,034		222,498		240,305		246,730		259,135
	13,782		16,215		16,400		15,936		15,849		16,701
	163,787		185,117		214,411		215,376		213,694		250,019
	-		-		-		-		-		-
	163,787		185,117		214,411		215,376		213,694		250,019
	159,769		181,566		204,655		214,371		209,365		235,058
	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										
	-		-		-		-		-		-
	163,787		185,117		214,411		215,376		213,694		250,019
	163,787		185,117		214,411		215,376		213,694		
	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 Assets.

Primary Government accounts for the payment of principal and interest on bonds used to acquire, construct, or improve parks, highways, and correctional, mental 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 mental health facilities. The entire fund balance is restricted for use as such.

Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2012

(Dollars in Thousands)

	Special Revenue Funds		
	Health and Social Services	Other	Total
Assets			
Cash and Cash Equivalents	\$ 138,325	\$ 418,306	\$ 556,631
Investments	5,552	10,798	16,350
Receivables, Net	82,499	21,715	104,214
Due From Other Funds	-	8,392	8,392
Due From External Parties (Fiduciary Funds)	-	984	984
Interfund Receivable	-	92,442	92,442
Inventory	5,314	312	5,626
Prepaid Items	11,752	1,153	12,905
Other Assets	19	1,968	1,987
Loans Receivable from Component Units	-	5,090	5,090
Total Assets	\$ 243,461	\$ 561,160	\$ 804,621
Liabilities and Fund Balances			
Accounts Payable	\$ 18,897	\$ 26,284	\$ 45,181
Amounts Due to Other Governments	-	356	356
Due to Other Funds	2,718	10,923	13,641
Due to Component Units	-	-	-
Due to External Parties (Fiduciary Funds)	1,187	993	2,180
Deferred Revenue	31,007	6,798	37,805
Unearned Revenue	2,696	1,732	4,428
Obligations Under Securities Lending Program	5,406	30,517	35,923
Other Liabilities	9	2,277	2,286
Long-term Liabilities Due Within One Year	111	31	142
Total Liabilities	62,031	79,911	141,942
Fund Balances:			
Nonspendable	17,066	1,362	18,428
Restricted	42,747	106,137	148,884
Committed	116,224	367,328	483,552
Assigned	5,393	6,422	11,815
Total Fund Balances	181,430	481,249	662,679
Total Liabilities and Fund Balances	\$ 243,461	\$ 561,160	\$ 804,621

Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
\$ 9,344	\$ 64	\$ 9,408	\$ 41,296	\$ 192,954	\$ 234,250
69,611	-	69,611	-	-	-
-	-	-	-	127	127
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 78,955</u>	<u>\$ 64</u>	<u>\$ 79,019</u>	<u>\$ 41,296</u>	<u>\$ 193,081</u>	<u>\$ 234,377</u>
\$ -	\$ 50	\$ 50	\$ 2,154	\$ 29,824	\$ 31,978
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	196	-	196
-	-	-	-	-	-
-	-	-	-	70	70
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	50	50	2,350	29,894	32,244
-	-	-	-	-	-
78,955	14	78,969	38,946	163,187	202,133
-	-	-	-	-	-
-	-	-	-	-	-
<u>78,955</u>	<u>14</u>	<u>78,969</u>	<u>38,946</u>	<u>163,187</u>	<u>202,133</u>
<u>\$ 78,955</u>	<u>\$ 64</u>	<u>\$ 79,019</u>	<u>\$ 41,296</u>	<u>\$ 193,081</u>	<u>\$ 234,377</u>

Continued on next page

Combining Balance Sheet – Nonmajor Governmental Funds *(Continued from previous page)*

June 30, 2012

(Dollars in Thousands)

	Permanent Funds			Total Nonmajor Governmental Funds
	Commonwealth Health Research Board	Behavioral Health Endowment Funds		
			Total	
Assets				
Cash and Cash Equivalents	\$ 29	\$ 240	\$ 269	\$ 800,558
Investments	29,106	-	29,106	115,067
Receivables, Net	-	-	-	104,341
Due From Other Funds	-	-	-	8,392
Due From External Parties (Fiduciary Funds)	-	-	-	984
Interfund Receivable	-	-	-	92,442
Inventory	-	-	-	5,626
Prepaid Items	-	-	-	12,905
Other Assets	-	-	-	1,987
Loans Receivable from Component Units	-	-	-	5,090
Total Assets	\$ 29,135	\$ 240	\$ 29,375	\$ 1,147,392
Liabilities and Fund Balances				
Accounts Payable	\$ 9	\$ -	\$ 9	\$ 77,218
Amounts Due to Other Governments	-	-	-	356
Due to Other Funds	-	-	-	13,641
Due to Component Units	-	-	-	196
Due to External Parties (Fiduciary Funds)	-	-	-	2,180
Deferred Revenue	-	-	-	37,875
Unearned Revenue	-	-	-	4,428
Obligations Under Securities Lending Program	-	-	-	35,923
Other Liabilities	-	-	-	2,286
Long-term Liabilities Due Within One Year	-	-	-	142
Total Liabilities	9	-	9	174,245
Fund Balances:				
Nonspendable	27,952	48	28,000	46,428
Restricted	1,174	192	1,366	431,352
Committed	-	-	-	483,552
Assigned	-	-	-	11,815
Total Fund Balances	29,126	240	29,366	973,147
Total Liabilities and Fund Balances	\$ 29,135	\$ 240	\$ 29,375	\$ 1,147,392



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

For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Special Revenue Funds		
	Health and Social Services	Other	Total
Revenues			
Taxes	\$ 9,514	\$ 82,921	\$ 92,435
Rights and Privileges	136,511	176,976	313,487
Institutional Revenue	315,352	32,044	347,396
Interest, Dividends, Rents, and Other Investment Income	1,351	13,695	15,046
Other	98,949	289,732	388,681
Total Revenues	561,677	595,368	1,157,045
Expenditures			
Current:			
General Government	148	76,367	76,515
Education	3,357	16,836	20,193
Transportation	-	5,365	5,365
Resources and Economic Development	29,497	261,745	291,242
Individual and Family Services	472,829	50,077	522,906
Administration of Justice	712	88,793	89,505
Capital Outlay	-	18,815	18,815
Debt Service:			
Principal Retirement	-	-	-
Interest and Charges	-	-	-
Total Expenditures	506,543	517,998	1,024,541
Revenues Over (Under) Expenditures	55,134	77,370	132,504
Other Financing Sources (Uses)			
Transfers In	1,353	39,496	40,849
Transfers Out	(37,271)	(112,097)	(149,368)
Notes Issued	-	228	228
Insurance Recoveries	55	906	961
Bonds Issued	-	-	-
Premium on Debt Issuance	-	-	-
Refunding Bonds Issued	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	(35,863)	(71,467)	(107,330)
Net Change in Fund Balances	19,271	5,903	25,174
Fund Balance, July 1 as restated	162,159	475,346	637,505
Fund Balance, June 30	\$ 181,430	\$ 481,249	\$ 662,679

Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
63	-	63	102	669	771
7,529	-	7,529	2	-	2
7,592	-	7,592	104	669	773
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	18,465	260,137	278,602
253,452	169,340	422,792	-	-	-
147,932	113,948	261,880	-	-	-
401,384	283,288	684,672	18,465	260,137	278,602
(393,792)	(283,288)	(677,080)	(18,361)	(259,468)	(277,829)
403,752	283,045	686,797	-	-	-
-	-	-	(500)	(855)	(1,355)
-	-	-	8,027	-	8,027
-	-	-	-	-	-
-	-	-	-	298,500	298,500
37,746	17,798	55,544	-	29,879	29,879
246,958	72,415	319,373	-	-	-
(283,534)	(89,956)	(373,490)	-	-	-
404,922	283,302	688,224	7,527	327,524	335,051
11,130	14	11,144	(10,834)	68,056	57,222
67,825	-	67,825	49,780	95,131	144,911
\$ 78,955	\$ 14	\$ 78,969	\$ 38,946	\$ 163,187	\$ 202,133

Continued on next page

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Governmental Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Permanent Funds			Total Nonmajor Governmental Funds
	Commonwealth Health Research Board	Behavioral Health Endowment Funds	Total	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 92,435
Rights and Privileges	-	-	-	313,487
Institutional Revenue	-	-	-	347,396
Interest, Dividends, Rents, and Other Investment Income	376	-	376	16,256
Other	-	-	-	396,212
Total Revenues	376	-	376	1,165,786
Expenditures				
Current:				
General Government	-	-	-	76,515
Education	-	-	-	20,193
Transportation	-	-	-	5,365
Resources and Economic Development	-	-	-	291,242
Individual and Family Services	1,200	10	1,210	524,116
Administration of Justice	-	-	-	89,505
Capital Outlay	-	-	-	297,417
Debt Service:				
Principal Retirement	-	-	-	422,792
Interest and Charges	-	-	-	261,880
Total Expenditures	1,200	10	1,210	1,989,025
Revenues Over (Under) Expenditures	(824)	(10)	(834)	(823,239)
Other Financing Sources (Uses)				
Transfers In	-	-	-	727,646
Transfers Out	-	-	-	(150,723)
Notes Issued	-	-	-	8,255
Insurance Recoveries	-	-	-	961
Bonds Issued	-	-	-	298,500
Premium on Debt Issuance	-	-	-	85,423
Refunding Bonds Issued	-	-	-	319,373
Payment to Refunded Bond Escrow Agent	-	-	-	(373,490)
Total Other Financing Sources (Uses)	-	-	-	915,945
Net Change in Fund Balances	(824)	(10)	(834)	92,706
Fund Balance, July 1 as restated	29,950	250	30,200	880,441
Fund Balance, June 30	\$ 29,126	\$ 240	\$ 29,366	\$ 973,147



**Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Nonmajor Special Revenue Funds**

For the Fiscal Year Ended June 30, 2012
(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	10,000	10,000	9,514	(486)
Other Taxes	-	-	-	-
Rights and Privileges	142,049	135,491	136,337	846
Sales of Property and Commodities	750	822	942	120
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	258,670	301,480	299,119	(2,361)
Interest, Dividends, and Rents	288	287	707	420
Fines, Forfeitures, Court Fees, Penalties, and Escheats	294	298	1,284	986
Receipts from Cities, Counties, and Towns	58,278	56,472	56,804	332
Private Donations, Gifts and Contracts	5,026	5,100	4,425	(675)
Other	33,175	37,276	35,414	(1,862)
Total Revenues	508,530	547,226	544,546	(2,680)
Expenditures:				
Current:				
General Government	161	162	138	24
Education	888	1,030	830	200
Transportation	-	-	-	-
Resources and Economic Development	32,637	33,351	29,685	3,666
Individual and Family Services	525,064	530,098	471,507	58,591
Administration of Justice	375	415	404	11
Capital Outlay	8	2,011	-	2,011
Total Expenditures	559,133	567,067	502,564	64,503
Revenues Over (Under) Expenditures	(50,603)	(19,841)	41,982	61,823
Other Financing Sources (Uses):				
Transfers:				
Transfers In	-	-	1,353	1,353
Transfers Out	(23,550)	(22,439)	(37,271)	(14,832)
Total Other Financing Sources (Uses)	(23,550)	(22,439)	(35,918)	(13,479)
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	(74,153)	(42,280)	6,064	48,344
Fund Balance, July 1, as restated	131,615	131,615	131,615	-
Fund Balance, June 30	\$ 57,462	\$ 89,335	\$ 137,679	\$ 48,344

See Notes on page 202 in this section.

Other			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
\$ 32,973	\$ 33,527	\$ 32,612	\$ (915)
-	549	569	20
877	877	877	-
83	83	90	7
12,395	11,888	11,757	(131)
48,247	34,743	37,637	2,894
170,569	180,771	179,519	(1,252)
3,949	5,069	6,968	1,899
100,763	105,764	103,368	(2,396)
39,729	36,956	34,277	(2,679)
11,365	11,943	13,777	1,834
56,664	54,259	51,281	(2,978)
1,662	1,661	1,214	(447)
1,107	636	4,395	3,759
56,931	66,280	126,072	59,792
537,314	545,006	604,413	59,407
74,100	88,860	74,825	14,035
23,612	25,988	17,921	8,067
8,012	8,291	5,151	3,140
307,354	320,108	264,874	55,234
64,362	69,835	51,658	18,177
107,907	107,014	88,986	18,028
49,219	38,641	19,190	19,451
634,566	658,737	522,605	136,132
(97,252)	(113,731)	81,808	195,539
17,264	17,470	39,497	22,027
(36,796)	(99,667)	(112,097)	(12,430)
(19,532)	(82,197)	(72,600)	9,597
(116,784)	(195,928)	9,208	205,136
489,798	489,798	489,798	-
\$ 373,014	\$ 293,870	\$ 499,006	\$ 205,136

**Notes for Schedule of Revenues, Expenditures, and Changes in Fund Balances –
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, 2012, 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	\$ 137,679	\$ 499,006
Adjustments from Budget to Modified Accrual:		
Accrued Revenues:		
Taxes	-	10,167
Other Revenue	49,346	(849)
Accrued Expenditures/Transfers	(6,657)	(27,509)
Fund Reclassification - Budget to Modified Accrual	1,062	434
Fund Balance, Modified Accrual Basis	<u>\$ 181,430</u>	<u>\$ 481,249</u>

2. Appropriations

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – 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, 2012.

<i>(Dollars in Thousands)</i>	Health and Social Services	Other
Appropriations (1)	\$ 559,133	\$ 634,566
Supplemental Appropriations:		
Reappropriations (2)	20,008	77,431
Subsequent Executive (3)	3,221	31,309
Subsequent Legislative (4)	-	2,350
Capital Outlay Reversions (5)	-	(30,305)
Transfers (6)	4,713	3,873
Capital Outlay Adjustment (7)	(20,008)	(60,487)
Appropriations, as adjusted	<u>\$ 567,067</u>	<u>\$ 658,737</u>

1. Represents the budget appropriated through Chapter 890, 2011 Acts of Assembly, as amended by Chapter 2, 2012 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.

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 Net Assets – Nonmajor Enterprise Funds

June 30, 2012

(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 2,574	\$ 25,368	\$ 110,507
Investments	16	-	-
Receivables, Net	6,364	1	21,214
Due From Other Funds	-	-	-
Inventory	47,188	-	-
Prepaid Items	1,655	1	-
Other Assets	160	-	-
Total Current Assets	57,957	25,370	131,721
Noncurrent Assets:			
Nondepreciable Capital Assets	2,181	-	-
Depreciable Capital Assets, Net	7,895	-	-
Total Noncurrent Assets	10,076	-	-
Total Assets	68,033	25,370	131,721
Liabilities			
Current Liabilities:			
Accounts Payable	17,626	262	9,880
Amounts Due to Other Governments	-	-	-
Due to Other Funds	13,256	430	-
Due to External Parties (Fiduciary Funds)	278	5	-
Interfund Payable	28,489	-	-
Unearned Revenue	58	803	-
Obligations Under Securities Lending Program	540	-	-
Other Liabilities	-	15	-
Claims Payable Due Within One Year	-	7,329	26,507
Long-term Liabilities Due Within One Year	2,698	19	-
Total Current Liabilities	62,945	8,863	36,387
Noncurrent Liabilities:			
Claims Payable Due in More Than One Year	-	15,660	-
Long-term Liabilities Due in More Than One Year	34,027	353	-
Total Noncurrent Liabilities	34,027	16,013	-
Total Liabilities	96,972	24,876	36,387
Net Assets			
Invested in Capital Assets, Net of Related Debt	10,076	-	-
Unrestricted	(39,015)	494	95,334
Total Net Assets (Deficit)	\$ (28,939)	\$ 494	\$ 95,334

Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia
\$ 10,718	\$ 4,964	\$ 20,961	\$ 1,996	\$ 1,966	\$ 896	\$ 164
-	-	-	-	-	-	-
1,347	118	3,880	2	-	175	-
50	538	410	-	8,088	-	-
3,683	34	-	-	-	745	77
-	-	-	-	-	-	-
3	-	-	-	-	6	-
15,801	5,654	25,251	1,998	10,054	1,822	241
149	-	-	-	-	-	-
10,869	1,652	153	-	-	-	-
11,018	1,652	153	-	-	-	-
26,819	7,306	25,404	1,998	10,054	1,822	241
1,594	244	1,464	347	1,434	164	-
-	-	-	-	2,175	-	-
68	300	286	912	4	6	6
3	14	13	32	5	5	-
-	-	-	-	-	-	-
-	909	2	-	-	-	1
-	-	-	-	-	-	-
-	-	-	-	-	173	-
-	-	-	-	-	-	-
158	168	133	499	32	-	-
1,823	1,635	1,898	1,790	3,650	348	7
-	-	-	-	-	-	-
2,126	1,593	1,470	3,924	613	656	79
2,126	1,593	1,470	3,924	613	656	79
3,949	3,228	3,368	5,714	4,263	1,004	86
11,018	1,652	153	-	-	-	-
11,852	2,426	21,883	(3,716)	5,791	818	155
\$ 22,870	\$ 4,078	\$ 22,036	\$ (3,716)	\$ 5,791	\$ 818	\$ 155

Continued on next page

Combining Statement of Net Assets – Nonmajor Enterprise Funds (Continued from previous page)

June 30, 2012

(Dollars in Thousands)

	Behavioral Health Local Funds	Total
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 489	\$ 180,603
Investments	-	16
Receivables, Net	-	33,101
Due From Other Funds	-	9,086
Inventory	-	51,727
Prepaid Items	-	1,656
Other Assets	-	169
Total Current Assets	489	276,358
Noncurrent Assets:		
Nondepreciable Capital Assets	-	2,330
Depreciable Capital Assets, Net	-	20,569
Total Noncurrent Assets	-	22,899
Total Assets	489	299,257
Liabilities		
Current Liabilities:		
Accounts Payable	-	33,015
Amounts Due to Other Governments	-	2,175
Due to Other Funds	-	15,268
Due to External Parties (Fiduciary Funds)	-	355
Interfund Payable	-	28,489
Unearned Revenue	-	1,773
Obligations Under Securities Lending Program	-	540
Other Liabilities	179	367
Claims Payable Due Within One Year	-	33,836
Long-term Liabilities Due Within One Year	-	3,707
Total Current Liabilities	179	119,525
Noncurrent Liabilities:		
Claims Payable Due in More Than One Year	-	15,660
Long-term Liabilities Due in More Than One Year	-	44,841
Total Noncurrent Liabilities	-	60,501
Total Liabilities	179	180,026
Net Assets		
Invested in Capital Assets, Net of Related Debt	-	22,899
Unrestricted	310	96,332
Total Net Assets (Deficit)	\$ 310	\$ 119,231



**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets –
Nonmajor Enterprise Funds**

For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
Operating Revenues			
Charges for Sales and Services	\$ 615,524	\$ 5,019	\$ 259,135
Other	17,401	-	-
Total Operating Revenues	632,925	5,019	259,135
Operating Expenses			
Cost of Sales and Services	359,898	-	-
Prizes and Claims	-	11,796	250,018
Personal Services	87,018	620	-
Contractual Services	25,711	687	16,701
Supplies and Materials	2,886	5	-
Depreciation	1,958	-	-
Rent, Insurance, and Other Related Charges	24,688	61	-
Non-recurring Cost Estimate Payments to Providers	-	-	-
Other	2,646	-	-
Total Operating Expenses	504,805	13,169	266,719
Operating Income (Loss)	128,120	(8,150)	(7,584)
Nonoperating Revenues (Expenses)			
Interest, Dividends, Rents, and Other Investment Income	193	-	-
Other	9,195	-	-
Total Nonoperating Revenues (Expenses)	9,388	-	-
Income (Loss) Before Transfers	137,508	(8,150)	(7,584)
Transfers In	259	-	-
Transfers Out	(143,790)	(71)	-
Change in Net Assets	(6,023)	(8,221)	(7,584)
Total Net Assets (Deficit), July 1	(22,916)	8,715	102,918
Total Net Assets (Deficit), June 30	\$ (28,939)	\$ 494	\$ 95,334

Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia
\$ 31,841	\$ 8,472	\$ 16,346	\$ 7,875	\$ 55,229	\$ 6,208	\$ 446
1	-	-	-	-	7	-
31,842	8,472	16,346	7,875	55,229	6,215	446
-	-	-	-	-	2,427	218
-	-	-	-	-	-	-
6,085	3,311	3,112	9,170	1,146	2,663	169
1,484	516	14,987	845	68	506	-
22,117	2,045	3	89	11	133	8
222	180	46	-	-	-	-
1,215	833	1,194	833	19	-	-
-	-	-	-	39,514	-	-
982	82	28	-	3	-	22
32,105	6,967	19,370	10,937	40,761	5,729	417
(263)	1,505	(3,024)	(3,062)	14,468	486	29
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(263)	1,505	(3,024)	(3,062)	14,468	486	29
843	-	-	1,000	-	-	-
(27)	(1,084)	(227)	(313)	(13,497)	(1,290)	-
553	421	(3,251)	(2,375)	971	(804)	29
22,317	3,657	25,287	(1,341)	4,820	1,622	126
\$ 22,870	\$ 4,078	\$ 22,036	\$ (3,716)	\$ 5,791	\$ 818	\$ 155

Continued on next page

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets –
Nonmajor Enterprise Funds (Continued from previous page)**

For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Behavioral Health Local Funds	Total
Operating Revenues		
Charges for Sales and Services	\$ 473	\$ 1,006,568
Other	-	17,409
Total Operating Revenues	473	1,023,977
Operating Expenses		
Cost of Sales and Services	450	362,993
Prizes and Claims	-	261,814
Personal Services	-	113,294
Contractual Services	-	61,505
Supplies and Materials	-	27,297
Depreciation	-	2,406
Rent, Insurance, and Other Related Charges	-	28,843
Non-recurring Cost Estimate Payments to Providers	-	39,514
Other	-	3,763
Total Operating Expenses	450	901,429
Operating Income (Loss)	23	122,548
Nonoperating Revenues (Expenses)		
Interest, Dividends, Rents, and Other Investment Income	-	193
Other	-	9,195
Total Nonoperating Revenues (Expenses)	-	9,388
Income (Loss) Before Transfers	23	131,936
Transfers In	-	2,102
Transfers Out	(15)	(160,314)
Change in Net Assets	8	(26,276)
Total Net Assets (Deficit), July 1	302	145,507
Total Net Assets (Deficit), June 30	\$ 310	\$ 119,231



Combining Statement of Cash Flows – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
Cash Flows from Operating Activities			
Receipts for Sales and Services	\$ 627,505	\$ 5,236	\$ 257,663
Internal Activity-Receipts from Other Funds	-	-	-
Internal Activity-Payments to Other Funds	-	-	-
Payments to Suppliers for Goods and Services	(389,078)	-	-
Payments for Contractual Services	(25,737)	(57)	(16,776)
Payments for Prizes, Claims, and Loss Control	-	(7,290)	(236,937)
Payments to Employees	(82,089)	(824)	-
Payments to Providers for Non-recurring Cost Estimates	-	-	-
Other Operating Revenue	3,086	-	-
Other Operating Expense	-	-	-
Net Cash Provided by (Used for) Operating Activities	133,687	(2,935)	3,950
Cash Flows from Noncapital Financing Activities			
Transfers In From Other Funds	259	-	-
Transfers Out to Other Funds	(316,216)	(71)	-
Other Noncapital Financing Receipt Activities	212,801	-	-
Other Noncapital Financing Disbursement Activities	(29,468)	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(132,624)	(71)	-
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(1,008)	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(1,008)	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	55	(3,006)	3,950
Cash and Cash Equivalents, July 1	2,156	28,374	106,557
Cash and Cash Equivalents, June 30	<u>\$ 2,211</u>	<u>\$ 25,368</u>	<u>\$ 110,507</u>
Reconciliation of Cash and Cash Equivalents			
Per the Statement of Net Assets:			
Cash and Cash Equivalents	\$ 2,574	\$ 25,368	\$ 110,507
Cash and Travel Advances	160	-	-
Less:			
Securities Lending Cash Equivalents	(523)	-	-
Cash and Cash Equivalents per the Statement of Cash Flow s	<u>\$ 2,211</u>	<u>\$ 25,368</u>	<u>\$ 110,507</u>

Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia
\$ 27,070	\$ 8,205	\$ 12,701	\$ 7,875	\$ 51,203	\$ 6,185	\$ 446
4,769	-	4,246	-	-	-	-
-	(1,034)	(1,334)	-	(8)	-	-
(22,556)	(2,021)	(2)	(89)	(11)	(2,550)	(217)
(1,406)	(522)	(14,767)	(824)	(69)	(456)	-
-	-	-	-	-	-	-
(5,550)	(2,833)	(2,681)	(8,225)	(997)	(2,372)	(151)
-	-	-	-	(42,367)	-	-
1	-	-	-	-	-	-
(976)	-	(32)	(802)	-	-	(30)
1,352	1,795	(1,869)	(2,065)	7,751	807	48
837	-	-	1,000	-	-	-
(27)	(1,084)	(227)	(313)	(13,497)	(1,289)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
810	(1,084)	(227)	687	(13,497)	(1,289)	-
(837)	(252)	-	-	-	-	-
(837)	(252)	-	-	-	-	-
1,325	459	(2,096)	(1,378)	(5,746)	(482)	48
9,396	4,505	23,057	3,374	7,712	1,384	116
\$ 10,721	\$ 4,964	\$ 20,961	\$ 1,996	\$ 1,966	\$ 902	\$ 164
10,718	4,964	20,961	1,996	1,966	896	164
3	-	-	-	-	6	-
-	-	-	-	-	-	-
\$ 10,721	\$ 4,964	\$ 20,961	\$ 1,996	\$ 1,966	\$ 902	\$ 164

Continued on next page

Combining Statement of Cash Flows – Nonmajor Enterprise Funds (Continued from previous page)

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

	Behavioral Health Local Funds	Total
Cash Flows from Operating Activities		
Receipts for Sales and Services	\$ 473	\$ 1,004,562
Internal Activity-Receipts from Other Funds	-	9,015
Internal Activity-Payments to Other Funds	-	(2,376)
Payments to Suppliers for Goods and Services	(450)	(416,974)
Payments for Contractual Services	-	(60,614)
Payments for Prizes, Claims, and Loss Control	-	(244,227)
Payments to Employees	-	(105,722)
Payments to Providers for Non-recurring Cost Estimates	-	(42,367)
Other Operating Revenue	-	3,087
Other Operating Expense	-	(1,840)
Net Cash Provided by (Used for) Operating Activities	23	142,544
Cash Flows from Noncapital Financing Activities		
Transfers In From Other Funds	-	2,096
Transfers Out to Other Funds	(15)	(332,739)
Other Noncapital Financing Receipt Activities	1	212,802
Other Noncapital Financing Disbursement Activities	-	(29,468)
Net Cash Provided by (Used for) Noncapital Financing Activities	(14)	(147,309)
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets	-	(2,097)
Net Cash Provided By (Used for) Capital and Related Financing Activities	-	(2,097)
Net Increase (Decrease) in Cash and Cash Equivalents		
Cash Equivalents	9	(6,862)
Cash and Cash Equivalents, July 1	480	187,111
Cash and Cash Equivalents, June 30	<u>\$ 489</u>	<u>\$ 180,249</u>
Reconciliation of Cash and Cash Equivalents		
Per the Statement of Net Assets:		
Cash and Cash Equivalents	\$ 489	\$ 180,603
Cash and Travel Advances	-	169
Less:		
Securities Lending Cash Equivalents	-	(523)
Cash and Cash Equivalents per the Statement of Cash Flow s	<u>\$ 489</u>	<u>\$ 180,249</u>

	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)	\$ 128,120	\$ (8,150)	\$ (7,584)
Adjustments to Reconcile Operating			
Income to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation	1,958	-	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(2,286)	-	(1,473)
(Increase) Decrease in Due From Other Funds	-	-	-
(Increase) Decrease in Inventory	(318)	-	-
(Increase) Decrease in Prepaid Items	356	-	-
Increase (Decrease) in Accounts Payable	(1,289)	70	5,156
Increase (Decrease) in Amounts Due to Other Governments	-	-	-
Increase (Decrease) in Due to Other Funds	912	418	-
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	-	(19)	-
Increase (Decrease) in Unearned Revenue	(46)	218	-
Increase (Decrease) in Other Liabilities	-	15	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	1,399	7,851
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	3,035	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(52)	(2)	-
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	6,332	81	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 133,687</u>	<u>\$ (2,935)</u>	<u>\$ 3,950</u>

Continued on next page

Combining Statement of Cash Flows – Nonmajor Enterprise Funds (Continued from previous page)

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

	Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System
Reconciliation of Operating Income			
To Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	\$ (263)	\$ 1,505	\$ (3,024)
Adjustments to Reconcile Operating			
Income to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation	222	180	46
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(51)	64	543
(Increase) Decrease in Due From Other Funds	50	(238)	50
(Increase) Decrease in Inventory	447	(16)	-
(Increase) Decrease in Prepaid Items	-	-	-
Increase (Decrease) in Accounts Payable	570	41	154
Increase (Decrease) in Amounts Due to Other Governments	-	-	-
Increase (Decrease) in Due to Other Funds	(111)	107	(64)
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	(7)	(25)	(24)
Increase (Decrease) in Unearned Revenue	-	(310)	(6)
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	6	20	3
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	489	467	453
Net Cash Provided by (Used for) Operating Activities	<u>\$ 1,352</u>	<u>\$ 1,795</u>	<u>\$ (1,869)</u>

Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia	Behavioral Health Local Funds	Total
\$ (3,062)	\$ 14,468	\$ 486	\$ 29	\$ 23	\$ 122,548
-	-	-	-	-	2,406
-	4,063	(30)	9	-	839
-	(8,088)	-	-	-	(8,226)
-	-	(19)	(7)	-	87
-	-	2	-	-	358
8	400	44	-	-	5,154
-	(3,224)	-	-	-	(3,224)
60	(3)	(4)	-	-	1,315
(69)	(11)	(6)	-	-	(161)
-	-	-	(1)	-	(145)
-	-	50	-	-	65
-	-	-	-	-	9,250
-	-	-	-	-	3,035
(8)	-	-	-	-	(33)
1,006	146	284	18	-	9,276
<u>\$ (2,065)</u>	<u>\$ 7,751</u>	<u>\$ 807</u>	<u>\$ 48</u>	<u>\$ 23</u>	<u>\$ 142,544</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.

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 Net Assets – Internal Service Funds

June 30, 2012

(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 28,398	\$ 1,383	\$ 126,148
Investments	-	-	127
Receivables, Net	2,733	4,283	1,905
Due From Other Funds	22,901	1,865	20,515
Due From External Parties (Fiduciary Funds)	-	-	133
Due From Component Units	-	-	12,198
Inventory	-	17,827	-
Prepaid Items	-	-	-
Other Assets	7,184	3	-
Total Current Assets	61,216	25,361	161,026
Noncurrent Assets:			
Nondepreciable Capital Assets	10,123	673	-
Depreciable Capital Assets, Net	5,290	12,298	-
Total Noncurrent Assets	15,413	12,971	-
Total Assets	76,629	38,332	161,026
Liabilities			
Current Liabilities:			
Accounts Payable	25,100	2,632	33,631
Amounts Due to Other Governments	725	323	-
Due to Other Funds	95	168	-
Due to External Parties (Fiduciary Funds)	96	48	-
Interfund Payable	28,000	-	-
Unearned Revenue	37,330	2,210	-
Obligations Under Securities Lending Program	-	-	4,238
Other Liabilities	-	-	-
Claims Payable Due Within One Year	-	-	109,591
Long-term Liabilities Due within One Year	842	572	-
Total Current Liabilities	92,188	5,953	147,460
Noncurrent Liabilities:			
Interfund Payable	-	-	-
Claims Payable Due In More Than One Year	-	-	-
Long-term Liabilities Due in More Than One Year	12,458	7,906	-
Total Noncurrent Liabilities	12,458	7,906	-
Total Liabilities	104,646	13,859	147,460
Net Assets			
Invested in Capital Assets, Net of Related Debt	15,413	10,525	-
Unrestricted	(43,430)	13,948	13,566
Total Net Assets (Deficit)	\$ (28,017)	\$ 24,473	\$ 13,566

<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Payroll Service Bureau</u>	<u>Total</u>
\$ 3,797	\$ 33,056	\$ 154,075	\$ 7,477	\$ 161	\$ 354,495
-	-	-	-	-	127
425	1,590	179	1,848	-	12,963
1,853	1,559	429	1,032	-	50,154
-	-	-	-	-	133
-	-	-	-	-	12,198
28	502	-	4,547	-	22,904
-	-	2	388	118	508
-	-	-	2	-	7,189
6,103	36,707	154,685	15,294	279	460,671
-	-	-	431	-	11,227
26,050	9,572	-	6,406	101	59,717
26,050	9,572	-	6,837	101	70,944
32,153	46,279	154,685	22,131	380	531,615
505	1,448	1,554	1,338	77	66,285
-	1,148	-	-	-	2,196
82	1,109	5	385	6	1,850
5	47	4	29	7	236
-	220	-	632	-	28,852
468	19,677	50,157	39	-	109,881
-	-	-	-	-	4,238
-	52	5,026	26	-	5,104
-	-	75,652	-	-	185,243
1,486	3,982	30	374	89	7,375
2,546	27,683	132,428	2,823	179	411,260
-	3,839	-	3,161	-	7,000
-	-	533,062	-	-	533,062
8,034	34,096	785	3,471	890	67,640
8,034	37,935	533,847	6,632	890	607,702
10,580	65,618	666,275	9,455	1,069	1,018,962
17,163	(4,606)	-	6,837	101	45,433
4,410	(14,733)	(511,590)	5,839	(790)	(532,780)
\$ 21,573	\$ (19,339)	\$ (511,590)	\$ 12,676	\$ (689)	\$ (487,347)

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets –
Internal Service Funds**

For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
Operating Revenues			
Charges for Sales and Services	\$ 315,638	\$ 49,657	\$ 974,028
Other	-	-	1
Total Operating Revenues	315,638	49,657	974,029
Operating Expenses			
Cost of Sales and Services	-	36,236	-
Prizes and Claims	-	-	1,025,299
Personal Services	22,280	5,520	-
Contractual Services	277,118	3,342	66,003
Supplies and Materials	106	813	-
Depreciation	1,690	1,561	-
Rent, Insurance, and Other Related Charges	3,008	1,069	-
Interest Expense	-	-	-
Other	2,855	102	-
Total Operating Expenses	307,057	48,643	1,091,302
Operating Income (Loss)	8,581	1,014	(117,273)
Nonoperating Revenues (Expenses)			
Interest, Dividends, Rents, and Other Investment Income	-	-	195
Other	-	167	-
Total Nonoperating Revenues (Expenses)	-	167	195
Income (Loss) Before Transfers	8,581	1,181	(117,078)
Transfers In	-	-	-
Transfers Out	(931)	(2,693)	-
Change in Net Assets	7,650	(1,512)	(117,078)
Total Net Assets (Deficit), July 1	(35,667)	25,985	130,644
Total Net Assets (Deficit), June 30	\$ (28,017)	\$ 24,473	\$ 13,566

<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Payroll Service Bureau</u>	<u>Total</u>
\$ 16,214	\$ 98,949	\$ 99,085	\$ 44,911	\$ 1,816	\$ 1,600,298
-	-	-	-	-	1
16,214	98,949	99,085	44,911	1,816	1,600,299
-	-	-	29,531	-	65,767
-	-	193,778	-	-	1,219,077
1,175	11,830	1,700	7,549	1,786	51,840
3,160	13,813	9,313	3,399	36	376,184
4,995	3,856	7	1,008	13	10,798
4,912	2,139	-	767	2	11,071
644	69,971	2,339	1,706	117	78,854
-	16	-	23	-	39
83	3,381	5,851	49	4	12,325
14,969	105,006	212,988	44,032	1,958	1,825,955
1,245	(6,057)	(113,903)	879	(142)	(225,656)
-	1	-	141	-	337
(424)	(2,337)	26	-	-	(2,568)
(424)	(2,336)	26	141	-	(2,231)
821	(8,393)	(113,877)	1,020	(142)	(227,887)
-	82	-	363	-	445
(48)	(513)	(31)	(281)	(70)	(4,567)
773	(8,824)	(113,908)	1,102	(212)	(232,009)
20,800	(10,515)	(397,682)	11,574	(477)	(255,338)
\$ 21,573	\$ (19,339)	\$ (511,590)	\$ 12,676	\$ (689)	\$ (487,347)

Combining Statement of Cash Flows – Internal Service Funds

For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
Cash Flows from Operating Activities			
Receipts for Sales and Services	\$ 13,301	\$ 24,365	\$ 479,868
Internal Activity-Receipts from Other Funds	302,645	27,304	494,003
Internal Activity-Payments to Other Funds	(607)	(1,313)	-
Payments to Suppliers for Goods and Services	(20,026)	(40,405)	-
Payments for Contractual Services	(259,913)	(3,219)	(66,075)
Payments for Prizes, Claims, and Loss Control	-	-	(984,143)
Payments to Employees	(19,840)	(4,478)	-
Other Operating Expense	-	-	-
Net Cash Provided by (Used for) Operating Activities	15,560	2,254	(76,347)
Cash Flows from Noncapital Financing Activities			
Transfers In From Other Funds	-	-	-
Transfers Out to Other Funds	(931)	(2,693)	-
Other Noncapital Financing Receipt Activities	-	-	-
Other Noncapital Financing Disbursement Activities	(9,000)	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(9,931)	(2,693)	-
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(13,373)	(5,693)	-
Payment of Principal and Interest on Bonds and Notes	-	(446)	-
Proceeds from Sale of Bonds and Notes	-	2,863	-
Proceeds from Sale of Capital Assets	-	5	-
Other Capital and Related Financing Disbursement Activities	-	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(13,373)	(3,271)	-
Cash Flows from Investing Activities			
Investment Income on Cash, Cash Equivalents, and Investments	-	-	195
Net Cash Provided by (Used for) Investing Activities	-	-	195
Net Increase (Decrease) in Cash and Cash Equivalents	(7,744)	(3,710)	(76,152)
Cash and Cash Equivalents, July 1	36,142	5,096	198,189
Cash and Cash Equivalents, June 30	\$ 28,398	\$ 1,386	\$ 122,037
Reconciliation of Cash and Cash Equivalents			
Per the Statement of Net Assets:			
Cash and Cash Equivalents	\$ 28,398	\$ 1,383	\$ 126,148
Cash and Travel Advances	-	3	-
Less:			
Securities Lending Cash Equivalents	-	-	(4,111)
Cash and Cash Equivalents per the Statement of Cash Flows	\$ 28,398	\$ 1,386	\$ 122,037

<u>Fleet Management</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>General Services</u>	<u>Payroll Service Bureau</u>	<u>Total</u>
\$ 2,138	\$ 3,914	\$ 29,684	\$ 14,060	\$ 8	\$ 567,338
13,724	95,344	66,213	30,412	1,808	1,031,453
(1,451)	(4,088)	-	(2,517)	-	(9,976)
(4,693)	(71,822)	(7)	(30,072)	(13)	(167,038)
(3,077)	(13,522)	(9,316)	(3,424)	(36)	(358,582)
-	-	(74,531)	-	-	(1,058,674)
(1,004)	(10,535)	(1,466)	(6,343)	(1,542)	(45,208)
-	(1,512)	(8,558)	-	(129)	(10,199)
5,637	(2,221)	2,019	2,116	96	(50,886)
-	82	-	363	-	445
(48)	(513)	(31)	(281)	(70)	(4,567)
-	17,624	26	141	-	17,791
-	(545)	-	-	-	(9,545)
(48)	16,648	(5)	223	(70)	4,124
(4,925)	-	-	(281)	(103)	(24,375)
(1,116)	(5,302)	-	(4)	-	(6,868)
-	-	-	-	-	2,863
531	-	-	-	-	536
-	-	-	(632)	-	(632)
(5,510)	(5,302)	-	(917)	(103)	(28,476)
-	-	-	-	-	195
-	-	-	-	-	195
79	9,125	2,014	1,422	(77)	(75,043)
3,718	23,931	152,061	6,057	238	425,432
\$ 3,797	\$ 33,056	\$ 154,075	\$ 7,479	\$ 161	\$ 350,389
\$ 3,797	\$ 33,056	\$ 154,075	\$ 7,477	\$ 161	\$ 354,495
-	-	-	2	-	5
-	-	-	-	-	(4,111)
\$ 3,797	\$ 33,056	\$ 154,075	\$ 7,479	\$ 161	\$ 350,389

Continued on next page

Combining Statement of Cash Flows – Internal Service Funds (Continued from previous page)

For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	<u>Virginia Information Technologies Agency</u>	<u>Virginia Correctional Enterprises</u>	<u>Health Care</u>
Reconciliation of Operating Income			
To Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	\$ 8,581	\$ 1,014	\$ (117,273)
Adjustments to Reconcile Operating			
Income to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation	1,690	1,561	-
Miscellaneous Nonoperating Income	-	201	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	42	1,173	75
(Increase) Decrease in Due From Other Funds	(8,301)	(516)	(206)
(Increase) Decrease in Due From External Parties (Fiduciary Funds)	-	-	(4)
(Increase) Decrease in Due From Component Units	-	-	(23)
(Increase) Decrease in Other Assets	6,411	-	-
(Increase) Decrease in Inventory	-	(4,875)	-
(Increase) Decrease in Prepaid Items	51	-	-
Increase (Decrease) in Accounts Payable	1,070	1,610	12,973
Increase (Decrease) in Amounts Due to Other Governments	725	-	-
Increase (Decrease) in Due to Other Funds	(72)	(6)	-
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	(197)	(95)	-
Increase (Decrease) in Unearned Revenue	2,155	1,179	-
Increase (Decrease) in Other Liabilities	-	(1)	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	28,111
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	74	-	-
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	3,331	1,009	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 15,560</u>	<u>\$ 2,254</u>	<u>\$ (76,347)</u>
Noncash Investing, Capital, and Financing Activities:			
The following transactions occurred prior to the statement of net assets date:			
Trade-ins of Used Equipment on New Equipment	\$ -	\$ 41	\$ -
Installment Purchases Used to Finance Capital Assets	-	2,863	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ 2,904</u>	<u>\$ -</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>
\$ 1,245	\$ (6,057)	\$ (113,903)	\$ 879	\$ (142)	\$ (225,656)
4,912	2,139	-	767	2	11,071
-	-	-	-	-	201
(88)	(1,380)	39	(294)	-	(433)
(518)	893	(429)	(164)	-	(9,241)
-	-	-	-	-	(4)
-	-	-	-	-	(23)
-	-	-	-	-	6,411
12	(128)	-	(296)	-	(5,287)
-	-	-	37	(7)	81
(303)	(610)	(1,186)	27	(2)	13,579
-	320	-	-	-	1,045
(89)	505	2	(18)	(6)	316
(8)	(102)	(3)	(58)	(14)	(477)
298	874	(3,227)	9	-	1,288
-	(88)	(21)	26	-	(84)
-	-	(536)	-	-	27,575
-	-	121,062	-	-	121,062
27	3	(1)	20	(3)	120
149	1,410	222	1,181	268	7,570
<u>\$ 5,637</u>	<u>\$ (2,221)</u>	<u>\$ 2,019</u>	<u>\$ 2,116</u>	<u>\$ 96</u>	<u>\$ (50,886)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41
3,914	-	-	-	-	6,777
<u>\$ 3,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,818</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.

Education Savings Trust Fund accounts for the activities of the Virginia Education Savings Trust program which is a voluntary, non-guaranteed, higher educational investment program offered by the Virginia College Savings Plan.

Loan Servicing Reserve accounts for funds that are used to service loan activities for individual loans in order to meet the provisions of the Declarations of the dissolved Virginia Education Loan Authority.

Edvantage Reserve accounts for funds that are used to service loan activities for individual loans in order to meet the provisions of the dissolved Student Education Assistance Authority.

Virginia Revolving Farm Loan Program accounts for trust funds that are used to provide loans to individual farmers for rural rehabilitation purposes.

Gas and Oil Board Fund accounts for the funds held in escrow awaiting disbursement to the validated owner of property containing gas and oil interest.

Miscellaneous Trust Funds 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 Accounts.

The Virginia Retirement System provides retirement benefits to Commonwealth employees, teachers, political subdivision employees, and other qualifying employees.

The State Police Officers' Retirement System provides retirement benefits to Virginia state police officers.

The Judicial Retirement System provides retirement benefits to the Commonwealth's judiciary.

The Virginia Law Officers' Retirement System provides retirement benefits to correctional officers, capital police officers, university police officers, and game wardens.

Political Appointees provides optional retirement benefits to selected officials and administrative staff.

The Public School Superintendents' Plan provides retirement benefits to superintendents in the public school system.

The Virginia Supplemental Retirement Plan provides extra benefits to turn-around specialists in the public school system.

Other Postemployment Retiree Health Insurance Credit Fund accounts for the health insurance credits provided by the Commonwealth which offset a portion of the retirees' monthly insurance premiums.

Other Employment Group Life Fund provides life insurance coverage to members of the retirement systems.

Other Postemployment Disability Insurance Trust Fund provides income protection to Commonwealth employees for absences caused by sickness or disability.

Other Employment Volunteer Firefighters' and Rescue Squad Workers' Fund provides optional retirement benefits to volunteer firefighters and rescue squad workers.

Other Postemployment Line of Duty Death and Disability Fund provides death and health benefits to beneficiaries of certain law enforcement and rescue personnel disabled or killed in the line of duty.

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, and from motor fuel retailers to ensure performance meets regulatory standards.

Deposits of Insurance Carriers Fund accounts for security deposits of insurance carriers as protection to the policy holders of the Commonwealth.

Inmate and Ward Fund accounts for the savings of inmates and wards of the Departments of Corrections and Juvenile Justice.

Child Support Collection Fund accounts for court-ordered child support payments that flow through the Department of Social Services.

Behavioral Health Patient Fund accounts for the savings of patients in the Commonwealth's mental health facilities.

Behavioral Health Non-patient Fund accounts for the savings of non-patients in the Commonwealth's mental health facilities.

Comptroller's Debt Setoff Fund accounts for monies held in a suspense status while research is conducted to determine the party entitled to the funds.

Unclaimed Property of Other States Fund accounts for unclaimed property that is due to other states.

Legal Settlement Fund accounts for receipts from court judgments that are deposited and subsequently distributed to the appropriate injured parties.

Consumer Services Fund accounts for deposits made by businesses that will provide assistance to individuals suffering losses associated with these businesses and will be returned after dispute resolution. The Milk Commission, which accounts for deposits from milk producers that will be distributed to individual farmers to offset delivery expenses and losses incurred, is reported as part of this fund.

State Asset Forfeiture Fund accounts for seized assets that are deposited and subsequently distributed to the appropriate parties pursuant to court orders.

Virginia School for the Deaf and the Blind Fund accounts for student funds used to establish new activities for students.

Woodrow Wilson Rehabilitation Center Fund accounts for student funds held by the center.

Third Party Administrator Fund (formerly the Commuter Rail 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 Assets – Private Purpose Trust Funds

June 30, 2012

(Dollars in Thousands)

	Unclaimed Property	Education Savings Trust Fund	Loan Servicing Reserve
Assets			
Cash and Cash Equivalents	\$ 29,160	\$ 49,894	\$ 189
Investments:			
Bonds and Mortgage Securities	65	63,471	-
Stocks	225,883	49,309	-
Index and Pooled Funds	566	617,610	-
Real Estate	1,466	-	-
Mutual and Money Market Funds	58,961	857,076	-
Other	1,119	324,832	-
Total Investments	288,060	1,912,298	-
Receivables, Net:			
Accounts	-	-	-
Interest and Dividends	-	1,670	-
Total Receivables	-	1,670	-
Prepaid Items	213	-	-
Total Assets	317,433	1,963,862	189
Liabilities			
Accounts Payable and Accrued Expenses	263	250	-
Due to Other Funds	13	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	19	-	-
Obligations Under Securities Lending Program	-	-	-
Other Liabilities	-	1,145	-
Compensated Absences Payable	258	-	-
Insurance Premiums and Claims Payable	83	-	-
Pension Liability	1,113	-	-
Other Postemployment Benefits (OPEB) Liability	381	-	-
Total Liabilities	2,130	1,395	-
Net Assets Held in Trust for Participants	\$ 315,303	\$ 1,962,467	\$ 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>
\$ 257	\$ 6,424	\$ 27,901	\$ 66	\$ 113,891
-	-	-	-	63,536
-	-	-	-	275,192
-	-	-	-	618,176
-	-	-	-	1,466
-	-	-	-	916,037
-	39	-	-	325,990
-	39	-	-	2,200,397
-	13	-	-	13
-	-	-	-	1,670
-	13	-	-	1,683
-	-	-	-	213
257	6,476	27,901	66	2,316,184
-	1	-	-	514
-	-	-	-	13
-	-	-	-	19
-	1,299	-	-	1,299
-	-	-	-	1,145
-	2	-	-	260
-	-	-	-	83
-	14	-	-	1,127
-	5	-	-	386
-	1,321	-	-	4,846
\$ 257	\$ 5,155	\$ 27,901	\$ 66	\$ 2,311,338

Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Funds

For the Fiscal Year June 30, 2012
(Dollars in Thousands)

	Unclaimed Property	Education Savings Trust Fund	Loan Servicing Reserve
Additions:			
Investment Income:			
Interest, Dividends, and Other Investment Income	\$ -	\$ 21,148	\$ -
Total Investment Income	-	21,148	-
Less Investment Expenses	-	3,395	-
Net Investment Income	-	17,753	-
Proceeds from Unclaimed Property	16,124	-	-
Contributions:			
Participants	-	278,656	-
Total Contributions	-	278,656	-
Total Additions	16,124	296,409	-
Deductions:			
Loan Servicing Payments	-	-	1
Educational Expense Benefits	-	108,327	-
Insurance Premiums and Claims	28,428	-	-
Trust Payments	-	-	-
Administrative Expenses	5,241	211	-
Shares Redeemed	-	10,187	-
Total Deductions	33,669	118,725	1
Net Increase (Decrease)	(17,545)	177,684	(1)
Net Assets Held in Trust for Participants			
July 1	332,848	1,784,783	190
June 30	<u>\$ 315,303</u>	<u>\$ 1,962,467</u>	<u>\$ 189</u>

Edvantage Reserve	Virginia Revolving Farm Loan Program	Gas and Oil Board Escrow Account	Miscellaneous Trust	Total
\$ -	\$ 76	\$ 155	\$ -	\$ 21,379
-	76	155	-	21,379
-	-	28	-	3,423
-	76	127	-	17,956
-	-	-	-	16,124
-	-	2,727	-	281,383
-	-	2,727	-	281,383
-	76	2,854	-	315,463
-	318	-	-	319
-	-	-	-	108,327
10	-	-	-	28,438
-	-	1,899	-	1,899
-	80	70	-	5,602
-	-	-	-	10,187
10	398	1,969	-	154,772
(10)	(322)	885	-	160,691
267	5,477	27,016	66	2,150,647
\$ 257	\$ 5,155	\$ 27,901	\$ 66	\$ 2,311,338

Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds

June 30, 2012

(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System
Assets			
Cash and Cash Equivalents	\$ 293,654	\$ 3,668	\$ 2,257
Investments:			
Bonds and Mortgage Securities	17,724,329	203,448	125,196
Stocks	17,518,875	201,090	123,745
Fixed Income Commingled Funds	839,728	9,639	5,931
Index and Pooled Funds	4,997,590	57,364	35,301
Real Estate	3,566,080	40,933	25,189
Private Equity	5,549,272	63,697	39,197
Short-term Investments	169,306	1,944	1,196
Other	2,036,748	23,379	14,387
Total Investments	52,401,928	601,494	370,142
Receivables, Net:			
Contributions	121,651	1,003	989
Interest and Dividends	195,246	2,241	1,379
Security Transactions	1,095,237	12,572	7,736
Other Receivables	3,898	29	18
Total Receivables	1,416,032	15,845	10,122
Due from Other Funds	13	-	-
Due from Internal Parties (Governmental Funds and Business-type Activities)	17,062	140	139
Due from Component Units	9,057	-	-
Furniture and Equipment	29,262	-	-
Total Assets	54,167,008	621,147	382,660
Liabilities			
Accounts Payable and Accrued Expenses	26,452	278	171
Due to Other Funds	-	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	114	-	-
Obligations Under Securities Lending Program	2,046,604	23,492	14,456
Other Liabilities	141,711	1,615	994
Retirement Benefits Payable	254,329	3,904	2,725
Refunds Payable	4,208	35	-
Compensated Absences Payable	2,038	-	-
Insurance Premiums and Claims Payable	-	-	-
Payable for Security Transactions	1,424,831	16,354	10,064
Pension Liability	9,192	99	59
Other Postemployment Benefits (OPEB) Liability	3,148	32	19
Total Liabilities	3,912,627	45,809	28,488
Net Assets Held in Trust for Pension/Other Employment			
Benefits, Pool Participants and Other Purposes	\$ 50,254,381	\$ 575,338	\$ 354,172

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
\$ 5,703	\$ -	\$ -	\$ -	\$ 853	\$ 4,914	\$ 2,145
316,352	2,568	36	70	47,333	272,593	118,933
312,685	3,480	-	10	46,783	269,433	117,554
14,988	-	-	-	2,242	12,915	5,635
89,199	1,468	47	-	13,346	76,861	33,535
63,649	-	-	-	9,523	54,845	23,929
99,046	-	-	-	14,819	85,345	37,236
3,021	-	-	-	452	2,604	1,136
36,353	-	-	-	5,439	31,324	13,667
935,293	7,516	83	80	139,937	805,920	351,625
2,089	-	-	-	3,042	2,756	-
3,485	-	-	-	521	3,003	1,310
19,548	-	-	-	2,925	16,844	7,349
46	-	-	-	16	39	6,766
25,168	-	-	-	6,504	22,642	15,425
-	-	-	-	-	13,910	-
293	-	-	-	427	386	-
289	-	-	-	124	344	-
-	-	-	-	-	-	-
966,746	7,516	83	80	147,845	848,116	369,195
433	-	-	-	10,777	373	857
-	-	-	-	-	-	-
-	-	-	-	-	-	-
36,529	-	-	-	5,465	31,476	13,733
2,512	-	-	-	376	2,164	944
6,805	-	-	-	-	-	-
121	-	-	-	188	69	128
-	-	-	-	-	-	-
-	-	-	-	-	45,502	-
25,431	-	-	-	3,805	21,914	9,561
125	-	-	-	157	202	263
48	-	-	-	56	55	92
72,004	-	-	-	20,824	101,755	25,578
\$ 894,742	\$ 7,516	\$ 83	\$ 80	\$ 127,021	\$ 746,361	\$ 343,617

Continued on next page

Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds
(Continued from previous page)

June 30, 2012

(Dollars in Thousands)

	Other Employment Volunteer Firefighters and Rescue Squad Workers	Other Postemployment Line of Duty Death and Disability	Total
Assets			
Cash and Cash Equivalents	\$ -	\$ 8	\$ 313,202
Investments:			
Bonds and Mortgage Securities	43	418	18,811,319
Stocks	-	413	18,594,068
Fixed Income Commingled Funds	-	20	891,098
Index and Pooled Funds	-	118	5,304,829
Real Estate	-	84	3,784,232
Private Equity	-	131	5,888,743
Short-term Investments	-	4	179,663
Other	2,084	48	2,163,429
Total Investments	<u>2,127</u>	<u>1,236</u>	<u>55,617,381</u>
Receivables, Net:			
Contributions	-	11,999	143,529
Interest and Dividends	-	5	207,190
Security Transactions	-	26	1,162,237
Other Receivables	-	792	11,604
Total Receivables	<u>-</u>	<u>12,822</u>	<u>1,524,560</u>
Due from Other Funds	-	-	13,923
Due from Internal Parties (Governmental Funds and Business-type Activities)	-	-	18,447
Due from Component Units	-	-	9,814
Furniture and Equipment	-	-	29,262
Total Assets	<u>2,127</u>	<u>14,066</u>	<u>57,526,589</u>
Liabilities			
Accounts Payable and Accrued Expenses	-	1	39,342
Due to Other Funds	-	13,910	13,910
Due to Internal Parties (Governmental Funds and Business-type Activities)	-	-	114
Obligations Under Securities Lending Program	-	48	2,171,803
Other Liabilities	-	3	150,319
Retirement Benefits Payable	-	-	267,763
Refunds Payable	-	-	4,749
Compensated Absences Payable	-	-	2,038
Insurance Premiums and Claims Payable	-	-	45,502
Payable for Security Transactions	-	33	1,511,993
Pension Liability	-	48	10,145
Other Postemployment Benefits (OPEB) Liability	-	23	3,473
Total Liabilities	<u>-</u>	<u>14,066</u>	<u>4,221,151</u>
Net Assets Held in Trust for Pension/Other Employment			
Benefits, Pool Participants and Other Purposes	<u>\$ 2,127</u>	<u>\$ -</u>	<u>\$ 53,305,438</u>



Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System
Additions:			
Investment Income:			
Interest, Dividends, and Other Investment Income	\$ 907,311	\$ 10,216	\$ 6,631
Total Investment Income	907,311	10,216	6,631
Less Investment Expenses	292,698	3,363	2,055
Net Investment Income	614,613	6,853	4,576
Contributions:			
Member	765,765	5,168	2,968
Employer	970,331	11,443	18,907
Total Contributions	1,736,096	16,611	21,875
Other Revenue	3,782	-	-
Total Additions	2,354,491	23,464	26,451
Deductions:			
Retirement Benefits	3,257,359	46,113	33,454
Refunds to Former Members	84,577	319	-
Retiree Health Insurance Credits	-	-	-
Insurance Premiums and Claims	-	-	-
Administrative Expenses	28,314	270	159
Other Expenses	584	7	5
Long-term Disability Benefits	-	-	-
Total Deductions	3,370,834	46,709	33,618
Transfers:			
Transfers In	-	-	-
Transfers Out	(110)	-	-
Total Transfers	(110)	-	-
Net Increase (Decrease)	(1,016,453)	(23,245)	(7,167)
Net Assets Held in Trust for Pension/Other Employment Benefits, Pool Participants and Other Purposes			
July 1	51,270,834	598,583	361,339
June 30	<u>\$ 50,254,381</u>	<u>\$ 575,338</u>	<u>\$ 354,172</u>

Virginia Law Officers' Retirement System	Political Appointees	Public School Superintendents	Virginia Supplemental Retirement Plan	Other Postemployment Retiree Health Insurance Credit	Other Employment Group Life	Other Postemployment Disability Insurance Trust Fund
\$ 16,370	\$ 276	\$ 2	\$ 2	\$ (873)	\$ 11,981	\$ 5,807
16,370	276	2	2	(873)	11,981	5,807
5,175	-	-	-	847	4,686	2,029
11,195	276	2	2	(1,720)	7,295	3,778
17,558	745	42	-	-	-	-
24,644	310	-	-	51,356	46,534	78
42,202	1,055	42	-	51,356	46,534	78
-	-	-	-	-	751	-
53,397	1,331	44	2	49,636	54,580	3,856
64,849	585	-	-	-	-	-
4,027	-	-	-	-	-	-
-	-	-	-	131,102	-	-
-	-	-	-	-	140,941	-
407	11	-	-	370	86	528
15	-	-	-	-	8	36
-	-	-	-	-	-	28,444
69,298	596	-	-	131,472	141,035	29,008
110	-	-	-	-	-	-
-	-	-	-	-	-	-
110	-	-	-	-	-	-
(15,791)	735	44	2	(81,836)	(86,455)	(25,152)
910,533	6,781	39	78	208,857	832,816	368,769
\$ 894,742	\$ 7,516	\$ 83	\$ 80	\$ 127,021	\$ 746,361	\$ 343,617

Continued on next page

Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds
(Continued from previous page)

For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Other Employment Volunteer Firefighters and Rescue Squad Workers	Other Postemployment Line of Duty Death and Disability	Total
Additions:			
Investment Income:			
Interest, Dividends, and Other Investment Income	\$ 30	\$ 5	\$ 957,758
Total Investment Income	30	5	957,758
Less Investment Expenses	-	-	310,853
Net Investment Income	30	5	646,905
Contributions:			
Member	41	-	792,287
Employer	98	11,554	1,135,255
Total Contributions	139	11,554	1,927,542
Other Revenue	-	35	4,568
Total Additions	169	11,594	2,579,015
Deductions:			
Retirement Benefits	-	-	3,402,360
Refunds to Former Members	22	-	88,945
Retiree Health Insurance Credits	-	-	131,102
Insurance Premiums and Claims	-	10,492	151,433
Administrative Expenses	-	351	30,496
Other Expenses	-	751	1,406
Long-term Disability Benefits	-	-	28,444
Total Deductions	22	11,594	3,834,186
Transfers:			
Transfers In	-	-	110
Transfers Out	-	-	(110)
Total Transfers	-	-	-
Net Increase (Decrease)	147	-	(1,255,171)
Net Assets Held in Trust for Pension/Other Employment Benefits, Pool Participants and Other Purposes			
July 1	1,980	-	54,560,609
June 30	<u>\$ 2,127</u>	<u>\$ -</u>	<u>\$ 53,305,438</u>



Combining Statement of Fiduciary Net Assets – Investment Trust Fund

June 30, 2012

(Dollars in Thousands)

	Local Government Investment Pool (LGIP)	Total
Assets		
Cash and Cash Equivalents	\$ 1,018,553	\$ 1,018,553
Investments:		
Bonds and Mortgage Securities	81,225	81,225
Short-term Investments	1,351,251	1,351,251
Total Investments	1,432,476	1,432,476
Receivables, Net:		
Interest and Dividends	859	859
Total Receivables	859	859
Total Assets	2,451,888	2,451,888
Liabilities		
Total Liabilities	-	-
Net Assets Held in Trust for		
Pool Participants	\$ 2,451,888	\$ 2,451,888

Combining Statement of Changes in Fiduciary Net Assets - Investment Trust Fund

For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Local Government Investment Pool (LGIP)	Total
Additions:		
Investment Income:		
Interest, Dividends, and Other Investment Income	\$ 3,337	\$ 3,337
Distributions to Shareholders from Net Investment Income	(3,337)	(3,337)
Total Investment Income	-	-
Net Investment Income	-	-
Shares Sold	3,787,827	3,787,827
Reinvested Distributions	3,321	3,321
Total Additions	3,791,148	3,791,148
Deductions:		
Shares Redeemed	4,126,507	4,126,507
Total Deductions	4,126,507	4,126,507
Net Decrease	(335,359)	(335,359)
Net Assets Held in Trust for Pool Participants		
July 1	2,787,247	2,787,247
June 30	<u>\$ 2,451,888</u>	<u>\$ 2,451,888</u>

Combining Statement of Fiduciary Net Assets – Agency Funds

June 30, 2012

(Dollars in Thousands)

	Funds for the Collection of Taxes and Fees	Employee Benefits	Contractor Deposits	Deposits of Insurance Carriers
Assets				
Cash and Cash Equivalents	\$ 163,557	\$ 3,639	\$ 30,261	\$ 34,608
Investments:				
Short-term Investments	6	-	56	72,636
Other	-	-	-	334,261
Total Investments	6	-	56	406,897
Receivables, Net:				
Accounts	76,987	-	-	37
Total Receivables	76,987	-	-	37
Other Assets	-	-	-	-
Total Assets	\$ 240,550	\$ 3,639	\$ 30,317	\$ 441,542
Liabilities				
Accounts Payable and Accrued Expenses	\$ -	\$ 2,789	\$ -	\$ -
Amounts Due to Other Governments	240,325	-	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	-	850	-	-
Obligations Under Securities Lending Program	225	-	1,853	-
Other Liabilities	-	-	28,464	441,542
Insurance Premiums and Claims Payable	-	-	-	-
Total Liabilities	\$ 240,550	\$ 3,639	\$ 30,317	\$ 441,542

Inmate and Ward	Child Support Collection	Behavioral Health Patient	Behavioral Health Non- Patient	Comptroller's Debt Setoff	Unclaimed Property of Other States	Legal Settlement	Consumer Services
\$ 9,199	\$ 17,906	\$ 3,162	\$ 33	\$ 1,171	\$ 7,189	\$ 1,669	\$ 1,202
-	-	-	-	-	-	9	-
-	-	164	-	-	-	-	-
-	-	164	-	-	-	9	-
347	-	-	-	-	-	-	-
347	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 9,546	\$ 17,906	\$ 3,326	\$ 33	\$ 1,171	\$ 7,189	\$ 1,678	\$ 1,202
\$ 1,939	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1
-	-	-	-	-	7,189	-	-
134	-	-	-	-	-	-	-
-	-	-	-	-	-	289	-
7,473	17,906	3,326	33	1,171	-	1,389	1,201
-	-	-	-	-	-	-	-
\$ 9,546	\$ 17,906	\$ 3,326	\$ 33	\$ 1,171	\$ 7,189	\$ 1,678	\$ 1,202

Continued on next page

Combining Statement of Fiduciary Net Assets – Agency Funds (Continued from previous page)

June 30, 2012

(Dollars in Thousands)

	State Asset Forfeiture	Virginia School for the Deaf and Blind	Woodrow Wilson Rehabilitation Center	Third Party Administrator
Assets				
Cash and Cash Equivalents	\$ 7,506	\$ 17	\$ 3	\$ 11,371
Investments:				
Short-term Investments	8	-	-	-
Other	-	-	-	-
Total Investments	8	-	-	-
Receivables, Net:				
Accounts	-	-	-	5
Total Receivables	-	-	-	5
Other Assets	-	-	-	58
Total Assets	\$ 7,514	\$ 17	\$ 3	\$ 11,434
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	268	-	-	-
Other Liabilities	7,246	17	3	10,837
Insurance Premiums and Claims Payable	-	-	-	595
Total Liabilities	\$ 7,514	\$ 17	\$ 3	\$ 11,434

Department of Environmental Quality	Virginia Veterans' Care Center Resident Fund	Virginia Individual Development Account Trust Fund	E-Payables	Total
\$ 128	\$ 131	\$ 5	\$ 7,846	\$ 300,603
-	-	-	-	72,715
-	-	-	-	334,425
-	-	-	-	407,140
-	-	-	-	77,376
-	-	-	-	77,376
-	-	-	-	58
\$ 128	\$ 131	\$ 5	\$ 7,846	\$ 785,177
-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ 4,731
-	-	-	-	247,514
-	-	-	-	984
-	-	-	-	2,635
128	131	5	7,846	528,718
-	-	-	-	595
\$ 128	\$ 131	\$ 5	\$ 7,846	\$ 785,177

Combining Statement of Changes in Assets and Liabilities – Agency Funds

For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Balance July 1	Additions	Deletions	Balance June 30
Funds for the Collection of Taxes and Fees				
Assets:				
Cash and Cash Equivalents	\$ 167,398	\$ 1,252,703	\$ 1,256,544	\$ 163,557
Short-term Investments	45	6	45	6
Accounts Receivable	57,970	76,987	57,970	76,987
Total Assets	<u>\$ 225,413</u>	<u>\$ 1,329,696</u>	<u>\$ 1,314,559</u>	<u>\$ 240,550</u>
Liabilities:				
Amounts Due to Other Governments	\$ 225,219	\$ 1,329,472	\$ 1,314,366	\$ 240,325
Obligations Under Securities Lending Program	194	224	193	225
Total Liabilities	<u>\$ 225,413</u>	<u>\$ 1,329,696</u>	<u>\$ 1,314,559</u>	<u>\$ 240,550</u>
Employee Benefits				
Assets:				
Cash and Cash Equivalents	\$ 2,760	\$ 206,214	\$ 205,335	\$ 3,639
Total Assets	<u>\$ 2,760</u>	<u>\$ 206,214</u>	<u>\$ 205,335</u>	<u>\$ 3,639</u>
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 1,885	\$ 205,364	\$ 204,460	\$ 2,789
Due to Internal Parties (Governmental Funds and Business-type Activities)	875	850	875	850
Total Liabilities	<u>\$ 2,760</u>	<u>\$ 206,214</u>	<u>\$ 205,335</u>	<u>\$ 3,639</u>
Contractor Deposits				
Assets:				
Cash and Cash Equivalents	\$ 27,160	\$ 14,712	\$ 11,611	\$ 30,261
Short-term Investments	350	56	350	56
Total Assets	<u>\$ 27,510</u>	<u>\$ 14,768</u>	<u>\$ 11,961</u>	<u>\$ 30,317</u>
Liabilities:				
Obligations Under Securities Lending Program	\$ 1,491	\$ 1,853	\$ 1,491	\$ 1,853
Other Liabilities	26,019	12,915	10,470	28,464
Total Liabilities	<u>\$ 27,510</u>	<u>\$ 14,768</u>	<u>\$ 11,961</u>	<u>\$ 30,317</u>
Deposits of Insurance Carriers				
Assets:				
Cash and Cash Equivalents	\$ 35,193	\$ 41,284	\$ 41,869	\$ 34,608
Short-term Investments	58,289	72,636	58,289	72,636
Other Investments	340,617	45,579	51,935	334,261
Accounts Receivable	30	692	685	37
Total Assets	<u>\$ 434,129</u>	<u>\$ 160,191</u>	<u>\$ 152,778</u>	<u>\$ 441,542</u>
Liabilities:				
Other Liabilities	\$ 434,129	\$ 160,191	\$ 152,778	\$ 441,542
Total Liabilities	<u>\$ 434,129</u>	<u>\$ 160,191</u>	<u>\$ 152,778</u>	<u>\$ 441,542</u>
Inmate and Ward				
Assets:				
Cash and Cash Equivalents	\$ 8,189	\$ 1,170	\$ 160	\$ 9,199
Accounts Receivable	266	81	-	347
Total Assets	<u>\$ 8,455</u>	<u>\$ 1,251</u>	<u>\$ 160</u>	<u>\$ 9,546</u>
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 2,053	\$ 9	\$ 123	\$ 1,939
Due to Internal Parties (Governmental Funds and Business-type Activities)	141	-	7	134
Other Liabilities	6,261	1,283	71	7,473
Total Liabilities	<u>\$ 8,455</u>	<u>\$ 1,292</u>	<u>\$ 201</u>	<u>\$ 9,546</u>

	Balance July 1	Additions	Deletions	Balance June 30
Child Support Collection				
Assets:				
Cash and Cash Equivalents	\$ 14,226	\$ 649,497	\$ 645,817	\$ 17,906
Total Assets	\$ 14,226	\$ 649,497	\$ 645,817	\$ 17,906
Liabilities:				
Other Liabilities	\$ 14,226	\$ 649,497	\$ 645,817	\$ 17,906
Total Liabilities	\$ 14,226	\$ 649,497	\$ 645,817	\$ 17,906
Behavioral Health Patient				
Assets:				
Cash and Cash Equivalents	\$ 3,513	\$ 3,069	\$ 3,420	\$ 3,162
Other Investments	173	-	9	164
Total Assets	\$ 3,686	\$ 3,069	\$ 3,429	\$ 3,326
Liabilities:				
Other Liabilities	\$ 3,686	\$ 3,069	\$ 3,429	\$ 3,326
Total Liabilities	\$ 3,686	\$ 3,069	\$ 3,429	\$ 3,326
Behavioral Health Non-Patient				
Assets:				
Cash and Cash Equivalents	\$ 20	\$ 14	\$ 1	\$ 33
Total Assets	\$ 20	\$ 14	\$ 1	\$ 33
Liabilities:				
Other Liabilities	\$ 20	\$ 14	\$ 1	\$ 33
Total Liabilities	\$ 20	\$ 14	\$ 1	\$ 33
Comptroller's Debt Setoff				
Assets:				
Cash and Cash Equivalents	\$ 1,122	\$ 12,782	\$ 12,733	\$ 1,171
Total Assets	\$ 1,122	\$ 12,782	\$ 12,733	\$ 1,171
Liabilities:				
Other Liabilities	\$ 1,122	\$ 12,782	\$ 12,733	\$ 1,171
Total Liabilities	\$ 1,122	\$ 12,782	\$ 12,733	\$ 1,171
Unclaimed Property of Other States				
Assets:				
Cash and Cash Equivalents	\$ 6,065	\$ 6,964	\$ 5,840	\$ 7,189
Total Assets	\$ 6,065	\$ 6,964	\$ 5,840	\$ 7,189
Liabilities:				
Amounts Due to Other Governments	\$ 6,065	\$ 6,964	\$ 5,840	\$ 7,189
Total Liabilities	\$ 6,065	\$ 6,964	\$ 5,840	\$ 7,189
Legal Settlement				
Assets:				
Cash and Cash Equivalents	\$ 1,504	\$ 656	\$ 491	\$ 1,669
Short-term Investments	45	9	45	9
Total Assets	\$ 1,549	\$ 665	\$ 536	\$ 1,678
Liabilities:				
Obligations Under Securities Lending Program	\$ 196	\$ 289	\$ 196	\$ 289
Other Liabilities	1,353	376	340	1,389
Total Liabilities	\$ 1,549	\$ 665	\$ 536	\$ 1,678

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, 2012
(Dollars in Thousands)

	Balance July 1	Additions	Deletions	Balance June 30
Consumer Services				
Assets:				
Cash and Cash Equivalents	\$ 1,351	\$ 334	\$ 483	\$ 1,202
Total Assets	\$ 1,351	\$ 334	\$ 483	\$ 1,202
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 4	\$ 31	\$ 34	\$ 1
Other Liabilities	1,347	303	449	1,201
Total Liabilities	\$ 1,351	\$ 334	\$ 483	\$ 1,202
State Asset Forfeiture				
Assets:				
Cash and Cash Equivalents	\$ 6,363	\$ 6,868	\$ 5,725	\$ 7,506
Short-term Investments	-	8	-	8
Total Assets	\$ 6,363	\$ 6,876	\$ 5,725	\$ 7,514
Liabilities:				
Obligations Under Securities Lending Program	\$ -	\$ 268	\$ -	\$ 268
Other Liabilities	6,363	6,608	5,725	7,246
Total Liabilities	\$ 6,363	\$ 6,876	\$ 5,725	\$ 7,514
Virginia School for the Deaf and the Blind				
Assets:				
Cash and Cash Equivalents	\$ 16	\$ 5	\$ 4	\$ 17
Total Assets	\$ 16	\$ 5	\$ 4	\$ 17
Liabilities:				
Other Liabilities	\$ 16	\$ 5	\$ 4	\$ 17
Total Liabilities	\$ 16	\$ 5	\$ 4	\$ 17
Woodrow Wilson Rehabilitation Center				
Assets:				
Cash and Cash Equivalents	\$ 4	\$ 15	\$ 16	\$ 3
Total Assets	\$ 4	\$ 15	\$ 16	\$ 3
Liabilities:				
Other Liabilities	\$ 4	\$ 15	\$ 16	\$ 3
Total Liabilities	\$ 4	\$ 15	\$ 16	\$ 3
Third Party Administrator				
Assets:				
Cash and Cash Equivalents	\$ 11,065	\$ 4,008	\$ 3,702	\$ 11,371
Accounts Receivable	12	-	7	5
Other Assets	40	18	-	58
Total Assets	\$ 11,117	\$ 4,026	\$ 3,709	\$ 11,434
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 1	\$ 2	\$ 1	\$ 2
Other Liabilities	10,521	4,019	3,703	10,837
Insurance Premiums and Claims Payable	595	-	-	595
Total Liabilities	\$ 11,117	\$ 4,021	\$ 3,704	\$ 11,434

	Balance July 1	Additions	Deletions	Balance June 30
Department of Environmental Quality				
Assets:				
Cash and Cash Equivalents	\$ 170	\$ -	\$ 42	\$ 128
Total Assets	<u>\$ 170</u>	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ 128</u>
Liabilities:				
Other Liabilities	\$ 170	\$ -	\$ 42	\$ 128
Total Liabilities	<u>\$ 170</u>	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ 128</u>
Virginia Veterans' Care Center Resident Fund				
Assets:				
Cash and Cash Equivalents	\$ 179	\$ 914	\$ 962	\$ 131
Total Assets	<u>\$ 179</u>	<u>\$ 914</u>	<u>\$ 962</u>	<u>\$ 131</u>
Liabilities:				
Other Liabilities	\$ 179	\$ 914	\$ 962	\$ 131
Total Liabilities	<u>\$ 179</u>	<u>\$ 914</u>	<u>\$ 962</u>	<u>\$ 131</u>
Virginia Individual Development Account Trust Fund				
Assets:				
Cash and Cash Equivalents	\$ 128	\$ 456	\$ 579	\$ 5
Total Assets	<u>\$ 128</u>	<u>\$ 456</u>	<u>\$ 579</u>	<u>\$ 5</u>
Liabilities:				
Other Liabilities	\$ 128	\$ 456	\$ 579	\$ 5
Total Liabilities	<u>\$ 128</u>	<u>\$ 456</u>	<u>\$ 579</u>	<u>\$ 5</u>
E-Payables				
Assets:				
Cash and Cash Equivalents	\$ 6,351	\$ 61,608	\$ 60,113	\$ 7,846
Total Assets	<u>\$ 6,351</u>	<u>\$ 61,608</u>	<u>\$ 60,113</u>	<u>\$ 7,846</u>
Liabilities:				
Other Liabilities	\$ 6,351	\$ 61,608	\$ 60,113	\$ 7,846
Total Liabilities	<u>\$ 6,351</u>	<u>\$ 61,608</u>	<u>\$ 60,113</u>	<u>\$ 7,846</u>
Totals - Agency Funds				
Assets:				
Cash and Cash Equivalents	\$ 292,777	\$ 2,263,273	\$ 2,255,447	\$ 300,603
Short-term Investments	58,729	72,715	58,729	72,715
Other Investments	340,790	45,579	51,944	334,425
Accounts Receivable	58,278	77,760	58,662	77,376
Other Assets	40	18	-	58
Total Assets	<u>\$ 750,614</u>	<u>\$ 2,459,345</u>	<u>\$ 2,424,782</u>	<u>\$ 785,177</u>
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 3,943	\$ 205,406	\$ 204,618	\$ 4,731
Amounts Due to Other Governments	231,284	1,336,436	1,320,206	247,514
Due to Internal Parties (Governmental Funds and Business-type Activities)	1,016	850	882	984
Obligations Under Securities Lending Program	1,881	2,634	1,880	2,635
Other Liabilities	511,895	914,055	897,232	528,718
Insurance Premiums and Claims Payable	595	-	-	595
Total Liabilities	<u>\$ 750,614</u>	<u>\$ 2,459,381</u>	<u>\$ 2,424,818</u>	<u>\$ 785,177</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 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 Resources Authority provides financing for the construction of local water supply and wastewater treatment facilities and other local infrastructure projects.

The Virginia Tourism Authority promotes tourism and film production industries of the Commonwealth.

The Virginia Foundation for Healthy Youth determines the appropriate recipients of monies in the Virginia Tobacco Settlement Fund.

The Tobacco Indemnification and Community Revitalization Commission determines the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund.

The Hampton Roads Sanitation District Commission operates a sewage system for 17 localities in the Chesapeake Bay Area.

The Virginia Biotechnology Research Partnership Authority assists in the development of a biotechnology research park.

The Virginia Small Business Financing Authority assists small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses.

The Virginia School for the Deaf and Blind Foundation operates exclusively for the benefit of the Virginia School for the Deaf and Blind.

The Science Museum of Virginia Foundation operates to implement and fund projects and operations of the Science Museum of Virginia.

The Virginia Commercial Space Flight Authority disseminates knowledge pertaining to scientific and technological research and development among public and private entities including, but not limited to, knowledge in the area of commercial space flight, and to promote industrial and economic development.

The Danville Science Center, Inc. promotes programs, projects and operations to educate students.

The Virginia Museum of Fine Arts Foundation implements and funds programs, projects, and operations of the Virginia Museum of Fine Arts.

The A. L. Philpott Manufacturing Extension Partnership promotes industrial expansion by providing consulting services to manufacturers.

The Virginia Horse Center Foundation operates for the benefit of the equine industry.

The Virginia University Research Partnership oversees the administration of grant payments for use by a non-profit, public benefit research institute that conducts research and development for government agencies, commercial businesses, foundations, and other organizations, as well as commercializes technology.

The Fort Monroe Authority assists in formulating a reuse plan for Fort Monroe.

The Assistive Technology Loan Fund Authority provides assistance with loans and in the purchase of assistive technology or other equipment to enable Virginians with disabilities to become more independent.

The Virginia National Defense Industrial Authority promotes business, technology, transportation, education, economic development and other efforts in support of the mission, execution, and transformation of the United States military and national defense activities located in the Commonwealth.

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 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.

Other Higher Education Institutions included in this section are:

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
Virginia College Building Authority
New College Institute

Combining Statement of Net Assets – Nonmajor Component Units

June 30, 2012

(Dollars in Thousands)

	Virginia Economic Development Partnership	Virginia Outdoors Foundation	Virginia Port Authority	Virginia Resources Authority
Assets				
Cash and Cash Equivalents	\$ 3,245	\$ 283	\$ 42,475	\$ 3,949
Investments	-	-	-	4,359
Receivables, Net	283	107	53,189	3,992,961
Contributions Receivable, Net	-	-	-	-
Due from Primary Government	-	-	-	-
Due from Component Units	71	1,400	-	-
Inventory	-	-	12,970	-
Prepaid Items	354	35	13,424	-
Other Assets	29	-	5,168	50,827
Restricted Cash and Cash Equivalents	-	1,728	71,730	337,012
Restricted Investments	-	-	44,322	283,758
Other Restricted Assets	-	-	5,603	-
Nondepreciable Capital Assets	-	5,013	215,735	196
Depreciable Capital Assets, Net	655	57	605,768	10
Total Assets	4,637	8,623	1,070,384	4,673,072
Liabilities				
Accounts Payable	370	156	19,421	124
Amounts Due to Other Governments	-	-	-	-
Due to Primary Government	-	-	-	-
Due to Component Units	205	-	-	-
Due to External Parties (Fiduciary Funds)	-	-	-	-
Unearned Revenue	1	-	-	2,664
Obligations Under Securities Lending Program	-	-	5,528	-
Other Liabilities	-	-	11,842	29,624
Loans Payable to Primary Government	-	-	-	-
Long-term Liabilities:				
Due Within One Year	525	72	26,093	127,030
Due in More Than One Year	5,016	91	576,884	3,156,787
Total Liabilities	6,117	319	639,768	3,316,229
Net Assets				
Invested in Capital Assets, Net of Related Debt	655	5,070	290,000	206
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	-	-	-	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	-	1,340,656
Debt Service	-	-	68,272	-
Gifts and Grants	-	-	-	-
Higher Education	-	-	-	-
Virginia Pooled Investment Program	-	-	-	7,449
Other	-	1,730	2,192	-
Unrestricted	(2,135)	1,504	70,152	8,532
Total Net Assets (Deficit)	\$ (1,480)	\$ 8,304	\$ 430,616	\$ 1,356,843

Virginia Tourism Authority	Virginia Foundation for Healthy Youth	Tobacco Indemnification and Community Revitalization Commission	Hampton Roads Sanitation District Commission	Virginia Biotechnology Research Partnership Authority	Virginia Small Business Financing Authority	Virginia School for the Deaf and Blind Foundation	Science Museum of Virginia Foundation
\$ 3,026	\$ 9,180	\$ 30,974	\$ 34,761	\$ 1,365	\$ 3,742	\$ 237	\$ 600
-	-	440,883	103,723	4,098	70	3,067	9
255	-	99	38,892	37,336	10,846	-	11
-	-	-	-	-	-	-	2,618
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
735	5	5	-	18	-	-	5
1	6	6,965	5,917	-	-	-	-
-	-	26,155	88,444	-	29,234	-	2,594
-	-	265,050	-	-	-	-	12,343
-	-	7,078	-	-	-	-	-
811	-	-	145,167	3,667	-	-	1,792
820	-	73	765,125	1,778	-	-	3
5,648	9,191	777,282	1,182,029	48,262	43,892	3,304	19,975
458	91	134	28,565	98	75	-	1
-	-	-	-	-	-	-	-
-	7	4	-	-	2	-	686
-	-	71	-	-	-	-	-
-	6	5	-	-	3	-	-
2	-	-	-	162	-	-	37
-	-	-	-	-	2,343	-	-
-	636	8,158	10,142	13	1,169	-	-
-	-	-	-	-	-	-	-
317	38	48	50,127	3,731	-	-	2
2,779	679	553	596,789	35,300	255	-	9
3,556	1,457	8,973	685,623	39,304	3,847	-	735
1,631	-	1	348,407	3,591	-	-	1,795
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5,653
-	-	293,324	-	-	-	-	1,969
-	-	-	15,736	-	-	-	-
-	-	-	-	-	27,179	-	9,237
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	9,856	-	-
461	7,734	474,984	132,263	5,367	3,010	3,304	586
\$ 2,092	\$ 7,734	\$ 768,309	\$ 496,406	\$ 8,958	\$ 40,045	\$ 3,304	\$ 19,240

Continued on next page

Combining Statement of Net Assets – Nonmajor Component Units (Continued from previous page)

June 30, 2012

(Dollars in Thousands)

	Virginia Commercial Space Flight Authority	Danville Science Center, Inc.	Virginia Museum of Fine Arts Foundation	A. L. Philpott Manufacturing Extension Partnership
Assets				
Cash and Cash Equivalents	\$ -	\$ 98	\$ 4,042	\$ 1,218
Investments	-	-	5,102	-
Receivables, Net	7,085	4	-	319
Contributions Receivable, Net	-	-	19,869	-
Due from Primary Government	-	-	-	-
Due from Component Units	-	-	-	-
Inventory	-	6	-	-
Prepaid Items	25	50	-	-
Other Assets	-	-	730	-
Restricted Cash and Cash Equivalents	-	316	31,705	-
Restricted Investments	-	729	183,964	-
Other Restricted Assets	-	-	-	-
Nondepreciable Capital Assets	69,393	-	54	-
Depreciable Capital Assets, Net	881	24	960	6
Total Assets	77,384	1,227	246,426	1,543
Liabilities				
Accounts Payable	3,820	-	368	143
Amounts Due to Other Governments	-	-	-	-
Due to Primary Government	-	-	-	-
Due to Component Units	3,790	-	-	-
Due to External Parties (Fiduciary Funds)	-	-	-	-
Unearned Revenue	39	91	-	85
Obligations Under Securities Lending Program	-	-	-	-
Other Liabilities	-	-	587	-
Loans Payable to Primary Government	-	-	-	-
Long-term Liabilities:				
Due Within One Year	-	-	1,251	191
Due in More Than One Year	-	-	54,156	-
Total Liabilities	7,649	91	56,362	419
Net Assets				
Invested in Capital Assets, Net of Related Debt	70,274	24	890	6
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	-	254	146,386	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	408	-
Debt Service	-	-	-	-
Gifts and Grants	-	274	62,005	-
Higher Education	-	-	-	-
Virginia Pooled Investment Program	-	-	-	-
Other	-	-	-	-
Unrestricted	(539)	584	(19,625)	1,118
Total Net Assets (Deficit)	\$ 69,735	\$ 1,136	\$ 190,064	\$ 1,124

Virginia Horse Center Foundation	Virginia University Research Partnership	Fort Monroe Authority	Assistive Technology Loan Fund Authority	Virginia National Defense Industrial Authority	Virginia Sesquicentennial of the American Civil War Foundation	Virginia Land Conservation Foundation	Virginia Arts Foundation
\$ 8	\$ 4	\$ 2,561	\$ 9,165	\$ -	\$ 319	\$ 3,260	\$ -
-	-	19	-	-	-	-	-
228	-	474	1,301	-	-	-	-
389	-	-	-	-	-	-	-
-	-	-	-	-	-	2,208	-
-	-	-	-	205	-	-	-
35	-	-	-	-	-	-	-
15	-	182	-	-	-	-	-
7	-	-	-	-	-	-	-
259	-	113	-	-	-	-	850
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,413	-	-	-	-	-	-	-
14,175	-	51	3	-	-	-	-
22,529	4	3,400	10,469	205	319	5,468	850
393	-	522	-	110	-	810	-
-	-	-	-	-	-	-	-
-	-	11	-	-	-	-	-
-	-	-	-	-	-	1,400	-
-	-	-	-	-	-	-	-
62	-	71	-	-	-	-	-
-	-	-	-	-	-	-	-
175	-	104	-	-	-	-	-
-	-	-	-	-	-	-	-
460	-	-	6	17	-	-	-
11,706	-	533	-	122	-	10	-
12,796	-	1,241	6	249	-	2,220	-
9,571	-	51	3	-	-	-	-
-	-	-	-	-	-	-	-
2	-	-	-	-	-	-	850
-	-	-	-	-	-	-	-
257	-	-	-	-	-	-	-
-	-	-	-	-	319	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(97)	4	2,108	10,460	(44)	-	3,248	-
\$ 9,733	\$ 4	\$ 2,159	\$ 10,463	\$ (44)	\$ 319	\$ 3,248	\$ 850

Continued on next page

Combining Statement of Net Assets – Nonmajor Component Units (Continued from previous page)

June 30, 2012

(Dollars in Thousands)

	Library of Virginia Foundation	College of William and Mary	Virginia Military Institute	Virginia State University
Assets				
Cash and Cash Equivalents	\$ 119	\$ 71,903	\$ 16,927	\$ 19,341
Investments	1,650	24,502	66,175	735
Receivables, Net	66	18,368	2,527	8,090
Contributions Receivable, Net	224	20,699	16,446	643
Due from Primary Government	-	310	102	292
Due from Component Units	-	2,001	5,795	2,226
Inventory	110	848	5,680	-
Prepaid Items	14	2,044	1,000	2,053
Other Assets	-	1,606	125	609
Restricted Cash and Cash Equivalents	-	63,264	1,165	40,631
Restricted Investments	947	499,582	242,784	31,522
Other Restricted Assets	-	136,884	5,368	-
Nondepreciable Capital Assets	-	145,156	16,316	64,809
Depreciable Capital Assets, Net	26	581,468	217,262	173,231
Total Assets	3,156	1,568,635	597,672	344,182
Liabilities				
Accounts Payable	54	31,849	8,422	12,724
Amounts Due to Other Governments	-	-	1,325	-
Due to Primary Government	-	776	200	259
Due to Component Units	-	-	-	-
Due to External Parties (Fiduciary Funds)	-	573	162	182
Unearned Revenue	-	15,376	1,545	3,353
Obligations Under Securities Lending Program	-	140	553	365
Other Liabilities	45	13,758	2,305	3,948
Loans Payable to Primary Government	-	-	-	-
Long-term Liabilities:				
Due Within One Year	-	25,077	2,065	6,670
Due in More Than One Year	116	304,562	76,706	170,022
Total Liabilities	215	392,111	93,283	197,523
Net Assets				
Invested in Capital Assets, Net of Related Debt	26	495,367	219,623	122,799
Restricted For:				
Nonexpendable:				
Higher Education	-	444,765	113,656	16,440
Other	940	-	-	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Gifts and Grants	306	-	-	-
Higher Education	-	225,613	120,068	19,540
Virginia Pooled Investment Program	-	-	-	-
Other	-	-	-	-
Unrestricted	1,669	10,779	51,042	(12,120)
Total Net Assets (Deficit)	\$ 2,941	\$ 1,176,524	\$ 504,389	\$ 146,659

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
\$ 34,880	\$ 17,558	\$ 112,669	\$ 79,531	\$ 98,673	\$ 115,399	\$ 210,009	\$ 29,659
6	5	10,192	3,084	21,868	4,531	24,568	92
5,442	5,184	12,121	5,969	90,937	36,955	27,533	1,019
640	574	3,927	1,465	9,826	19,550	6,418	11,308
261	626	708	250	532	1,020	2,480	1,072
1,774	3,058	4,548	5,248	5,841	5,919	35,486	2,793
-	529	1,022	468	675	1,859	2,938	171
1,922	949	8,038	2,021	801	3,224	20,824	2,247
1,717	2,532	14	3,586	1,113	8,101	821	953
7,429	16,598	5,283	7,704	17,583	60,352	77,215	14,346
21,390	35,324	63,392	40,746	157,490	100,644	113,051	16,245
179	-	4,860	288	-	47,785	-	865
8,660	80,557	133,641	66,254	64,167	125,033	223,735	114,449
205,910	273,824	669,452	151,622	518,031	1,151,606	964,445	384,442
290,210	437,318	1,029,867	368,236	987,537	1,681,978	1,709,523	579,661
5,367	11,421	33,234	21,447	40,713	58,907	80,621	17,069
-	-	-	-	-	-	5,096	-
322	249	1,003	423	713	-	2,044	264
-	-	-	-	-	-	-	-
202	128	442	191	113	25	1,332	115
1,947	1,959	15,763	3,355	14,140	39,135	55,093	1,310
187	150	2,548	754	1,459	7,137	16,781	325
3,713	3,534	10,126	8,700	11,134	19,124	8,612	8,476
-	-	-	-	-	-	5,090	-
3,977	4,042	17,156	2,397	21,090	37,681	23,168	13,822
113,423	247,080	274,110	37,334	402,165	949,678	330,877	246,211
129,138	268,563	354,382	74,601	491,527	1,111,687	528,714	287,592
133,400	171,156	564,151	215,463	307,238	499,203	1,111,939	274,696
8,302	28,335	47,082	23,814	120,767	74,041	63,597	16,409
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
13,536	11,554	37,341	28,416	82,120	60,402	69,755	8,742
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,834	(42,290)	26,911	25,942	(14,115)	(63,355)	(64,482)	(7,778)
\$ 161,072	\$ 168,755	\$ 675,485	\$ 293,635	\$ 496,010	\$ 570,291	\$ 1,180,809	\$ 292,069

Continued on next page

Combining Statement of Net Assets – Nonmajor Component Units (Continued from previous page)

June 30, 2012

(Dollars in Thousands)

	Longwood University	Southwest Virginia Higher Education Center	Roanoke Higher Education Authority	Innovation and Entrepreneurship Investment Authority
Assets				
Cash and Cash Equivalents	\$ 46,897	\$ -	\$ 1,993	\$ 7,972
Investments	15,879	-	81	-
Receivables, Net	2,941	1,653	4,513	534
Contributions Receivable, Net	3,367	-	-	-
Due from Primary Government	195	-	-	-
Due from Component Units	1,712	65	54	-
Inventory	494	-	-	-
Prepaid Items	1,874	28	15	68
Other Assets	1,262	-	-	650
Restricted Cash and Cash Equivalents	9,030	-	-	-
Restricted Investments	33,718	-	-	-
Other Restricted Assets	110	-	-	-
Nondepreciable Capital Assets	56,923	886	630	5,629
Depreciable Capital Assets, Net	204,459	11,759	17,305	12,407
Total Assets	378,861	14,391	24,591	27,260
Liabilities				
Accounts Payable	7,807	263	80	379
Amounts Due to Other Governments	-	-	-	-
Due to Primary Government	255	-	-	-
Due to Component Units	-	-	-	-
Due to External Parties (Fiduciary Funds)	114	14	-	-
Unearned Revenue	1,677	-	60	601
Obligations Under Securities Lending Program	325	-	-	-
Other Liabilities	10,752	1	23	114
Loans Payable to Primary Government	-	-	-	-
Long-term Liabilities:				
Due Within One Year	5,072	135	119	1,321
Due in More Than One Year	130,387	1,351	1,009	1,222
Total Liabilities	156,389	1,764	1,291	3,637
Net Assets				
Invested in Capital Assets, Net of Related Debt	156,277	11,991	16,886	15,674
Restricted For:				
Nonexpendable:				
Higher Education	31,319	-	-	-
Other	-	-	-	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Gifts and Grants	-	-	-	-
Higher Education	15,638	-	-	430
Virginia Pooled Investment Program	-	-	-	-
Other	-	-	-	-
Unrestricted	19,238	636	6,414	7,519
Total Net Assets (Deficit)	\$ 222,472	\$ 12,627	\$ 23,300	\$ 23,623

Institute for Advanced Learning and Research	Southern Virginia Higher Education Center	Virginia College Building Authority	New College Institute	Total Nonmajor Component Units
\$ 2,953	\$ 438	\$ 48	\$ 1,723	\$ 1,023,204
-	-	-	-	734,698
649	9	24,944	-	4,392,844
-	-	-	106	118,069
-	-	4,496	-	14,552
19	-	-	22	78,237
-	-	-	-	27,805
58	-	-	1	62,034
-	2	-	-	92,741
381	337	190,339	-	1,101,797
-	-	-	855	2,147,856
-	-	-	-	209,020
-	-	-	-	1,556,086
11,398	1,397	-	530	6,940,963
15,458	2,183	219,827	3,237	18,499,906
401	92	15	35	386,559
-	-	-	-	6,421
-	13	-	4	7,235
-	-	110,093	-	115,559
-	8	-	3	3,618
623	-	-	-	159,151
-	-	-	-	38,595
240	-	71,950	-	239,005
-	-	-	-	5,090
-	81	145,283	15	519,079
-	1,055	2,325,307	417	10,054,701
1,264	1,249	2,652,648	474	11,535,013
11,398	1,397	-	530	5,061,389
-	-	-	461	988,988
-	-	-	-	154,085
-	-	-	-	1,636,357
-	-	-	-	84,265
-	-	-	-	99,320
144	337	78,688	1,532	773,856
-	-	-	-	7,449
-	-	-	-	13,778
2,652	(800)	(2,511,509)	240	(1,854,594)
\$ 14,194	\$ 934	\$ (2,432,821)	\$ 2,763	\$ 6,964,893

Combining Statement of Activities – Nonmajor Component Units

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

		Program Revenues			
		Charges for	Operating	Capital	Net (Expenses)
	Expenses	Services	Grants and	Grants and	Revenue
			Contributions	Contributions	
Higher Education					
College of William and Mary	\$ 399,335	\$ 231,203	\$ 48,673	\$ 16,447	\$ (103,012)
Virginia Military Institute	85,296	38,428	7,259	10,674	(28,935)
Virginia State University	155,150	59,486	37,922	16,888	(40,854)
Norfolk State University	157,291	58,617	33,655	22,170	(42,849)
University of Mary Washington	132,271	74,771	5,061	15,447	(36,992)
James Madison University	435,513	308,978	39,870	31,855	(54,810)
Radford University	168,604	100,033	23,272	22,542	(22,757)
Old Dominion University	440,510	218,524	95,505	8,955	(117,526)
George Mason University	768,782	432,620	146,586	38,352	(151,224)
Virginia Community College System	1,231,775	379,113	419,020	129,814	(303,828)
Christopher New port University	126,488	84,461	15,700	44,209	17,882
Longwood University	129,439	75,037	12,005	9,871	(32,526)
Southw est Virginia Higher Education Center	9,128	887	5,359	286	(2,596)
Roanoke Higher Education Authority	3,085	1,142	93	125	(1,725)
Innovation and Entrepreneurship Investment Authority	13,987	4,125	2,291	-	(7,571)
Institute for Advanced Learning and Research	8,492	1,216	1,656	2,050	(3,570)
Southern Virginia Higher Education Center	4,336	752	1,193	-	(2,391)
Virginia College Building Authority	701,645	75,583	40,714	-	(585,348)
New College Institute	3,125	-	1,679	-	(1,446)
Total Higher Education	4,974,252	2,144,976	937,513	369,685	(1,522,078)
Other Nonmajor Component Units					
Virginia Economic Development Partnership	20,100	384	293	-	(19,423)
Virginia Outdoors Foundation	4,241	2,154	406	-	(1,681)
Virginia Port Authority	369,869	304,354	6,282	10,988	(48,245)
Virginia Resources Authority	142,935	137,944	-	53,010	48,019
Virginia Tourism Authority	23,251	659	2,711	-	(19,881)
Virginia Foundation for Healthy Youth	9,890	-	64	-	(9,826)
Tobacco Idemnification and Community					
Revitalization Commission	100,185	-	-	-	(100,185)
Hampton Roads Sanitation District Commission	203,750	204,089	-	14,806	15,145
Virginia Biotechnology Research Partnership Authority	8,846	3,842	-	-	(5,004)
Virginia Small Business Financing Authority	654	1,298	5,924	-	6,568
Virginia School for the Deaf and Blind Foundation	20	-	-	-	(20)
Science Museum of Virginia Foundation	3,681	-	706	2,631	(344)
Virginia Commercial Space Flight Authority	33,961	-	45,471	654	12,164
Danville Science Center, Inc.	418	7	241	-	(170)
Virginia Museum of Fine Arts Foundation	15,368	-	(3,616)	-	(18,984)
A. L. Philpott Manufacturing Extension Partnership	3,445	1,670	1,502	-	(273)
Virginia Horse Center Foundation	4,717	2,952	649	-	(1,116)
Virginia University Research Partnership	1,000	-	-	-	(1,000)
Fort Monroe Authority	7,317	1,572	3,514	-	(2,231)
Assistive Technology Loan Fund Authority	436	-	-	-	(436)
Virginia National Defense Industrial Authority	519	-	-	-	(519)
Virginia Sesquicentennial of the American Civil War Foundation	183	-	51	-	(132)
Virginia Land Conservation Foundation	697	-	-	-	(697)
Virginia Arts Foundation	-	27	-	-	27
Library of Virginia Foundation	1,149	314	-	-	(835)
Total Other Nonmajor	956,632	661,266	64,198	82,089	(149,079)
Total Nonmajor Component Units	\$ 5,930,884	\$ 2,806,242	\$ 1,001,711	\$ 451,774	\$ (1,671,157)

General Revenues				
Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous	Contributions to Permanent / Term Endowments
\$ 62,671	\$ 15,368	\$ (804)	\$ 28,844	\$ 18,322
11,500	38	(1,111)	487	3,664
39,282	1,799	(1,255)	2,132	1,548
45,313	1,585	368	2,047	1,418
21,897	975	(59)	520	4,030
74,546	286	1,770	2,775	1,557
46,160	315	367	1,094	1,448
111,690	85	1,838	-	4,110
125,587	2,491	1,318	816	8,304
348,031	9,905	3,412	17,646	7,486
26,841	34	(1,962)	161	1,876
26,215	352	1,484	248	2,011
1,822	-	-	8	-
1,122	11	60	-	-
10,572	-	26	-	-
5,523	-	3	59	-
1,938	1,312	-	-	-
162,394	-	203	-	-
1,439	17	45	-	63
1,124,543	34,573	5,703	56,837	55,837
18,687	-	7	25	-
1,753	104	11	4	-
36,253	-	1,520	-	-
-	-	-	-	-
19,691	-	8	-	-
-	9,558	-	-	-
-	-	39,555	442	-
-	-	1,457	2,602	-
-	-	454	-	-
5,000	-	142	63	-
-	-	60	-	-
-	1,724	(9)	11	1
1,500	-	-	9	-
-	97	7	-	-
-	5,109	(122)	-	60,928
399	-	-	-	-
-	176	2	-	91
1,000	-	-	-	-
3,901	-	-	-	-
-	50	96	-	-
395	-	-	-	-
-	-	-	-	-
2,100	-	-	-	-
-	-	-	32	-
-	229	(106)	7	354
90,679	17,047	43,082	3,195	61,374
\$ 1,215,222	\$ 51,620	\$ 48,785	\$ 60,032	\$ 117,211

Continued on next page

Combining Statement of Activities – Nonmajor Component Units (Continued from previous page)

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

	Changes in Net Assets	Net Assets (Deficit) July 1	Net Assets (Deficit) June 30
Higher Education			
College of William and Mary	\$ 21,389	\$ 1,155,135	\$ 1,176,524
Virginia Military Institute	(14,357)	518,746	504,389
Virginia State University	2,652	144,007	146,659
Norfolk State University	7,882	153,190	161,072
University of Mary Washington	(9,629)	178,384	168,755
James Madison University	26,124	649,361	675,485
Radford University	26,627	267,008	293,635
Old Dominion University	197	495,813	496,010
George Mason University	(12,708)	582,999	570,291
Virginia Community College System	82,652	1,098,157	1,180,809
Christopher Newport University	44,832	247,237	292,069
Longwood University	(2,216)	224,688	222,472
Southwest Virginia Higher Education Center	(766)	13,393	12,627
Roanoke Higher Education Authority	(532)	23,832	23,300
Innovation and Entrepreneurship Investment Authority	3,027	20,596	23,623
Institute for Advanced Learning and Research	2,015	12,179	14,194
Southern Virginia Higher Education Center	859	75	934
Virginia College Building Authority	(422,751)	(2,010,070)	(2,432,821)
New College Institute	118	2,645	2,763
Total Higher Education	(244,585)	3,777,375	3,532,790
Other Nonmajor Component Units			
Virginia Economic Development Partnership	(704)	(776)	(1,480)
Virginia Outdoors Foundation	191	8,113	8,304
Virginia Port Authority	(10,472)	441,088	430,616
Virginia Resources Authority	48,019	1,308,824	1,356,843
Virginia Tourism Authority	(182)	2,274	2,092
Virginia Foundation for Healthy Youth	(268)	8,002	7,734
Tobacco Identification and Community Revitalization Commission	(60,188)	828,497	768,309
Hampton Roads Sanitation District Commission	19,204	477,202	496,406
Virginia Biotechnology Research Partnership Authority	(4,550)	13,508	8,958
Virginia Small Business Financing Authority	11,773	28,272	40,045
Virginia School for the Deaf and Blind Foundation	40	3,264	3,304
Science Museum of Virginia Foundation	1,383	17,857	19,240
Virginia Commercial Space Flight Authority	13,673	56,062	69,735
Danville Science Center, Inc.	(66)	1,202	1,136
Virginia Museum of Fine Arts Foundation	46,931	143,133	190,064
A. L. Philpott Manufacturing Extension Partnership	126	998	1,124
Virginia Horse Center Foundation	(847)	10,580	9,733
Virginia University Research Partnership	-	4	4
Fort Monroe Authority	1,670	489	2,159
Assistive Technology Loan Fund Authority	(290)	10,753	10,463
Virginia National Defense Industrial Authority	(124)	80	(44)
Virginia Sesquicentennial of the American Civil War Foundation	(132)	451	319
Virginia Land Conservation Foundation	1,403	1,845	3,248
Virginia Arts Foundation	59	791	850
Library of Virginia Foundation	(351)	3,292	2,941
Total Other Nonmajor	66,298	3,365,805	3,432,103
Total Nonmajor Component Units	\$ (178,287)	\$ 7,143,180	\$ 6,964,893

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,				
	2012	2011	2010	2009	2008
Tax-Supported Debt:					
Primary Government:					
General Obligation Bonds (1):					
Section 9(b) Bonds (2)	\$ 831,148	\$ 914,574	\$ 999,841	\$ 1,040,636	\$ 935,105
Section 9(c) Bonds (2)	42,593	45,800	49,545	36,884	66,884
Subtotal - General Obligation Bonds	873,741	960,374	1,049,386	1,077,520	1,001,989
Nongeneral Obligation Debt:					
Section 9(d) Bonds (2)	5,222,270	4,427,114	3,705,737	3,001,263	2,667,962
Other Long-term Debt and Obligations (3)	2,742,274	2,397,060	2,079,248	1,841,561	1,614,506
Total Primary Government	8,838,285	7,784,548	6,834,371	5,920,344	5,284,457
Component Units:					
General Obligation Bonds (1):					
Section 9(c) Bonds (2)	906,474	765,280	631,275	573,550	487,296
Subtotal - General Obligation Bonds	906,474	765,280	631,275	573,550	487,296
Nongeneral Obligation Bonds:					
Section 9(d) Bonds (2)	2,747,447	2,139,017	1,919,034	1,455,411	1,172,290
Other Long-term Debt (3)	1,701,305	1,472,492	1,209,731	1,050,487	906,560
Total Component Units	5,355,226	4,376,789	3,760,040	3,079,448	2,566,146
Total Tax-Supported Debt	14,193,511	12,161,337	10,594,411	8,999,792	7,850,603
Debt Not Supported by Taxes:					
Primary Government:					
Total Primary Government (2)	2,915,671	2,759,434	2,803,913	2,787,825	2,934,728
Component Units:					
Section 9(d) Moral Obligation Bonds	801,384	684,005	669,839	726,416	1,073,577
Section 9(d) Other Debt	1,541,802	1,450,714	1,333,083	1,356,659	1,147,172
Other Long-term Debt (4)	15,088,830	15,302,035	15,102,864	14,288,566	12,838,045
Foundations (5)	1,570,447	1,355,777	1,317,122	1,294,063	1,102,712
Total Component Units	19,002,463	18,792,531	18,422,908	17,665,704	16,161,506
Total Debt Not Supported by Taxes	21,918,134	21,551,965	21,226,821	20,453,529	19,096,234
Total Debt of the Commonwealth	\$ 36,111,645	\$ 33,713,302	\$ 31,821,232	\$ 29,453,321	\$ 26,946,837

	2012	2011	2010	2009	2008
Section 9(b) Debt:					
Transportation Facilities Bonds	\$ -	\$ -	\$ 6,469	\$ 12,695	\$ 18,622
Public Facilities Bonds	831,148	914,574	993,372	1,027,941	916,483
Subtotal 9(b) Debt	831,148	914,574	999,841	1,040,636	935,105
Section 9(c) Debt:					
Higher Educational Institution Bonds	906,474	765,280	631,275	573,550	487,296
Transportation Facilities Bonds	24,210	26,355	28,394	30,358	59,294
Parking Facilities Bonds	18,383	19,445	21,151	6,526	7,590
Subtotal 9(c) Debt	949,067	811,080	680,820	610,434	554,180
Total General Obligation Debt (1)	\$ 1,780,215	\$ 1,725,654	\$ 1,680,661	\$ 1,651,070	\$ 1,489,285

- (1) Total general obligation debt for the fiscal year ended.
- (2) Net of unamortized discounts, premiums, deferrals on debt defeasance, and/or issuance expenses.
- (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,				
	2012	2011	2010	2009	2008
Primary Government:					
General Obligation Debt (1) (4):					
Section 9(b) Debt					
Transportation Facilities (2)	\$ -	\$ -	\$ 6,469	\$ 12,695	\$ 18,622
Public Facilities (2)	831,148	914,574	993,372	1,027,941	916,483
Subtotal Section 9(b) Debt	831,148	914,574	999,841	1,040,636	935,105
Section 9(c) Debt					
Parking Facilities (2)	18,383	19,445	21,151	6,526	7,590
Transportation Facilities (2)	24,210	26,355	28,394	30,358	59,294
Subtotal Section 9(c) Debt	42,593	45,800	49,545	36,884	66,884
Subtotal General Obligation Debt	873,741	960,374	1,049,386	1,077,520	1,001,989
Nongeneral Obligation Debt:					
Section 9(d) Debt:					
Transportation Debt (2)	2,655,481	2,008,601	1,428,918	908,601	948,507
Virginia Public Building Authority (2)	2,566,789	2,418,513	2,276,819	2,092,662	1,719,455
Subtotal Section 9(d) Debt	5,222,270	4,427,114	3,705,737	3,001,263	2,667,962
Other Long-term Debt:					
Transportation Notes Payable (3)	8,000	8,000	8,000	8,000	12,325
Regional Jail Construction	2,748	4,617	6,445	8,231	9,980
Capital Lease Obligations	77,400	87,219	97,012	102,913	113,477
Installment Purchase Obligations	114,959	101,014	73,950	61,966	54,761
Virginia Public Broadcasting Board Notes Payable (3)	-	-	2,990	5,830	8,520
Industrial Development Authority Obligations	-	-	5,150	10,025	14,640
Economic Development Authority Obligations	81,747	85,827	89,722	93,442	96,992
Tax Refund Note (3)	40,639	60,959	81,278	81,278	-
Aviation Notes Payable (3)	1,050	1,336	1,623	1,909	2,195
Subtotal Other Long-term Debt	326,543	348,972	366,170	373,594	312,890
Other Long-term Obligations:					
Compensated Absences	315,176	311,523	320,912	336,072	345,361
Pension Liability	1,660,768	1,405,714	1,147,163	989,517	878,579
OPEB Liability	406,969	301,771	214,943	117,604	57,473
Pollution Remediation Liability	5,171	4,772	4,019	2,472	-
Other Liabilities	27,647	24,308	26,041	22,302	20,203
Subtotal Other Long-term Obligations	2,415,731	2,048,088	1,713,078	1,467,967	1,301,616
Total Primary Government	8,838,285	7,784,548	6,834,371	5,920,344	5,284,457
Component Units:					
General Obligation Bonds (1) (4):					
Section 9(c) Debt					
Higher Educational Institutions (2)	906,474	765,280	631,275	573,550	487,296
Subtotal General Obligation Debt	906,474	765,280	631,275	573,550	487,296
Nongeneral Obligation Debt:					
Section 9(d) Debt:					
Virginia Port Authority (2)	237,321	186,011	194,287	200,886	218,596
Innovation & Entrepreneurship Investment Authority	2,375	3,465	4,480	5,415	6,270
Virginia College Building Authority	2,470,589	1,909,586	1,677,617	1,203,701	899,572
Virginia Biotechnology Research Partnership Authority	37,162	39,955	42,650	45,409	47,852
Subtotal Section 9(d) Debt	2,747,447	2,139,017	1,919,034	1,455,411	1,172,290
Other Long-term Debt:					
Capital Lease Obligations	91,166	119,519	104,489	113,687	136,773
Installment Purchase Obligations (3)	100,161	118,277	141,026	156,236	118,811
Subtotal Other Long-term Debt	191,327	237,796	245,515	269,923	255,584
Other Long-term Obligations:					
Compensated Absences	253,845	248,149	238,916	237,832	229,910
Pension Liability	785,472	644,481	506,555	420,996	358,881
OPEB Liability	470,661	342,066	218,745	121,736	62,185
Subtotal Other Long-term Obligations	1,509,978	1,234,696	964,216	780,564	650,976
Total Component Units	5,355,226	4,376,789	3,760,040	3,079,448	2,566,146
Total Tax-Supported Debt	\$ 14,193,511	\$ 12,161,337	\$ 10,594,411	\$ 8,999,792	\$ 7,850,603

- (1) The general obligation debt is the only debt or long-term obligation that is backed by the full faith, credit, and taxing power of the Commonwealth.
- (2) Net of unamortized discounts, premiums, deferral on debt defeasance, and/or issuance expenses.
- (3) Reflected as Notes Payable in Note 25, 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,				
	2012	2011	2010	2009	2008
Primary Government:					
Other Long-term Debt & Obligations:					
Federal Reimbursement Anticipation Notes Payable (1)	\$ 182,450	\$ 274,650	\$ 414,319	\$ 548,695	\$ 677,297
Grant Anticipation Notes (GARVEES) (1)	298,728	-	-	-	-
Pension Liability	42,249	34,054	26,379	21,368	18,887
OPEB Liability	12,751	9,099	5,779	2,973	1,551
Capital Lease Obligations	449	918	1,407	1,919	2,347
Compensated Absences	9,267	9,044	9,130	8,955	8,761
Installment Purchase Obligations	-	-	187	964	1,735
Tuition Benefits Payable	2,175,296	2,215,261	2,095,958	1,909,786	1,891,424
Lottery Prizes Payable	194,481	216,408	250,754	293,165	332,726
Total Primary Government	2,915,671	2,759,434	2,803,913	2,787,825	2,934,728
Component Units:					
Section 9(d) Moral Obligation Debt: (1)					
Virginia Housing Development Authority	-	-	-	-	391,691
Virginia Resources Authority	801,384	684,005	669,839	726,416	681,886
Subtotal Section 9(d) Moral Obligation Debt	801,384	684,005	669,839	726,416	1,073,577
Section 9(d) Other Debt:					
Higher Educational Institutions (1):					
Auxiliary Enterprise Revenue Bonds	1,205,869	1,232,954	1,059,008	1,077,484	846,677
Teaching Hospitals Revenue Bonds (4)	335,933	217,760	274,075	279,175	300,495
Subtotal Section 9(d) Other Debt	1,541,802	1,450,714	1,333,083	1,356,659	1,147,172
Other Long-term Debt:					
Virginia Housing Development Authority (1) (2)	5,945,174	6,438,200	6,739,603	6,754,384	6,487,296
Hampton Roads Sanitation District	639,286	560,996	547,318	360,136	359,904
Virginia Biotechnology Research Partnership Authority	-	1,125	1,355	1,565	10,015
Virginia Public School Authority (1) (2)	3,378,084	3,215,448	3,235,947	3,258,258	3,030,087
Virginia Port Authority	281,978	284,558	288,764	223,541	292,982
Virginia Resources Authority	2,478,243	2,060,398	1,915,717	1,740,010	1,101,055
Notes Payable	2,070,152	2,403,627	2,034,214	1,649,031	1,293,035
Other Long-term Debt	295,913	337,683	339,946	301,641	263,671
Foundations (5)	1,570,447	1,355,777	1,317,122	1,294,063	1,102,712
Subtotal Other Long-term Debt	16,659,277	16,657,812	16,419,986	15,582,629	13,940,757
Subtotal Section 9(d) and Other Debt	18,201,079	18,108,526	17,753,069	16,939,288	15,087,929
Total Component Units	19,002,463	18,792,531	18,422,908	17,665,704	16,161,506
Total Debt Not Supported by Taxes (3)	\$ 21,918,134	\$ 21,551,965	\$ 21,226,821	\$ 20,453,529	\$ 19,096,234

- (1) Net of unamortized discounts, premiums, deferral on debt defeasance, and/or issuance expenses.
- (2) Includes notes payable and/or installment purchase obligations.
- (3) These amounts are not backed by the full faith, credit, and taxing power 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, 2012

(Dollars in Thousands)

	As of June 30, 2011	New Debt Authorized	Debt Issued	Other Adjust- ments	As of June 30, 2012
Section 9(b) Debt (Primary Government):					
Higher Educational Institution Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Park and Recreational Facilities	-	-	-	-	-
Subtotal Section 9(b) Debt	-	-	-	-	-
Section 9(c) Debt (Primary Government):					
Higher Educational Institution Bonds	547,939	125,594	168,875	(13,867)	490,791
Parking Facilities Bonds	226	-	-	-	226
Subtotal Section 9(c) Debt	548,165	125,594	168,875	(13,867)	491,017
Section 9(d) Debt:					
Primary Government:					
Transportation Contract Revenue Bonds (Northern Virginia Transportation District Fund Program)	24,700	-	-	-	24,700
Transportation Capital Projects Revenue Bonds	2,087,335	-	600,000	-	1,487,335
Component Units:					
Virginia Public Building Authority (Projects)	415,111	80,253	249,698	(28,949)	216,717
Virginia Public Building Authority (Jails)	289,141	25,376	48,802	-	265,715
Virginia College Building Authority (21st Century)	1,921,306	137,536	509,890	(63,262)	1,485,690
Virginia College Building Authority (Equipment Program)	115,008	118,318	97,700	(17,308)	118,318
Virginia Port Authority	125,000	-	57,370	(2,631)	64,999
Subtotal Section 9(d) Debt	4,977,601	361,483	1,563,460	(112,150)	3,663,474
Total Authorized and Unissued					
Tax-Supported Debt	\$ 5,525,766	\$ 487,077	\$ 1,732,335	\$ (126,017)	\$ 4,154,491

Tax-Supported Debt – Annual Debt Service Requirements [1]

For the Fiscal Year Ended June 30, 2012

(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
2013	\$ 119,250	\$ 77,263	\$ 196,513	\$ 464,791	\$ 347,479	\$ 812,270
2014	120,545	71,811	192,356	458,254	323,777	782,031
2015	119,785	66,191	185,976	457,183	303,276	760,459
2016	111,895	60,590	172,485	458,292	282,415	740,707
2017	104,160	55,416	159,576	452,789	261,851	714,640
2018	98,050	50,513	148,563	425,190	241,458	666,648
2019	97,270	46,181	143,451	397,001	222,842	619,843
2020	96,865	41,877	138,742	365,653	204,864	570,517
2021	98,680	37,580	136,260	363,041	188,496	551,537
2022	93,500	33,194	126,694	354,960	172,005	526,965
2023	93,875	28,868	122,743	354,231	156,281	510,512
2024	93,325	24,580	117,905	357,441	140,376	497,817
2025	84,920	20,264	105,184	345,074	124,201	469,275
2026	79,200	16,414	95,614	344,134	108,633	452,767
2027	70,425	12,941	83,366	314,426	92,949	407,375
2028	54,700	9,715	64,415	295,885	78,015	373,900
2029	39,260	7,235	46,495	285,885	63,718	349,603
2030	29,295	5,487	34,782	262,000	50,001	312,001
2031	24,660	4,113	28,773	204,010	37,137	241,147
2032	14,460	2,945	17,405	165,730	28,157	193,887
2033	13,805	2,274	16,079	106,815	21,062	127,877
2034	12,455	1,633	14,088	111,435	15,920	127,355
2035	9,930	1,060	10,990	111,880	10,555	122,435
2036	5,835	616	6,451	86,785	5,315	92,100
2037	2,560	365	2,925	38,730	1,549	40,279
2038	1,675	244	1,919	-	-	-
2039	1,730	165	1,895	-	-	-
2040	1,785	84	1,869	-	-	-
Subtotal	1,693,895	679,619	2,373,514	7,581,615	3,482,332	11,063,947
Add						
Accretion on						
Capital Appreciation						
Bonds	-	-	-	16,339	-	16,339
Add						
Unamortized						
Premium	115,291	-	115,291	546,397	-	546,397
Less						
Unamortized						
Discount	-	-	-	(670)	-	(670)
Less						
Deferral on						
Debt Defeasance	(28,969)	-	(28,969)	(42,530)	-	(42,530)
Total	\$ 1,780,217	\$ 679,619	\$ 2,459,836	\$ 8,101,151	\$ 3,482,332	\$ 11,583,483

[1] Includes Virginia Biotechnology Research Park Authority, Innovation and Entrepreneurship Investment Authority, Fairfax County Economic Development Authority, Virginia Aviation Board, Tax Refund Note, and Transportation Notes Payable. Does not include other capital leases, installment purchase obligations, regional jail reimbursements under the original treasury board program, compensated absences, pension liability, pollution remediation liability and uninsured employers' fund.

[2] Includes principal amount of \$5,222,268 (dollars in thousands) which includes transportation notes payable of \$8,000 (dollars in thousands) for the primary government.

Total		
Principal	Interest	Total
\$ 584,041	\$ 424,742	\$ 1,008,783
578,799	395,588	974,387
576,968	369,467	946,435
570,187	343,005	913,192
556,949	317,267	874,216
523,240	291,971	815,211
494,271	269,023	763,294
462,518	246,741	709,259
461,721	226,076	687,797
448,460	205,199	653,659
448,106	185,149	633,255
450,766	164,956	615,722
429,994	144,465	574,459
423,334	125,047	548,381
384,851	105,890	490,741
350,585	87,730	438,315
325,145	70,953	396,098
291,295	55,488	346,783
228,670	41,250	269,920
180,190	31,102	211,292
120,620	23,336	143,956
123,890	17,553	141,443
121,810	11,615	133,425
92,620	5,931	98,551
41,290	1,914	43,204
1,675	244	1,919
1,730	165	1,895
1,785	84	1,869
9,275,510	4,161,951	13,437,461
16,339	-	16,339
661,688	-	661,688
(670)	-	(670)
(71,499)	-	(71,499)
\$ 9,881,368	\$ 4,161,951	\$ 14,043,319

Tax-Supported Debt – Detail of Long-term Indebtedness

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2011	Issued (Retired) During Year	Outstanding June 30, 2012	Maturity
General Obligation Debt					
Section 9(b) Debt (Primary Government):					
Public Facilities Bonds					
Series 2002 Refunding	\$ 114,865	\$ 27,380	\$ (27,380)	\$ -	
Series 2003	50,400	30,275	(27,755)	2,520	06/01/13
Series 2004	243,680	100,195	(41,580)	58,615	06/01/13-18
Series 2005	118,110	47,140	(17,570)	29,570	06/01/13-25
Series 2006 Refunding	61,535	31,090	(7,980)	23,110	06/01/13-15
Series 2006	117,910	59,165	(5,920)	53,245	06/01/13-26
Series 2007	200,465	163,920	(10,251)	153,669	06/01/13-27
Series 2008	198,165	168,625	(9,925)	158,700	06/01/13-28
Series 2008 Refunding	25,458	9,769	(4,912)	4,857	06/01/13
Series 2009	80,000	72,000	(4,000)	68,000	06/01/13-29
Series 2009 Refunding	121,765	121,295	-	121,295	06/01/16-22
Series 2009 Taxable BABs	45,000	42,635	(2,365)	40,270	06/01/13-29
Series 2012	71,065	-	71,065	71,065	06/01/13-24
Deferral on Debt Defeasance	-	(16,210)	(426)	(16,636)	
Unamortized Premium	-	57,295	5,573	62,868	
Total Public Facilities Bonds	1,448,418	914,574	(83,426)	831,148	
Total Section 9(b) Debt	1,448,418	914,574	(83,426)	831,148	
Section 9(c) Debt					
Higher Educational Institution Bonds (Component Units)					
Series 1983 Bonds					
Old Dominion University					
Mid-Rise Dormitory	3,500	340	(165)	175	06/01/13
Powhatan Field Apartments, Phase II	3,636	370	(185)	185	06/01/13
Virginia Commonwealth University					
Low-Rise Dormitory	4,050	400	(195)	205	06/01/13
Subtotal Series 1983 Bonds	11,186	1,110	(545)	565	
Series 2002 Bonds					
College of William and Mary					
Dorm Renovations	5,015	480	(480)	-	
George Mason University					
Housing Building V	8,635	820	(820)	-	
James Madison University					
Bluestone Dorm Renovations I	2,045	195	(195)	-	
Bluestone Dorm Renovations II	2,125	205	(205)	-	
Old Dominion University					
Housing Renovation	2,565	245	(245)	-	
Virginia Polytechnic Institute and State University					
Parking Auxiliary Project	975	140	(140)	-	
Subtotal Series 2002 Bonds	21,360	2,085	(2,085)	-	
Series 2002 Refunding Bonds					
College of William and Mary					
Dorm Renovations	362	90	(90)	-	
Dorm Repairs	898	595	(595)	-	
Underground Utility	878	538	(538)	-	
University Center	121	30	(30)	-	
George Mason University					
University Center	14,696	6,148	(6,148)	-	
James Madison University					
Residence Facility	3,089	782	(782)	-	

Series	Amount Issued	Outstanding June 30, 2011	Issued (Retired) During Year	Outstanding June 30, 2012	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 2002 Refunding Bonds (continued)					
Longwood University					
Dining Hall	3,072	2,039	(2,039)	-	
University of Mary Washington					
Telecommunications	2,647	660	(660)	-	
University of Virginia					
Newcomb Hall Expansion Projects	6,213	3,816	(3,816)	-	
Student Residence Facility Project	2,796	1,721	(1,721)	-	
Virginia Commonwealth University					
Visitors Deck	1,823	1,211	(1,211)	-	
Virginia State University					
Jones Dining Hall	1,358	900	(900)	-	
Subtotal Series 2002 Refunding Bonds	37,953	18,530	(18,530)	-	
Series 2004 New Money and Refunding Bonds					
Christopher Newport University					
New Residence Hall - '01 Refunded Portion	12,842	12,502	(1,152)	11,350	06/01/13-20
Residence Hall II - '99 Refunded Portion	8,416	6,887	(726)	6,161	06/01/13-19
College of William & Mary					
Dorm Renovation Phase II - '97 Refunded Portion	469	301	(44)	257	06/01/13-17
Dorm Renovations - '98 Refunded Portion	3,778	2,787	(344)	2,443	06/01/13-18
Dorm Repairs - '97 Refunded Portion	2,077	1,343	(199)	1,144	06/01/13-17
Renovate Dormitories - '01 Refunded Portion	2,629	2,559	(235)	2,324	06/01/13-20
Utility System - '97 Refunded Portion	1,226	785	(116)	669	06/01/13-17
George Mason University					
Commonwealth and Dominion Housing	2,340	815	(260)	555	06/01/13-14
Housing Building V - '01 Refunded Portion	9,940	9,676	(892)	8,784	06/01/13-20
James Madison University					
Bluestone Dorm, Phase II - '01 Refunded Portion	3,130	3,047	(281)	2,766	06/01/13-20
Dining Facilities Renovation - '98 Refunded Portion	638	468	(57)	411	06/01/13-18
Dining Hall Renovation - '97 Refunded Portion	818	528	(78)	450	06/01/13-17
Residence Hall - '97 Refunded Portion	7,093	4,591	(674)	3,917	06/01/13-17
Student Services - '97 Refunded Portion	3,783	2,448	(359)	2,089	06/01/13-17
Longwood University					
Dining Hall - '99 Refunded Portion	1,868	1,527	(161)	1,366	06/01/13-19
Residence Hall Improvements - '99 Refunded Portion	1,747	1,433	(151)	1,282	06/01/13-19
University of Mary Washington					
Residence Hall Renovation - '01 Refunded Portion	1,036	1,009	(95)	914	06/01/13-20
University of Virginia					
Residence Hall - Monroe Lane - '01 Refunded Portion	2,513	2,446	(225)	2,221	06/01/13-20
Residence Hall - Wise - '99 Refunded Portion	3,020	2,474	(262)	2,212	06/01/13-19
Virginia Commonwealth University					
Academic Parking Deck - '97 Refunded Portion	7,723	4,999	(737)	4,262	06/01/13-17
Virginia Military Institute					
Crozet Hall and Parking	11,240	4,395	(3,420)	975	06/01/13-14
Virginia Polytechnic Institute and State University					
Dining Hall - '98 Refunded Portion	1,928	1,422	(177)	1,245	06/01/13-18
Dining Hall HVAC - '99 Refunded Portion	1,168	957	(101)	856	06/01/13-19
Parking Auxiliary Project - '97 Refunded Portion	951	611	(92)	519	06/01/13-17
Residence Hall - '97 Refunded Portion	9,995	6,472	(950)	5,522	06/01/13-17
Renovate Dietrick Severy, Phase II	4,800	1,590	(1,150)	440	06/01/13-14
Virginia State University					
Jones Dining Hall - '98 Refunded Portion	618	458	(57)	401	06/01/13-18
Subtotal Series 2004 New Money and Refunding Bonds	107,786	78,530	(12,995)	65,535	

Continued on next page

Tax-Supported Debt – Detail of Long-term Indebtedness (Continued from previous page)

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2011	Issued (Retired) During Year	Outstanding June 30, 2012	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 2005 Bonds					
College of William & Mary					
Renovate Dining	9,555	4,735	(1,660)	3,075	06/01/13-16, 25-26
Renovate Dorms	5,800	2,875	(1,005)	1,870	06/01/13-16, 25-26
George Mason University					
Student Housing	25,800	16,435	(3,440)	12,995	06/01/13-16, 25-30
Longwood University					
Renovate Housing Facilities	3,915	1,695	(700)	995	06/01/13-16, 25
Old Dominion University					
Renovate Housing - Phase I	4,735	2,035	(840)	1,195	06/01/13-16, 25
University of Mary Washington					
Seacoack Dining Hall	4,730	2,030	(840)	1,190	06/01/13-16, 25
Subtotal Series 2005 Bonds	54,535	29,805	(8,485)	21,320	
Series 2006 Refunding Bonds					
Christopher Newport University					
Dorm/Dining - '96 Refunding, Refunded Portion	1,725	1,480	(125)	1,355	06/01/13-21
College of William & Mary					
Dorm - '96 Refunding, Refunded Portion	100	60	(20)	40	06/01/13-14
Dorm, Phase II -'96 Refunding, Refunded Portion	1,525	990	(230)	760	06/01/13-15
Subtotal Series 2006 Refunding Bonds	3,350	2,530	(375)	2,155	
Series 2006 Bonds					
College of William & Mary					
Renovate Dormitories	4,515	2,410	(170)	2,240	06/01/13-17, 23-26
George Mason University					
Construct Student Housing VII	39,080	27,825	(1,110)	26,715	06/01/13-17, 23-31
Renovate Housing Facilities	2,420	1,475	(265)	1,210	06/01/13-16
James Madison University					
Renovate Residence Hall Phase III	6,230	3,325	(235)	3,090	06/01/13-17, 23-26
Longwood University					
Renovate Housing Facilities	5,900	3,150	(225)	2,925	06/01/13-17, 23-26
Old Dominion University					
Construct Residence Hall Phase II	8,785	4,695	(335)	4,360	06/01/13-17, 23-26
Virginia Polytechnic Institute and State University					
Parking Projects	685	365	(25)	340	06/01/13-17, 23-26
Virginia State University					
Construct Dining Hall	4,330	2,435	(175)	2,260	06/01/13-17, 23-26
Construct Residence Halls	16,780	9,435	(670)	8,765	06/01/13-17, 23-26
Subtotal Series 2006 Bonds	88,725	55,115	(3,210)	51,905	
Series 2007 Bonds					
George Mason University					
Construct Student Housing VII and Entrance Road	15,495	14,695	(430)	14,265	06/01/13-32
Construct Student Housing, VII	2,010	1,865	(55)	1,810	06/01/13-32
Renovate Student Housing, President's Park I	3,130	2,235	(330)	1,905	06/01/13-17
James Madison University					
Construct Dining Hall	20,840	17,690	(765)	16,925	06/01/13-27
Renovate Bluestone Residence Hall, Phase III	2,280	1,935	(85)	1,850	06/01/13-27
Longwood University					
Renovate Cox Hall	6,250	5,300	(230)	5,070	06/01/13-27
Old Dominion University					
Construct Residence Hall, Phase II	16,115	13,680	(595)	13,085	06/01/13-27

Series	Amount Issued	Outstanding June 30, 2011	Issued (Retired) During Year	Outstanding June 30, 2012	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 2007 Bonds (continued)					
Virginia Commonwealth University					
Monroe Park Housing	15,525	14,700	(305)	14,395	06/01/13-37
Virginia Polytechnic Institute and State University					
Construct New Residence Hall	13,130	12,150	(525)	11,625	06/01/13-27
Improve Residence and Dining Halls	5,995	5,545	(240)	5,305	06/01/13-27
Virginia State University					
Construct Residence Halls	2,020	1,750	(75)	1,675	06/01/13-27
Construct Two Residence Halls	26,160	24,210	(1,050)	23,160	06/01/13-27
Subtotal Series 2007 Bonds	128,950	115,755	(4,685)	111,070	
Series 2008 Bonds					
Christopher Newport University					
1998 Refunded Portion 92C	1,664	693	(336)	357	06/01/13-14
College of William & Mary					
1998 Refunded Portion 92C	3,801	1,579	(772)	807	06/01/13
1998 Refunded Portion 92D	492	209	(103)	106	06/01/13
Renovate Graduate Student Residence Halls	2,395	2,230	(85)	2,145	06/01/13-28
George Mason University					
1998 Refunded Portion 92A	740	194	(194)	-	
Renovate Commonwealth and Dominion Phase II	1,530	1,245	(155)	1,090	06/01/13-18
Renovate President's Park Phase I	3,095	2,515	(310)	2,205	06/01/13-18
Renovate President's Park Phase II	3,120	3,010	(115)	2,895	06/01/13-28
Student Housing VII	1,955	1,825	(45)	1,780	06/01/13-33
Student Housing VII and Entrance Road	23,870	23,295	(605)	22,690	06/01/13-33
James Madison University					
1998 Refunded Portion 92C	2,644	1,100	(540)	560	06/01/13
Construct New Residence Hall	19,430	17,550	(680)	16,870	06/01/13-28
Longwood University					
1998 Refunded Portion 92A	1,397	369	(369)	-	
Renovate Cox Hall	4,630	4,175	(160)	4,015	06/01/13-28
Old Dominion University					
Quad Housing Phase II	39,960	36,095	(1,395)	34,700	06/01/13-28
University of Mary Washington					
1998 Refunded Portion 92C	1,202	502	(246)	256	06/01/13
University of Virginia					
1998 Refunded Portion 92C	207	52	(52)	-	
1998 Refunded Portion 92D	594	248	(122)	126	06/01/13
1998 Refunded Portion 92D	4,323	1,798	(881)	917	06/01/13
1998 Refunded Portion 92D	431	180	(88)	92	06/01/13
VCCS/Northern Virginia Community College					
1998 Refunded Portion 92A	882	232	(232)	-	
Virginia Commonwealth University					
1998 Refunded Portion 92C	2,985	1,239	(608)	631	06/01/13
1998 Refunded Portion 92C	384	99	(99)	-	
1998 Refunded Portion 92D	1,152	481	(235)	246	06/01/13
Virginia Polytechnic Institute and State University					
1998 Refunded Portion 92C	1,813	756	(371)	385	06/01/13
1998 Refunded Portion 92D	1,010	423	(206)	217	06/01/13
1998 Refunded Portion 92D	969	403	(195)	208	06/01/13
New Residence Hall	17,185	16,020	(620)	15,400	06/01/13-28
Parking Auxiliary Projects	1,545	1,395	(55)	1,340	06/01/13-28
Subtotal Series 2008 Bonds	145,405	119,912	(9,874)	110,038	

Continued on next page

Tax-Supported Debt – Detail of Long-term Indebtedness (Continued from previous page)

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2011	Issued (Retired) During Year	Outstanding June 30, 2012	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 2009 Bonds					
Christopher Newport University					
Residence Hall '01 Refunded Portion	1,878	1,878	-	1,878	06/01/15-21
College of William & Mary					
Dining Commons Hall Renovation '05 Refunded Portion	3,200	3,200	-	3,200	06/01/17-22
Dormitory Renovations '06B Refunded Portion	1,270	1,270	-	1,270	06/01/18-22
Dormitory Renovations '02 Refunded	2,582	2,582	-	2,582	06/01/14-22
Dormitory Renovations '05 Refunded	1,940	1,940	-	1,940	06/01/17-22
Dormitory Renovations '01 Refunded Portion	384	384	-	384	06/01/15-21
George Mason University					
Housing Building V '01 Refunded Portion	6,267	6,267	-	6,267	06/01/15-24
Housing Building V '02 Refunded Portion	4,448	4,448	-	4,448	06/01/14-22
Housing VIII	7,910	7,910	-	7,910	06/01/13-34
Renovate President Park Phase I	1,790	1,620	(170)	1,450	06/01/13-19
Student Housing Construction VII '05 Refunded	6,630	6,630	-	6,630	06/01/17-22
Student Housing VII C	8,255	8,060	(200)	7,860	06/01/13-34
Student Housing Construction VII '06B Refunded	8,230	8,230	-	8,230	06/01/18-22
James Madison University					
Bluestone Dorm Phase II '01 Refunded Portion	458	458	-	458	06/01/15-21
Renovate Bluestone Res Hall III '06B Refunded Portion	1,750	1,750	-	1,750	06/01/18-22
Renovate Bluestone Dorms '02 Refunded Portion	1,048	1,048	-	1,048	06/01/14-22
Renovate Bluestone Dorms II '02 Refunded Portion	1,089	1,089	-	1,089	06/01/14-22
Longwood University					
Housing Facilities Renovations '05 Refunded Portion	1,340	1,340	-	1,340	06/01/17-22
Renovate Housing Facilities '06B Refunded Portion	1,655	1,655	-	1,655	06/01/18-22
Old Dominion University					
Construct Residence Hall Ph II '06B Refunded Portion	2,465	2,465	-	2,465	06/01/18-22
Housing Renovations '02 Refunded Portion	1,319	1,319	-	1,319	06/01/14-22
Housing Renovations Ph I '05 Refunded Portion	1,625	1,625	-	1,625	06/01/17-22
University of Mary Washington					
Residence Hall Renovation '01 Refunded Portion	153	153	-	153	06/01/15-21
Seacoack Dining Hall '05 Refunded Portion	1,625	1,625	-	1,625	06/01/17-22
University of Virginia					
Residence Hall Monroe Lane '01 Refunded Portion	368	368	-	368	06/01/15-21
Virginia Military Institute					
Crozet Hall & Parking '04A Refunded Portion	4,242	4,242	-	4,242	06/01/16-22
Virginia Polytechnic Institute and State University					
Parking Aux Projects '06B Refunded Portion	190	190	-	190	06/01/18-22
Improve Residence and Dining Halls	3,720	3,720	(135)	3,585	06/01/13-29
Parking Auxiliary Project '02 Refunded Portion	276	276	-	276	06/01/14-17
Parking Structure	24,590	24,590	(605)	23,985	06/01/13-34
Renovate Dietrick Servery Ph II '04A Refunded Portion	1,891	1,891	-	1,891	06/01/16-22
Renovate Ambler Johnston Hall	39,005	39,005	(1,410)	37,595	06/01/13-29
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	149,473	(2,520)	146,953	
Series 2010 Bonds					
Christopher Newport University					
Construct Residence Hall	34,480	34,480	-	34,480	06/01/13-40
College of William & Mary					
Construct New Dormitory	2,010	1,965	(80)	1,885	06/01/13-30
Renovate Residence Halls	4,440	4,335	(175)	4,160	06/01/13-30

Series	Amount Issued	Outstanding June 30, 2011	Issued (Retired) During Year	Outstanding June 30, 2012	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 2010 Bonds (continued)					
George Mason University					
Housing VIII	39,420	39,420	-	39,420	06/01/13-35
Renovate Commons	1,325	1,325	-	1,325	06/01/13-30
Renovate Student Housing, President's Park II	2,790	2,790	(270)	2,520	06/01/13-20
Smithsonian CRC Housing	5,415	5,415	-	5,415	06/01/13-35
James Madison University					
Renovate Bluestone Dormitories, Phase IV	14,890	14,545	(590)	13,955	06/01/13-30
Old Dominion University					
Renovate Student Housing, Phase I	1,975	1,930	(80)	1,850	06/01/13-30
Virginia Commonwealth University					
Construct West Grace Housing and Parking Phase I	29,130	29,130	-	29,130	06/01/13-35
Virginia Polytechnic Institute and State University					
Construct Academic and Student Affairs Building	34,650	34,650	(1,405)	33,245	06/01/13-30
Parking Auxiliary Projects	745	725	(30)	695	06/01/13-30
Subtotal Series 2010 Bonds	171,270	170,710	(2,630)	168,080	
Series 2011 Bonds					
Christopher Newport University					
Renovate Santoro Residence Hall	4,100	-	3,875	3,875	06/01/13-21
College of William & Mary					
Construct New Dormitory	14,400	-	14,400	14,400	06/01/13-31
George Mason University					
Housing VIII	20,230	-	20,230	20,230	06/01/13-36
Presidential Park Housing Renovation	2,700	-	2,700	2,700	06/01/13-21
Renovate Commons	14,350	-	14,350	14,350	06/01/14-31
Smithsonian CRC Housing	4,070	-	4,070	4,070	06/01/14-36
Student Housing VII-C	1,045	-	1,045	1,045	06/01/13-36
Virginia Commonwealth University					
West Grace Housing - North	25,830	-	25,830	25,830	06/01/14-36
Virginia Polytechnic Institute and State University					
Renovate Ambler Johnston Hall	18,860	-	18,860	18,860	06/01/13-31
Virginia State University					
Construct Gateway Residence Hall Phase II	34,735	-	33,990	33,990	06/01/13-31
Construct Quad Phase II	28,555	-	28,555	28,555	06/01/14-31
Subtotal Series 2011 Bonds	168,875	-	167,905	167,905	
Series 2012 Bonds					
College of William & Mary					
Dining Commons Hall Renovation 2005 Refunding	1,289	-	1,289	1,289	06/01/23-24
Dorm Renovation - 2002 Refunding (93B Ref)	21	-	21	21	06/01/13
Dorm Renovation - 2002 Refunding	137	-	137	137	06/01/13
Dorm Renovation - 2005 Refunding	780	-	780	780	06/01/23-24
Dorm Repairs - 2002 Refunding (96 Ref)	429	-	429	429	06/01/13-16
Underground Utilities - 2002 Refunding (95 Ref)	388	-	388	388	06/01/13-16
University Center - 2002 Refunding (93B Ref)	7	-	7	7	06/01/13
George Mason University					
Housing Building V - 2002 Refunding	234	-	234	234	06/01/13
Student Housing Construction, VII - 2005 Refunding	2,674	-	2,674	2,674	06/01/23-24
University Center - 2002 Refunding (93A Ref)	3,956	-	3,956	3,956	06/01/13-15

Continued on next page

Tax-Supported Debt – Detail of Long-term Indebtedness (Continued from previous page)

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2011	Issued (Retired) During Year	Outstanding June 30, 2012	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 2012 Bonds (continued)					
James Madison University					
Renovate Bluestone Dorm (16395) - 2002 Refunding	56	-	56	56	06/01/13
Renovate Bluestone Dorm (16687) - 2002 Refunding	58	-	58	58	06/01/13
Residence - 2002 Refunding (93A Ref)	187	-	187	187	06/01/13
Longwood University					
Dining Hall - 2002 Refunding (96 Ref)	1,472	-	1,472	1,472	06/01/13-16
Housing Facilities Renovation - 2005 Refunding	545	-	545	545	06/01/23-24
Old Dominion University					
Housing Renovation, Phase I - 2005 Refunding	655	-	655	655	06/01/23-24
Housing Renovation - 2002 Refunding	70	-	70	70	06/01/13
University of Mary Washington					
Seacobeck Dining Hall - 2005 Refunding	655	-	655	655	06/01/23-24
Telecommunication - 2002 Refunding (93B Ref)	159	-	159	159	06/01/13
University of Virginia					
Newcomb Hall - 2002 Refunding (95 Ref)	2,752	-	2,752	2,752	06/01/13-16
Student Residence - 2002 Refunding (95 Ref)	1,241	-	1,241	1,241	06/01/13-16
Virginia Commonwealth University					
Visitors Deck - 2002 Refunding (96 Ref)	871	-	871	871	06/01/13-16
Virginia Military Institute					
Crozet Hall & Parking - 2004A Refunding	3,019	-	3,019	3,019	06/01/15, 23-25
Virginia Polytechnic Institute and State University					
Parking Auxiliary - 2002 Refunding	39	-	39	39	06/01/13
Renovate Dietrick Servery - 2004A Refunding	942	-	942	942	06/01/15, 23-24
Virginia State University					
Jones Hall - 2002 Refunding (96 Ref)	646	-	646	646	06/01/13-16
Subtotal Series 2012 Bonds	23,282	-	23,282	23,282	
Deferral on Debt Defeasance	-	(11,812)	119	(11,693)	
Unamortized Premium	-	33,537	15,822	49,359	
Subtotal Higher Educational Institution					
Bonds	1,112,515	765,280	141,194	906,474	
Transportation Facilities Bonds (Primary Government)					
Series 2006, Coleman Refunding	31,880	25,685	(2,080)	23,605	06/01/13-21
Deferral on Debt Defeasance	-	(50)	8	(42)	
Unamortized Premium	-	720	(73)	647	
Subtotal Transportation Facilities					
Bonds	31,880	26,355	(2,145)	24,210	

Series	Amount Issued	Outstanding June 30, 2011	Issued (Retired) During Year	Outstanding June 30, 2012	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Parking Facilities Bonds (Primary Government)					
Series 2002 Refunding	230	125	(125)	-	
Series 2004	5,390	1,785	(1,295)	490	06/01/13-14
Series 2009	13,755	13,290	(480)	12,810	06/01/13-29
Series 2009 Refunding	2,122	2,122	-	2,122	06/01/16-22
Series 2012 Refunding (2002 Ref)	82	-	82	82	06/01/13-15
Series 2012 Refunding (2004A Ref)	1,061	-	1,061	1,061	06/01/15, 23-24
Deferral on Debt Defeasance	-	(220)	(379)	(599)	
Unamortized Premium	-	2,343	74	2,417	
Subtotal Parking Facilities					
Bonds	22,640	19,445	(1,062)	18,383	
Total Section 9(c) Debt	1,167,035	811,080	137,987	949,067	
Total General Obligation Debt	2,615,453	1,725,654	54,561	1,780,215	
Nongeneral Obligation Debt					
Section 9(d) Debt					
Virginia Public Building Authority Bonds (Primary Government)					
Series 2001A	35,830	1,685	(1,685)	-	
Series 2002A	55,000	4,975	(2,445)	2,530	08/01/12
Series 2003A	38,809	15,080	(4,535)	10,545	08/01/12-14
Series 2004A	187,106	116,005	(19,090)	96,915	08/01/12-16
Series 2004B	207,065	108,830	(60,565)	48,265	08/01/12-15
Series 2004C	39,260	20,175	(3,635)	16,540	08/01/12-15
Series 2004D	106,460	102,020	(7,735)	94,285	08/01/12-20
Series 2005A	47,305	30,600	(3,700)	26,900	08/01/12-18
Series 2005B	135,675	95,675	(16,795)	78,880	08/01/12-19
Series 2005C	165,810	108,865	(44,585)	64,280	08/01/12-16
Series 2005D	50,000	50,000	-	50,000	08/01/22-25
Series 2006A	135,000	105,350	(8,360)	96,990	08/01/12-26
Series 2006B	215,065	179,385	(9,945)	169,440	08/01/12-26
Series 2007A	242,480	213,690	(11,930)	201,760	08/01/12-27
Series 2008A	58,995	31,735	(15,485)	16,250	08/01/12
Series 2008B	150,000	141,320	(5,130)	136,190	08/01/12-28
Series 2009A	40,995	38,340	(2,715)	35,625	08/01/12-21
Series 2009B	265,000	254,325	(11,095)	243,230	08/01/12-29
Series 2009C	10,000	9,320	(695)	8,625	08/01/12-21
Series 2009D	42,745	42,680	(65)	42,615	08/01/12-21
Series 2010A1	60,520	60,520	(11,259)	49,261	08/01/12-15
Series 2010A2 BABs	256,710	256,710	-	256,710	08/01/16-30
Series 2010B1	87,510	87,510	(7,564)	79,946	08/01/12-18
Series 2010B2 Taxable BABs	195,310	195,310	-	195,310	08/01/19-30
Series 2010B3 Refunding	50,780	50,780	-	50,780	08/01/12-22
Series 2011A	280,000	-	280,000	280,000	08/01/12-31
Series 2011B	18,500	-	18,500	18,500	08/01/12-31
Series 2012A	72,415	-	72,415	72,415	08/01/16-24
Deferral on Debt Defeasance	-	(22,201)	(2,952)	(25,153)	
Unamortized Premium	-	119,829	29,326	149,155	
Total Virginia Public Building Authority					
Bonds	3,250,345	2,418,513	148,276	2,566,789	

Continued on next page

Tax-Supported Debt – Detail of Long-term Indebtedness (Continued from previous page)

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2011	Issued (Retired) During Year	Outstanding June 30, 2012	Maturity
Nongeneral Obligation Debt (continued)					
Section 9(d) Debt (continued)					
Virginia College Building Authority Bonds (Component Unit) (1)					
21st Century College Program					
Series 2002	130,795	3,865	(3,865)	-	
Series 2003	140,250	9,880	(4,820)	5,060	02/01/2013
Series 2004A	172,745	17,010	(5,395)	11,615	02/01/13-14
Series 2004B Refunding	61,395	47,320	(7,050)	40,270	02/01/13-20
Series 2005	115,785	16,330	(2,665)	13,665	02/01/13-15, 25
Series 2006BC	120,000	106,120	(5,295)	100,825	02/01/13-26
Series 2007A	59,125	59,125	-	59,125	02/01/14-22
Series 2007B	132,095	40,620	(19,760)	20,860	02/01/13-17, 25-27
Series 2008A	144,075	115,495	(10,165)	105,330	02/01/13-28
Series 2009A	284,020	264,560	(8,555)	256,005	02/01/13-29
Series 2009B	84,680	67,585	(8,450)	59,135	02/01/13-18
Series 2009C Refunding	12,945	10,500	(1,915)	8,585	02/01/13-15
Series 2009D	52,420	46,575	(6,905)	39,670	02/01/13-17
Series 2009E Refunding	208,860	208,595	(270)	208,325	02/01/13-24
Series 2009F1	53,880	41,205	(13,155)	28,050	02/01/13-14
Series 2009F2 Taxable BABs	390,575	390,575	-	390,575	02/01/15-30
Series 2010A	50,350	43,325	(6,795)	36,530	02/01/13-17
Series 2010B1	55,815	55,815	(10,945)	44,870	02/01/13-15
Series 2010B2 Taxable BABs	290,600	290,600	-	290,600	02/01/16-30
Series 2011A	272,515	-	272,515	272,515	02/01/13-32
Series 2012A	335,075	-	335,075	335,075	02/01/13-32
Deferral on Debt Defeasance	-	(15,994)	1,674	(14,320)	
Unamortized Premium	-	90,480	67,744	158,224	
Total Virginia College Building Authority Bonds	3,168,000	1,909,586	561,003	2,470,589	
Transportation Debt (Primary Government)					
Route 28 Refunding Bonds	111,680	100,503	(6,329)	94,174	10/01/03-18
Transportation Revenue Bonds (U.S. Route 58)	606,620	411,390	(33,320)	378,070	11/15/03-26
Northern Virginia Transportation District Program	324,410	305,290	(29,685)	275,605	11/15/03-26
Oak Grove Connector (Chesapeake)	33,075	18,495	(1,305)	17,190	11/15/03-22
Capital Projects	492,665	1,079,305	582,895	1,662,200	11/15/10-37
Deferral on Debt Defeasance	-	(2,507)	2,507	-	
Unamortized Premium	-	96,125	132,117	228,242	
Total Section 9(d) Transportation Debt	1,568,450	2,008,601	646,880	2,655,481	
Virginia Port Authority Debt (Component Unit)					
Series 1996	38,300	-	-	-	
Series 1998 Refunding	71,015	-	-	-	
Series 2002	135,000	114,085	(109,525)	4,560	07/11/92-27
Series 2005	60,000	53,155	(1,590)	51,565	07/01/05-30
Series 2006	21,730	14,365	(2,335)	12,030	07/01/07-16
Series 2011	57,370	-	57,370	57,370	07/01/11-36
Series 2012	108,015	-	108,015	108,015	01/01/12-27
Deferral on Debt Defeasance	-	(75)	(541)	(616)	
Unamortized Premium	-	4,481	(84)	4,397	
Total Virginia Port Authority Debt	491,430	186,011	51,310	237,321	
Innovation and Entrepreneurship Investment Authority Debt (Component Unit)					
Series 1997	13,300	3,465	(1,090)	2,375	05/01/97-14

Series	Amount Issued	Outstanding June 30, 2011	Issued (Retired) During Year	Outstanding June 30, 2012	Maturity
Nongeneral Obligation Debt (continued)					
Section 9(d) Debt (continued)					
Virginia Biotechnology Research Partnership					
Authority (Component Unit)					
Series 2009	91,010	39,495	(2,755)	36,740	09/01/03-22
Deferral on Debt Defeasance	-	(2,690)	250	(2,440)	
Unamortized Discount	-	(629)	70	(559)	
Unamortized Premium	-	3,779	(358)	3,421	
	91,010	39,955	(2,793)	37,162	
Economic Development Authority Obligations					
	96,515	82,775	(3,875)	78,900	12/01/06-26
Unamortized Premium	-	3,052	(205)	2,847	
	96,515	85,827	(4,080)	81,747	
Total Section 9(d) Debt	8,679,050	6,651,958	1,399,506	8,051,464	
Nongeneral Obligation Debt and Other Obligations					
Other Long-term Debt (2)					
Capital Leases	-	206,738	(38,172)	168,566	
Installment Purchase Obligations	-	219,291	(4,171)	215,120	
Transportation Notes Payable	-	8,000	-	8,000	
Regional Jail Construction Liability	-	4,617	(1,869)	2,748	
Tax Refund Note	-	60,959	(20,320)	40,639	
Aviation Note Payable	6,600	1,336	(286)	1,050	
Total Other Long-term Debt	6,600	500,941	(64,818)	436,123	
Other Long-term Obligations					
Compensated Absences	-	559,672	9,349	569,021	
Pension Liability	-	2,050,195	396,045	2,446,240	
OPEB Liability	-	643,837	233,793	877,630	
Other	-	29,080	3,738	32,818	
Total Other Long-term Obligations	-	3,282,784	642,925	3,925,709	
Total Nongeneral Obligation Debt and Other Obligations	8,685,650	10,435,683	1,977,613	12,413,296	
Total Tax-Supported Debt and Other Obligations	\$ 11,301,103	\$ 12,161,337	\$ 2,032,174	\$ 14,193,511	

(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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These schedules contain trend information to help the reader understand how the Commonwealth's financial performance and well-being have changed over time.	
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These schedules contain information about the Commonwealth's operations and resources to help the reader understand how the Commonwealth's financial information relates to the services the Commonwealth provides and the activities it performs.	
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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	



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)

	2012	2011	2010	2009
Tax Revenues:				
Individual and Fiduciary Income	\$ 10,714	\$ 10,050	\$ 8,730	\$ 9,471
Sales and Use	3,866	3,674	3,553	3,568
Motor Fuels	900	903	891	889
Corporation Income	950	827	833	642
Public Service Corporations	115	113	112	103
Motor Vehicle Sales and Use	538	495	440	406
Communications Sales and Use	425	556	453	-
Gross Premiums of Insurance Companies	391	412	391	387
Alcoholic Beverage Sales	121	114	111	110
Deeds, Contracts, Wills, and Suits	371	335	326	351
Beer and Beverage Excise	44	44	44	45
Estate	-	2	6	4
Tobacco Products	195	175	178	182
Bank Stock	19	25	24	21
Wine and Spirits / ABC Liter	24	23	21	20
Other Taxes	75	77	74	77
Total Tax Revenues	18,748	17,825	16,187	16,276
Other Revenues:				
Federal and Other Grants, Donations, and Federal				
Revenue Sharing	9,933	10,749	10,628	8,113
Institutional Revenue	385	384	403	409
Sales of Property and Commodities	41	36	32	26
Rights and Privileges	921	917	870	889
Interest, Dividends, and Rents	164	159	294	218
Fines, Forfeitures, Costs, Penalties and Escheats	362	368	343	349
Assessments - Special Services	120	122	116	113
Other Revenues	814	712	704	611
Total Other Revenues	12,740	13,447	13,390	10,728
Total Revenues	\$ 31,488	\$ 31,272	\$ 29,577	\$ 27,004
Percentage Increase Over Previous Year	0.7%	5.7%	9.5%	-0.9%
Expenditures by Function:				
Education	\$ 8,733	\$ 8,682	\$ 8,843	\$ 9,260
Administration of Justice	2,422	2,398	2,399	2,531
Individual and Family Services	12,682	12,688	12,236	10,764
Resources and Economic Development	870	886	897	990
Transportation	4,474	3,860	3,401	3,704
General Government (1)	3,007	3,129	2,932	2,512
Capital Outlay	330	439	619	612
Total Expenditures	\$ 32,518	\$ 32,082	\$ 31,327	\$ 30,373
Percentage Increase Over Previous Year	1.4%	2.4%	3.1%	4.6%

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

2008	2007	2006	2005	2004	2003
\$ 10,084	\$ 9,629	\$ 9,236	\$ 8,344	\$ 7,380	\$ 6,751
3,820	3,760	3,682	3,569	3,007	2,722
924	930	902	912	904	881
767	889	869	644	426	344
106	89	91	89	91	99
534	588	593	599	589	529
-	-	-	-	-	-
397	385	374	374	351	333
106	100	94	89	86	81
457	584	696	597	341	286
44	44	44	43	43	42
136	140	167	161	148	141
183	188	189	122	16	15
14	13	12	10	9	9
19	18	16	14	8	9
68	79	78	71	134	109
17,659	17,436	17,043	15,638	13,533	12,351
6,627	6,204	5,958	5,627	5,832	5,524
390	360	343	324	338	334
29	24	32	37	28	26
933	826	816	758	734	689
452	532	256	204	84	191
394	334	279	317	317	380
109	110	103	105	96	96
645	558	634	685	475	468
9,579	8,948	8,421	8,057	7,904	7,708
\$ 27,238	\$ 26,384	\$ 25,464	\$ 23,695	\$ 21,437	\$ 20,059
3.2%	3.6%	7.5%	10.5%	6.9%	1.3%
\$ 8,940	\$ 8,700	\$ 7,661	\$ 7,068	\$ 6,236	\$ 6,250
2,543	2,398	2,296	2,204	2,052	2,032
9,345	8,996	8,626	8,060	7,525	7,134
868	812	788	708	668	641
3,883	3,141	3,092	3,115	2,917	3,044
2,612	2,545	2,246	2,101	2,179	1,925
845	808	588	414	193	108
\$ 29,036	\$ 27,400	\$ 25,297	\$ 23,670	\$ 21,770	\$ 21,134
6.0%	8.3%	6.9%	8.7%	3.0%	-0.6%

Net Assets by Component
Accrual Basis of Accounting

Last Ten Fiscal Years
(Dollars in Millions)

	2012	2011	2010	2009
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	\$ 19,891	\$ 18,320	\$ 17,424	\$ 16,209
Restricted	1,648	1,171	1,160	1,421
Unrestricted	(2,216)	(1,596)	(1,887)	(1,555)
Total Governmental Activities Net Assets	19,323	17,895	16,697	16,075
Business-type Activities:				
Invested in Capital Assets, Net of Related Debt	34	35	31	23
Restricted	179	16	16	372
Unrestricted	143	70	(169)	(180)
Total business-type Activities Net Assets	356	121	(122)	215
Primary Government:				
Invested in Capital Assets, Net of Related Debt	19,925	18,355	17,455	16,232
Restricted	1,827	1,187	1,176	1,793
Unrestricted	(2,073)	(1,526)	(2,056)	(1,735)
Total Primary Government Net Assets	\$ 19,679	\$ 18,016	\$ 16,575	\$ 16,290

Source: Department of Accounts

2008	2007	2006	2005	2004	2003
\$ 15,241	\$ 13,835	\$ 11,637	\$ 11,830	\$ 11,097	\$ 9,811
1,641	1,893	1,588	1,252	857	883
516	944	2,874	841	598	440
17,398	16,672	16,099	13,923	12,552	11,134
26	30	32	(132)	22	24
816	872	790	600	412	437
59	212	17	(49)	(250)	(290)
901	1,114	839	419	184	171
15,267	13,865	11,669	11,698	11,119	9,835
2,457	2,765	2,378	1,852	1,269	1,320
575	1,156	2,891	792	348	150
\$ 18,299	\$ 17,786	\$ 16,938	\$ 14,342	\$ 12,736	\$ 11,305

Changes in Net Assets
Accrual Basis of Accounting

Last Ten Fiscal Years
(Dollars in Millions)

	2012	2011	2010	2009
Expenses				
Governmental Activities:				
General Government	\$ 2,878	\$ 2,917	\$ 2,829	\$ 2,541
Education	9,181	9,086	9,312	9,566
Transportation	3,030	2,839	2,311	2,786
Resources and Economic Development	985	1,006	1,107	1,003
Individual and Family Services	12,712	12,663	12,285	10,757
Administration of Justice	2,639	2,641	2,741	2,611
Interest on Long-term Debt	229	228	206	201
Total Governmental Activities Expenses	31,654	31,380	30,791	29,465
Business-type Activities:				
State Lottery	1,121	1,030	998	920
Virginia College Savings Plan	96	243	294	115
Pocahontas Parkway	-	-	-	-
Unemployment Compensation	640	662	923	881
Alcoholic Beverage Control	507	479	469	467
Risk Management	13	8	7	6
Local Choice Health Care	267	230	231	231
Virginia Industries for the Blind	32	28	28	24
Consolidated Laboratory	7	7	6	6
eVA Procurement System	19	17	19	18
Department of Environmental Quality Title V	11	10	10	11
Wireless E-911	41	38	48	53
Museum and Library Gift Shops	6	7	2	1
Behavioral Health Canteen and Work Activity	1	-	1	1
Virginia Information Providers Network	-	-	-	-
Total Business-type Activities Expenses	2,761	2,759	3,036	2,734
Total Primary Government Expenses	\$ 34,415	\$ 34,139	\$ 33,827	\$ 32,199
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$ 255	\$ 254	\$ 248	\$ 243
Education	397	388	380	373
Transportation	645	650	611	643
Resources and Economic Development	393	309	306	299
Individual and Family Services	429	430	411	415
Administration of Justice	323	322	308	321
Operating Grants and Contributions	9,178	9,950	9,951	7,584
Capital Grants and Contributions	1,267	1,324	1,603	997
Total Governmental Activities Program Revenues	12,887	13,627	13,818	10,875

Source: Department of Accounts

2008	2007	2006	2005	2004	2003
\$ 2,470	\$ 2,645	\$ 2,015	\$ 2,029	\$ 1,947	\$ 1,654
9,300	9,542	7,926	7,269	6,497	6,484
3,054	2,256	2,559	2,493	2,217	2,210
878	841	835	765	687	669
9,249	9,022	8,570	7,991	7,587	7,153
2,607	2,659	2,493	2,262	2,126	2,115
205	203	209	167	172	189
27,763	27,168	24,607	22,976	21,233	20,474
936	929	908	908	846	759
244	180	238	311	4	408
-	-	39	39	37	37
433	382	339	359	485	712
457	434	408	375	355	334
6	3	6	3	8	6
202	179	165	155	131	111
24	20	20	21	20	15
6	6	5	5	5	5
18	19	6	7	7	7
12	11	11	10	10	11
50	47	43	39	37	42
2	2	2	2	2	2
-	1	1	1	1	-
-	-	14	35	35	-
2,390	2,213	2,205	2,270	1,983	2,449
\$ 30,153	\$ 29,381	\$ 26,812	\$ 25,246	\$ 23,216	\$ 22,923
\$ 229	\$ 216	\$ 251	\$ 258	\$ 224	\$ 195
379	350	311	272	228	304
709	583	601	537	518	523
297	299	280	241	226	205
389	370	394	398	394	341
387	292	286	294	346	321
6,067	5,870	5,671	5,262	5,312	4,796
1,152	851	707	578	734	779
9,609	8,831	8,501	7,840	7,982	7,464

Continued on next page

Changes in Net Assets
Accrual Basis of Accounting (Continued from previous page)

Last Ten Fiscal Years
(Dollars in Millions)

	2012	2011	2010	2009
Business-type Activities:				
Charges for Services:				
State Lottery	1,616	1,483	1,436	1,366
Virginia College Savings Plan	160	459	371	(117)
Pocahontas Parkway	-	-	-	-
Unemployment Compensation	853	686	524	341
Alcoholic Beverage Control	633	598	584	573
Risk Management	5	4	5	6
Local Choice Health Care	259	247	241	226
Virginia Industries for the Blind	32	28	30	24
Consolidated Laboratory	8	8	7	9
eVA Procurement System	16	19	17	27
Department of Environmental Quality Title V	8	7	10	9
Wireless E-911	55	53	53	51
Museum and Library Gift Shops	7	8	2	2
Behavioral Health Canteen and Work Activity	1	-	-	-
Virginia Information Providers Network	-	-	-	-
Operating Grants and Contributions	-	1	4	105
Total Business-type Activities Program Revenue	3,653	3,601	3,284	2,622
Total Primary Government Program Revenues	\$ 16,540	\$ 17,228	\$ 17,102	\$ 13,497
Net (Expense)/Revenue				
Governmental Activities	\$ (18,767)	\$ (17,753)	\$ (16,973)	\$ (18,590)
Business-type Activities	892	842	248	(112)
Total Primary Government Net Expense	\$ (17,875)	\$ (16,911)	\$ (16,725)	\$ (18,702)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Individual and Fiduciary Income	\$ 10,814	\$ 10,050	\$ 8,779	\$ 9,559
Sales and Use	3,885	3,669	3,569	3,554
Corporation Income	979	852	846	546
Motor Fuel	900	903	891	889
Motor Vehicle Sales and Use	538	495	440	406
Communications Sales and Use	423	557	456	-
Premiums of Insurance Companies	391	406	414	365
Public Service Corporations	115	113	112	103
Other Taxes	849	795	777	814
Unrestricted Grants and Contributions	49	48	49	60
Investment Earnings	84	63	205	143
Miscellaneous	465	286	427	237
Transfers	668	615	597	591
Contributions to Permanent and Term Endowments	-	-	-	-
Total Governmental Activities	20,160	18,852	17,562	17,267
Business-type Activities:				
Other Taxes	9	9	10	13
Investment Earnings	1	1	2	4
Miscellaneous	-	-	-	-
Transfers	(668)	(614)	(597)	(591)
Special Items	-	-	-	-
Total Business-type Activities	(658)	(604)	(585)	(574)
Total Primary Government	\$ 19,502	\$ 18,248	\$ 16,977	\$ 16,693
Change in Net Assets				
Governmental Activities	\$ 1,394	\$ 1,099	\$ 589	\$ (1,323)
Business-type Activities	234	238	(337)	(686)
Total Primary Government	\$ 1,628	\$ 1,337	\$ 252	\$ (2,009)

Source: Department of Accounts

2008	2007	2006	2005	2004	2003
1,389	1,366	1,367	1,334	1,262	1,136
70	328	272	379	109	234
-	-	15	10	7	5
350	438	543	539	445	263
552	525	497	465	426	388
7	7	5	6	5	5
216	207	186	158	138	119
24	21	21	22	22	15
8	7	6	5	5	5
26	29	7	4	5	-
10	10	10	10	9	10
51	50	43	39	34	30
2	2	2	2	3	3
1	1	1	1	1	1
-	-	15	35	36	-
39	36	27	19	17	38
2,745	3,027	3,017	3,028	2,524	2,252
\$ 12,354	\$ 11,858	\$ 11,518	\$ 10,868	\$ 10,506	\$ 9,716
\$ (18,154)	\$ (18,337)	\$ (16,106)	\$ (15,136)	\$ (13,251)	\$ (13,010)
355	814	812	758	541	(197)
\$ (17,799)	\$ (17,523)	\$ (15,294)	\$ (14,378)	\$ (12,710)	\$ (13,207)
\$ 10,100	\$ 9,639	\$ 9,206	\$ 8,356	\$ 7,364	\$ 6,816
3,821	3,756	3,679	3,578	3,014	2,736
772	906	838	651	412	326
924	930	938	912	908	882
534	588	593	599	589	529
-	-	-	-	-	-
356	385	374	374	351	333
106	89	91	89	92	99
1,025	1,161	1,296	1,108	784	689
54	50	48	53	52	61
349	477	221	154	25	135
224	154	115	291	284	486
593	564	581	535	549	466
-	20	-	-	-	-
18,858	18,719	17,980	16,700	14,424	13,558
12	12	12	12	12	5
12	11	12	10	9	12
1	-	1	1	-	2
(593)	(563)	(581)	(535)	(549)	(466)
-	-	164	-	-	-
(568)	(540)	(392)	(512)	(528)	(447)
\$ 18,290	\$ 18,179	\$ 17,588	\$ 16,188	\$ 13,896	\$ 13,111
\$ 704	\$ 381	\$ 1,873	\$ 1,564	\$ 1,173	\$ 548
(213)	274	421	246	13	(644)
\$ 491	\$ 655	\$ 2,294	\$ 1,810	\$ 1,186	\$ (96)

**Changes in Fund Balance, Governmental Funds
Modified Accrual Basis of Accounting**

Last Ten Fiscal Years
(Dollars in Millions)

	2012	2011	2010	2009
Revenues				
Taxes	\$ 18,748	\$ 17,825	\$ 16,187	\$ 16,276
Rights and Privileges	921	917	869	889
Institutional Revenue	385	384	403	409
Interest, Dividends, Rents, and				
Other Investment Income	164	159	294	218
Federal Grants and Contracts	9,933	10,749	10,628	8,112
Other	1,337	1,238	1,196	1,100
Total Revenues	31,488	31,272	29,577	27,004
Expenditures				
General Government	2,322	2,439	2,306	1,889
Education	8,733	8,683	8,842	9,260
Transportation	4,474	3,860	3,401	3,704
Resources and Economic Development	870	886	897	990
Individual and Family Services	12,682	12,688	12,236	10,764
Administration of Justice	2,422	2,398	2,399	2,531
Capital Outlay	330	439	619	612
Debt Service:				
Principal Retirement	423	456	420	416
Interest and Charges	262	233	206	207
Total Expenditures	32,518	32,082	31,326	30,373
Revenues Over (Under) Expenditures	(1,030)	(810)	(1,749)	(3,369)
Other Financing Sources (Uses)				
Transfers In	1,770	1,498	1,624	1,571
Transfers Out	(1,097)	(876)	(1,022)	(976)
Notes Issued	10	37	20	21
Insurance Recoveries	3	8	5	8
Capital Leases	1	2	1	1
Bonds Issued	1,196	883	941	646
Premium on Debt Issuance	217	71	44	46
Refunding Bonds Issued	319	51	124	68
Sale of Capital Assets	4	3	4	4
Payments to Refunded Bond Escrow Agents	(373)	(55)	(146)	(74)
Total Other Financing Sources (Uses)	2,050	1,622	1,595	1,315
Net Change in Fund Balances	\$ 1,020	\$ 812	\$ (154)	\$ (2,054)
Debt Service as a Percentage of				
Noncapital Expenditures (1)	2.29%	2.30%	2.04%	2.09%

(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

2008	2007	2006	2005	2004	2003
\$ 17,659	\$ 17,436	\$ 17,043	\$ 15,636	\$ 13,533	\$ 12,351
933	826	816	758	734	689
390	360	343	325	338	334
452	532	256	204	84	191
6,627	6,203	5,958	5,627	5,832	5,524
1,177	1,027	1,048	1,144	916	971
27,238	26,384	25,464	23,694	21,437	20,060
2,047	2,030	1,787	1,687	1,757	1,549
8,940	8,700	7,661	7,068	6,236	6,250
3,883	3,141	3,092	3,115	2,917	3,044
868	812	788	708	668	641
9,345	8,996	8,626	8,060	7,524	7,134
2,543	2,398	2,296	2,204	2,052	2,032
845	809	588	414	193	108
362	322	280	249	243	195
203	192	179	165	179	181
29,036	27,400	25,297	23,670	21,769	21,134
(1,798)	(1,016)	167	24	(332)	(1,074)
1,663	1,637	1,590	1,555	1,507	1,643
(1,070)	(1,072)	(1,014)	(1,018)	(954)	(1,161)
-	16	128	-	-	7
6	7	4	-	-	-
5	4	1	1	-	60
416	593	584	375	-	713
23	40	45	84	19	102
59	123	205	731	186	573
7	8	7	-	-	-
(62)	(131)	(214)	(789)	(211)	(610)
1,047	1,225	1,336	939	547	1,327
\$ (751)	\$ 209	\$ 1,503	\$ 963	\$ 215	\$ 253
2.00%	1.93%	1.86%	1.78%	1.96%	1.79%

Fund Balance, Governmental Funds
Modified Accrual Basis of Accounting

Last Ten Fiscal Years
(Dollars in Millions)

	2012	2011	2010	2009
General Fund				
Reserved (1)	\$ -	\$ -	\$ 395	\$ 670
Unreserved (1)	-	-	(1,069)	(928)
Nonspendable	118	113	-	-
Restricted	729	464	-	-
Committed	486	410	-	-
Unassigned	(821)	(1,046)	-	-
Total	\$ 512	\$ (59)	\$ (674)	\$ (258)
All Other Governmental Funds				
Special Revenue Funds				
Reserved (1)	\$ -	\$ -	\$ 410	\$ 204
Unreserved (1)	-	-	2,502	2,325
Nonspendable	105	111	-	-
Restricted	567	422	-	-
Committed	2,923	2,683	-	-
Assigned	12	10	-	-
Debt Service Funds				
Reserved (1)	-	-	105	102
Restricted	79	68	-	-
Capital Projects Funds				
Unreserved (1)	-	-	206	331
Restricted	202	145	-	-
Permanent Funds				
Unreserved (1)	-	-	47	45
Nonspendable	28	29	-	-
Restricted	1	1	-	-
Total	\$ 3,917	\$ 3,469	\$ 3,270	\$ 3,007

- (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

2008	2007	2006	2005	2004	2003
\$ 1,125	\$ 1,420	\$ 1,162	\$ 708	\$ 409	\$ 285
78	564	973	521	37	(221)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 1,203	\$ 1,984	\$ 2,135	\$ 1,229	\$ 446	\$ 64
\$ 242	\$ 280	\$ 108	\$ 159	\$ 88	\$ 58
3,072	3,060	2,882	2,278	2,155	2,205
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
101	97	94	76	75	86
-	-	-	-	-	-
134	81	(16)	(33)	(34)	113
-	-	-	-	-	-
52	53	30	28	28	25
-	-	-	-	-	-
-	-	-	-	-	-
\$ 3,601	\$ 3,571	\$ 3,098	\$ 2,508	\$ 2,312	\$ 2,487

Comparison of General Fund Balance

Last Ten Fiscal Years
(Dollars in Millions)

Fiscal Year Ended June 30,	Fund Balance	
	Budgetary Basis	Modified Accrual Basis
2012	\$ 1,683.4	\$ 512.4
2011	1,297.6	(58.8)
2010	870.9	(674.3)
2009	823.5	(258.5)
2008	2,219.8	1,202.9
2007	2,955.1	1,984.0
2006	2,890.0	2,135.5
2005	1,865.3	1,229.0
2004	1,109.6	446.2
2003	554.8	63.6

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)
2012	\$ 10,613	\$ 385,019	2.76%
2011	9,944	372,442	2.67%
2010	9,088	353,358	2.57%
2009	9,481	340,789	2.78%
2008	10,115	351,933	2.87%
2007	9,788	333,573	2.93%
2006	9,309	314,893	2.96%
2005	8,352	292,208	2.86%
2004	7,430	272,713	2.72%
2003	6,776	255,660	2.65%

(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 2008-2011 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.

Source: Department of Taxation
U.S. Bureau of Economic Analysis

Effective Tax Rates (1)

Tax Years 2002 – 2011

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, 2010 (2)				Tax Year Ended December 31, 2001			
	Number of Returns	% of Total	Income Tax Liability	% of Total	Number of Returns	% of Total	Income Tax Liability	% of Total
\$100,000 and higher	611,252	17.03%	\$ 6,177,101,222	64.77%	323,459	10.31%	\$ 3,208,278,711	50.36%
\$75,000 - \$99,999	307,335	8.56%	1,080,514,753	11.33%	229,296	7.31%	830,429,996	13.04%
\$50,000 - \$74,999	473,739	13.20%	1,086,774,089	11.39%	417,051	13.30%	1,018,928,677	15.99%
\$25,000 - \$49,999	819,914	22.85%	944,422,353	9.90%	751,914	23.97%	978,039,758	15.35%
\$10,000 - \$24,999	735,313	20.49%	245,394,436	2.57%	699,899	22.32%	313,566,545	4.92%
\$9,999 and lower	641,124	17.87%	3,493,675	0.04%	714,767	22.79%	21,768,858	0.34%
Total	3,588,677	100.00%	\$ 9,537,700,528	100.00%	3,136,386	100.00%	\$ 6,371,012,545	100.00%

- (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 2010 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>2012 (1)</u>	<u>2011 (2)</u>	<u>2010 (2)</u>	<u>2009 (2)</u>	<u>2008 (2)</u>
Farm Earnings	\$ 730	\$ 495	\$ 282	\$ 276	\$ 363
Agricultural/Forestry,					
Fishing, and Other	403	352	350	289	285
Mining	1,188	1,215	1,127	883	1,091
Construction	14,159	14,191	14,272	13,498	15,996
Manufacturing	16,755	16,422	16,057	15,706	16,888
Transportation, Warehousing,					
Information and Public Utilities	17,220	16,533	16,423	16,805	17,317
Wholesale Trade	9,754	9,929	9,260	9,234	9,731
Retail Trade	14,613	14,001	13,880	13,354	13,955
Finance, Insurance, Real Estate,					
Rental and Leasing	18,786	18,303	17,229	16,453	17,648
Services	122,240	116,611	111,665	106,760	105,023
Federal, Civilian	25,243	24,529	23,667	21,782	20,692
Military	16,457	16,935	16,961	16,361	15,858
State and Local Government	30,232	29,790	29,590	29,556	29,002
Other (3)	97,239	93,136	82,595	79,832	88,084
Total Personal Income	<u>\$ 385,019</u>	<u>\$ 372,442</u>	<u>\$ 353,358</u>	<u>\$ 340,789</u>	<u>\$ 351,933</u>

(1) Personal income figures for 2012 are estimated.

(2) Amounts for 2008-2011 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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 235	\$ 330	\$ 627	\$ 552	\$ 298
331	323	257	303	269
931	1,016	830	761	631
17,381	17,949	16,735	15,568	13,505
16,974	17,055	17,199	16,536	16,596
17,168	17,226	16,913	16,385	15,386
9,833	8,976	8,470	8,042	7,402
14,393	14,190	13,734	13,093	12,428
18,825	18,677	18,358	16,300	15,697
98,000	91,113	83,935	76,830	69,834
19,609	18,012	17,166	16,630	14,408
15,120	14,396	13,412	12,813	11,925
27,604	26,215	24,642	22,791	21,410
77,169	69,415	59,930	56,109	55,871
<u>\$ 333,573</u>	<u>\$ 314,893</u>	<u>\$ 292,208</u>	<u>\$ 272,713</u>	<u>\$ 255,660</u>

Taxable Sales by Business Class (1) (2)

Last Ten Calendar Years
(Dollars in Millions)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Apparel	\$ 4,749	\$ 4,601	\$ 4,494	\$ 5,015	\$ 5,191
Automotive	2,717	2,555	2,397	2,440	2,563
Food	25,691	24,617	24,134	23,721	22,502
Furniture, Home Furnishings, and Equipment	2,538	2,442	2,519	3,013	3,448
General Merchandise	20,635	19,836	19,577	19,387	19,574
Lumber, Building Materials and Supply	7,750	7,652	7,369	8,140	9,354
Fuel	1,828	1,691	1,582	1,539	1,729
Machinery, Equipment and Supplies	309	243	173	241	238
Miscellaneous	16,341	16,402	16,780	18,527	18,301
Hotels, Motels, Tourist Camps, etc.	2,988	2,837	2,804	3,066	3,079
Alcoholic Beverage	567	545	532	517	487
Other Miscellaneous and Unidentifiable	2,955	2,997	3,505	4,495	5,577
Total	<u>\$ 89,068</u>	<u>\$ 86,418</u>	<u>\$ 85,866</u>	<u>\$ 90,101</u>	<u>\$ 92,043</u>
Direct Sales Tax Rate (3)	5.0%	5.0%	5.0%	5.0%	5.0%

(1) Retail sales information is available only on a calendar-year basis.

(2) Data from tax year 2005 is not available. Beginning with the third quarter of tax year 2005, business classification categories provided by the Department of Taxation changed to reflect NAICS codes. Consequently, the first half of tax year 2005 information is not available in a comparable form to the second half of tax year 2005. Files from before the third quarter of tax year 2005 will never be directly comparable with files from the third quarter of tax year 2005 and thereafter.

(3) Effective September 1, 2004, the sales tax rate increased from 4.5 percent to 5.0 percent.

Source: Department of Taxation

2006	2004	2003	2002	2001
\$ 4,917	\$ 4,087	\$ 3,719	\$ 3,579	\$ 3,434
2,413	5,146	4,810	4,487	3,470
19,943	21,931	20,887	19,937	19,378
3,684	6,015	5,666	5,208	5,006
17,104	13,312	12,686	12,117	12,472
8,929	9,006	7,431	6,979	6,778
1,778	488	487	392	458
213	3,581	3,151	3,001	3,112
18,355	14,914	13,297	12,466	12,051
3,003	2,354	2,307	2,213	2,157
456	409	483	186	342
8,683	48	49	80	67
<u>\$ 89,478</u>	<u>\$ 81,291</u>	<u>\$ 74,973</u>	<u>\$ 70,645</u>	<u>\$ 68,725</u>

5.0%

4.5%

4.5%

4.5%

4.5%

Sales Tax Revenue by Business Class (1)

Tax Year 2011 and Nine Years Ago

	Tax Year Ended December 31, 2011				Tax Year Ended December 31, 2002			
	Number of Filers	% of Total	Tax Liability	% of Total	Number of Filers	% of Total	Tax Liability	% of Total
Apparel	3,857	3.71%	\$ 4,749,505,811	5.33%	5,685	4.10%	\$ 3,578,970,238	5.06%
Automotive	3,057	2.94%	2,717,244,708	3.05%	11,594	8.36%	4,487,272,935	6.35%
Food	20,614	19.80%	25,690,979,695	28.84%	26,448	19.08%	19,936,841,785	28.22%
Furniture, Home Furnishings, and Equipment	3,979	3.82%	2,537,541,856	2.85%	8,704	6.29%	5,207,693,314	7.37%
General Merchandise	15,620	15.01%	20,635,206,515	23.17%	9,465	6.83%	12,117,264,163	17.16%
Lumber, Building Materials, and Supply	5,631	5.41%	7,750,287,839	8.70%	4,729	3.41%	6,979,329,337	9.88%
Fuel	2,635	2.53%	1,827,678,962	2.05%	934	0.67%	391,932,276	0.55%
Machinery, Equipment, and Supply	150	0.14%	308,523,909	0.35%	8,763	6.32%	3,001,401,543	4.25%
Miscellaneous	36,651	35.21%	16,341,457,551	18.35%	59,556	42.96%	12,465,972,993	17.65%
Hotels, Motels, Tourist Camps, etc.	2,254	2.17%	2,987,755,500	3.35%	2,084	1.51%	2,212,793,148	3.14%
Alcoholic Beverage	333	0.32%	567,092,605	0.64%	267	0.19%	185,722,142	0.26%
Other Miscellaneous and Unidentifiable	9,301	8.94%	2,954,546,407	3.32%	392	0.28%	80,118,797	0.11%
Total	104,082	100.00%	\$ 89,067,821,358	100.00%	138,621	100.00%	\$ 70,645,312,671	100.00%

(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)			
2012	\$ 873,741	\$ 5,703,448	\$ 326,543	\$ -	\$ 449	\$ 6,904,181	1.79%	\$ 844
2011	960,374	4,701,764	348,972	-	918	6,012,028	1.62%	749
2010	1,049,386	4,120,056	366,170	-	1,594	5,537,206	1.56%	702
2009	1,077,520	3,549,958	373,594	-	2,883	5,003,955	1.46%	638
2008	1,001,989	3,345,259	312,890	-	4,082	4,664,220	1.34%	601
2007	900,329	3,363,275	341,574	-	2,610	4,607,788	1.38%	599
2006	716,498	3,231,917	342,805	-	5,967	4,297,187	1.36%	564
2005	657,032	2,930,344	231,131	463,357	9,709	4,291,573	1.47%	571
2004	536,386	2,797,410	346,118	447,372	12,475	4,139,761	1.52%	557
2003	589,618	2,974,706	372,522	432,563	15,917	4,385,326	1.72%	603

(1) Pension, compensated absences, other postemployment benefits, uninsured employers' fund, lottery prizes payable, tuition benefits payable, and pollution remediation obligations have been excluded.

(2) Personal income amounts used for this calculation were obtained from the U. S. Bureau of Economic Analysis.

(3) Population statistics used in this calculation were provided by the Department of Taxation. Fiscal year 2012 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		
2012	\$ 831,148	\$ 42,593	\$ 906,474	\$ 1,780,215	16.77%	\$ 218
2011	914,574	45,800	765,280	1,725,654	17.35%	215
2010	999,841	49,545	631,275	1,680,661	18.49%	213
2009	1,040,636	36,884	573,550	1,651,070	17.41%	211
2008	935,105	66,884	487,296	1,489,285	14.72%	192
2007	821,563	78,766	411,842	1,312,171	13.41%	171
2006	626,124	90,374	325,969	1,042,467	11.20%	137
2005	555,447	101,585	296,963	953,995	11.42%	127
2004	428,891	107,495	316,923	853,309	11.48%	115
2003	471,118	118,500	349,185	938,803	13.86%	129

[1] 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 2012 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	2012	2011	2010	2009
Taxes on Income and Retail Sales:				
Individual and Fiduciary Income Tax [1]	\$ 10,612,836	\$ 9,944,370	\$ 9,088,252	\$ 9,481,109
Corporate Income Tax [2]	859,923	822,259	806,473	648,033
State Sales and Use Tax [3]	3,314,677	3,190,452	3,264,210	3,116,831
Total	<u>\$ 14,787,436</u>	<u>\$ 13,957,081</u>	<u>\$ 13,158,935</u>	<u>\$ 13,245,973</u>
Average Tax Revenues (Three Fiscal Years)	<u>\$ 13,967,817</u>	<u>\$ 13,453,996</u>	<u>\$ 13,543,258</u>	<u>\$ 13,804,097</u>
Section 9(a) [2] General Obligation Debt Limit [4]				
Debt Issuance Limit				
(30% of 1.15 times annual tax revenues)	\$ 5,101,665	\$ 4,815,193	\$ 4,539,833	\$ 4,569,861
Less Bonds Outstanding:	-	-	-	-
Debt Issuance Margin for Section 9(a) [2]				
General Obligation Bonds	<u>\$ 5,101,665</u>	<u>\$ 4,815,193</u>	<u>\$ 4,539,833</u>	<u>\$ 4,569,861</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)	\$ 16,062,990	\$ 15,472,096	\$ 15,574,747	\$ 15,874,712
Less Bonds Outstanding:**				
Public Facilities Bonds [6]	831,148	914,574	993,372	1,027,941
Transportation Facilities Refunding Bonds [5] [6]	-	-	6,469	12,696
Debt Issuance Margin for Section 9(b)				
General Obligation Bonds	<u>\$ 15,231,842</u>	<u>\$ 14,557,522</u>	<u>\$ 14,574,906</u>	<u>\$ 14,834,075</u>
Debt Applicable to Limit as a % Limit	5.17%	5.91%	6.42%	6.56%
Additional Section 9(b) Debt Borrowing Restriction:				
Four-year Authorization Restriction (25% of 9(b) Debt Limit)	\$ 4,015,747	\$ 3,868,024	\$ 3,893,687	\$ 3,968,678
Less 9(b) Debt authorized in past three fiscal years	-	-	-	-
Maximum Additional Borrowing Restriction (amount that may be authorized by the General Assembly)	<u>\$ 4,015,747</u>	<u>\$ 3,868,024</u>	<u>\$ 3,893,687</u>	<u>\$ 3,968,678</u>
Section 9(c) General Obligation Debt Limit				
Debt Issuance Limit				
(1.15 times average tax revenues for three fiscal years)	\$ 16,062,990	\$ 15,472,096	\$ 15,574,747	\$ 15,874,712
Less Bonds Outstanding:**				
Parking Facilities Bonds [6]	18,383	19,445	21,151	6,527
Transportation Facilities Bonds [6]	24,210	26,355	28,394	30,358
Higher Educational Institution Bonds [6]	906,474	765,280	631,275	573,550
Debt Issuance Margin for Section 9(c)				
General Obligation Bonds	<u>\$ 15,113,923</u>	<u>\$ 14,661,016</u>	<u>\$ 14,893,927</u>	<u>\$ 15,264,277</u>
Debt Applicable to Limit as a % Limit	5.91%	5.24%	4.37%	3.85%

**Bonds included on this schedule are only those which are backed by the full faith and credit of the Commonwealth.

- [1] Includes taxes imposed pursuant to Articles 2 and 9 of Chapter 3, Title 58.1 of the *Code of Virginia*. Fiscal year 2004 restated to reflect actual data as reported in the Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General and Major Special Revenue Funds of each respective year's CAFR.
- [2] Includes taxes imposed pursuant to Article 10 of Chapter 3, Title 58.1 of the *Code of Virginia*.
- [3] Includes taxes imposed pursuant to Chapter 6, Title 58.1 of the *Code of Virginia*, less taxes identified in Sections 58.1-605 and 58.1-638.
- [4] Debt limit applies only to debt authorized pursuant to Article X, Section 9(a)(2) of the *Constitution of Virginia*.
- [5] These bonds refunded certain Section 9(c) debt, and because the Governor did not certify the feasibility of the refinanced project, it must be applied against the Section 9(b) Debt Limit.
- [6] Net of unamortized premium, discount and deferral on debt defeasance.

Sources: Department of Accounts
Department of the Treasury

2008	2007	2006	2005	2004	2003
\$ 10,114,833	\$ 9,787,592	\$ 9,308,570	\$ 8,352,366	\$ 7,430,365	\$ 6,775,746
807,852	879,575	871,554	616,690	434,493	343,319
3,302,181	3,274,286	3,029,949	3,093,725	2,582,797	2,335,958
\$ 14,224,866	\$ 13,941,453	\$ 13,210,073	\$ 12,062,781	\$ 10,447,655	\$ 9,455,023
\$ 13,792,131	\$ 13,071,436	\$ 11,906,836	\$ 10,655,153	\$ 9,777,865	\$ 9,583,019
\$ 4,907,579	\$ 4,809,801	\$ 4,557,475	\$ 4,161,659	\$ 3,604,441	\$ 3,261,983
-	-	-	-	-	-
\$ 4,907,579	\$ 4,809,801	\$ 4,557,475	\$ 4,161,659	\$ 3,604,441	\$ 3,261,983
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$ 15,860,950	\$ 15,032,151	\$ 13,692,862	\$ 12,253,426	\$ 11,244,545	\$ 11,020,472
916,483	797,300	596,464	520,655	389,219	422,399
18,622	24,263	29,660	34,792	39,672	48,719
\$ 14,925,845	\$ 14,210,588	\$ 13,066,738	\$ 11,697,979	\$ 10,815,654	\$ 10,549,354
5.90%	5.47%	4.57%	4.53%	3.81%	4.27%
\$ 3,965,238	\$ 3,758,038	\$ 3,423,215	\$ 3,063,356	\$ 2,811,136	\$ 2,755,118
-	-	-	1,019,529	1,019,529	1,019,529
\$ 3,965,238	\$ 3,758,038	\$ 3,423,215	\$ 2,043,827	\$ 1,791,607	\$ 1,735,589
\$ 15,860,950	\$ 15,032,151	\$ 13,692,862	\$ 12,253,426	\$ 11,244,545	\$ 11,020,472
7,590	8,804	9,939	11,040	6,367	7,199
59,294	69,962	80,435	90,545	101,128	111,301
487,296	411,842	325,969	296,963	316,923	349,185
\$ 15,306,770	\$ 14,541,543	\$ 13,276,519	\$ 11,854,878	\$ 10,820,127	\$ 10,552,787
3.49%	3.26%	3.04%	3.25%	3.77%	4.24%

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	Pledged Revenues (1)	Operating Expenses (2)	Net Available for Debt Service	Debt Service Requirements (3) (4)		Coverage
						Principal	Interest	
Primary Government Revenue Bonds:								
Pocahontas Parkway Association (4)	2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
(Series 1998A-D and 2001A)	2011	-	-	-	-	-	-	-
	2010	-	-	-	-	-	-	-
	2009	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-
	2007	-	-	-	-	-	-	-
	2006	(140,294)	11,680	30,214	(158,828)	-	-	-
	2005	(115,062)	10,344	29,675	(134,393)	-	9,121	(14.73)
	2004	(75,338)	7,674	27,505	(95,169)	-	9,121	(10.43)
	2003	(62,755)	5,111	27,104	(84,748)	-	9,121	(9.29)

(1) Pocahontas Parkway bonds are payable solely from toll revenues.

(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 1999. The toll rights owned by the Pocahontas Parkway Association were sold on June 29, 2006; the association was relieved of any outstanding debt at that time and has no bonds outstanding at June 30, 2012, to report.

Demographic and Economic Information

Schedule of Demographic and Economic Statistics

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population In Thousands (1)</u>	<u>Personal Income In Thousands (2)(3)</u>	<u>Per Capita Income (3)</u>	<u>Public Primary and Secondary School Enrollment</u>	<u>Unemployment Rate</u>
2012	8,178	\$ 385,019,000	\$ 47,080	1,258,521	6.0 %
2011	8,029	372,442,000	46,387	1,253,038	6.5 %
2010	7,886	353,358,000	44,808	1,245,937	7.0 %
2009	7,839	340,789,000	43,474	1,236,546	5.6 %
2008	7,758	351,933,000	45,364	1,232,436	3.4 %
2007	7,694	333,573,000	43,355	1,221,939	3.1 %
2006	7,623	314,893,000	41,308	1,214,737	3.2 %
2005	7,512	292,208,000	38,899	1,185,612	3.5 %
2004	7,432	272,713,000	36,694	1,165,905	3.7 %
2003	7,275	255,660,000	35,142	1,156,471	4.0 %

(1) Population figure for fiscal year 2012 is estimated.

(2) Personal income amount for fiscal year 2012 is estimated.

(3) Amounts for fiscal years 2008-2011 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.

Sources: Department of Education
Department of Taxation
Virginia Employment Commission
U.S. Bureau of Economic Analysis

Principal Employers (1)

Current Year and Nine Years Ago

<u>Employer</u>	<u>2011 Rank (2)</u>	<u>2002 Rank</u>
U.S. Department of Defense	1	1
Wal-Mart	2	2
Fairfax County Public Schools	3	3
Huntington Ingalls Industries, Inc.	4	5
Sentara Healthcare	5	9
U. S. Postal Service	6	6
Food Lion	7	4
County of Fairfax	8	7
University of Virginia / Blue Ridge Hospital (3)	9	-
City of Virginia Beach Schools	10	8

(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 2011 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

	2012	2011	2010	2009	2008
General Government					
Virginia Information Technologies Agency	262	261	295	353	377
Department of Taxation	917	976	1,044	947	1,014
Department of General Services	624	634	654	618	624
All other	1,571	1,936	1,608	1,918	1,960
Education					
Colleges and Universities	53,979	49,107	47,981	48,485	48,032
All other	2,667	3,287	3,276	3,551	3,806
Transportation					
Department of Transportation	7,167	7,024	6,852	8,261	8,680
Department of Motor Vehicles	1,926	1,949	1,900	1,931	2,001
All other	190	242	233	215	239
Resources and Economic Development					
Department of Conservation & Recreation	933	909	930	953	960
Department of Environmental Quality	731	743	768	800	842
All other	2,957	3,001	2,874	3,334	3,369
Individual and Family Services					
Department of Health	3,784	3,827	3,856	3,750	3,800
Behavioral Health Agencies	8,803	8,757	8,635	8,355	8,341
All other	5,740	5,576	5,622	5,957	5,550
Administration of Justice					
Department of State Police	2,640	2,627	2,533	2,671	2,668
Department of Juvenile Justice	2,499	2,380	2,442	2,314	2,457
Correctional Facilities	9,656	9,656	9,623	10,437	10,802
All other	6,363	6,262	6,314	6,285	6,441
Business-type Activities					
Department of Alcoholic Beverage Control	3,306	2,483	2,461	2,581	2,472
State Lottery	270	267	257	252	241
All other	81	82	77	74	50
State Total (2)	117,066	111,986	110,235	114,042	114,726

(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.

Sources: Department of Human Resource Management

2007	2006	2005	2004	2003
400	453	1,068	593	347
927	1,031	1,026	1,047	972
634	621	603	625	583
1,915	1,778	1,775	1,730	1,944
48,004	47,371	44,725	42,817	41,729
3,811	3,813	3,555	3,528	3,735
8,824	9,338	9,401	9,541	10,204
2,044	2,102	2,056	2,059	1,861
231	110	129	145	185
753	709	937	927	847
882	870	862	837	827
3,412	3,263	3,161	3,244	3,096
3,943	3,817	3,646	3,674	3,657
8,361	7,679	6,609	6,708	6,810
5,540	6,424	7,868	7,850	7,395
2,700	2,604	2,607	2,626	2,499
2,295	2,312	2,222	2,200	2,197
10,456	10,368	10,398	10,286	10,244
6,454	5,382	5,036	5,098	4,880
1,938	1,851	1,726	1,656	1,565
265	261	271	304	317
48	257	257	240	237
113,837	112,414	109,938	107,735	106,131

Operating Indicators by Function (1)

Last Seven Fiscal Years

	2012	2011
General Government		
Virginia Department of Taxation		
Number of Returns Processed (calendar year) (2)	Not yet available	6,969,581
Department of Accounts		
Number of Payments Processed Via Check	1,624,902	1,658,227
Number of Payments Processed Electronically	9,856,757	9,912,627
Percentage Processed Electronically	85.8%	85.7%
Education		
State Council of Higher Education		
Number of Students Enrolled at State-supported Colleges and Universities	535,294	519,772
Department of Education		
Number of Public Primary and Secondary School Enrollment	1,258,521	1,253,038
Transportation		
Department of Transportation		
Number of Vehicles Paying Tolls for the Pocahontas Parkway (3)	N/A	N/A
Resources and Economic Development		
Department of Environmental Quality		
Number of Permits Issued	4,063	2,486
Number of Inspections Conducted	9,834	10,441
Department of Housing and Community Development		
Number of Housing Units Improved to Define Standards through Housing Programs	7,279	7,675
Department of Agriculture and Consumer Services		
Number of Food Inspections Conducted	12,966	12,003
Number of Weights/Measure Equipment Inspected	68,292	66,760
Department of Forestry		
Number of Firefighters Trained in Forest Fire Control	1,178	1,192
Individual and Family Services		
Comprehensive Services for At-Risk Youth and Families		
Number of Youth Served	15,425	16,617
Department for the Aging		
Number of Medicare Recipients	1,190,827	1,143,243
Department of Medical Assistance Services		
Number of Medicaid Recipients	996,835	992,816
Department of Behavioral Health and Developmental Services (4)		
Number of Patients Served	2,608	2,724
Number of Beds Used	3,471	3,317
Department of Social Services		
Average Number of Households Receiving Food Stamps	434,223	396,613
Number of Households Receiving Child Support Enforcement Assistance	349,661	352,825
Department of Health		
Number of WIC Participants	270,962	270,219
Number of Childhood Immunizations Administered	1,439,233	1,773,402

2010	2009	2008	2007	2006
6,998,747	7,079,611	6,893,047	6,746,596	7,860,850
1,625,763	1,715,164	2,597,746	1,431,918	1,522,865
11,141,067	10,059,109	8,065,038	2,861,979	2,684,123
87.2%	85.4%	75.6%	66.7%	63.8%
501,866	467,093	449,671	428,642	412,336
1,245,937	1,236,546	1,232,436	1,221,939	1,214,737
N/A	N/A	N/A	N/A	5,746,292
2,780	1,925	2,389	3,491	2,011
11,804	11,599	11,721	11,730	10,471
7,231	5,198	3,248	3,392	3,459
13,516	14,639	17,551	14,623	16,350
53,329	57,275	84,481	77,921	101,471
1,123	1,034	1,200	1,300	1,000
17,242	17,957	19,658	18,498	16,722
1,122,522	1,104,765	1,071,681	1,039,059	1,010,487
937,522	857,662	818,452	805,458	812,796
2,754	2,877	2,915	3,003	3,033
3,396	3,533	2,891	2,988	3,499
350,599	277,498	240,821	228,116	223,116
359,317	359,487	359,977	363,272	361,909
275,580	270,378	258,593	270,918	247,386
1,602,907	1,470,403	1,455,166	1,076,412	1,093,450

Continued on next page

Operating Indicators by Function (1) (Continued from previous page)

Last Seven Fiscal Years

	2012	2011
Administration of Justice		
Supreme Court		
Number of Criminal Trials (calendar year)	708,943	697,360
Number of Civil Trials (calendar year)	1,299,053	1,289,633
Number of Traffic Hearings (calendar year)	1,956,836	2,069,668
Compensation Board		
Number of Constitutional Officers Receiving Financial Support	650	650
Department of State Police		
Number of Traffic Citations Issued (calendar year)	550,122	567,480
Number of Arrests (calendar year)	19,460	20,132
Department of Corrections		
Number of Inmates	29,685	32,116
Business-type Activities		
State Lottery Department		
Number of Plays Sold - Pick 3	243,270,273	241,963,816
Number of Plays Sold - Pick 4	222,774,015	207,174,550
Number of Plays Sold - Cash 5	26,677,286	26,657,009
Number of Plays Sold - Megamillions	140,240,940	138,496,457
Number of Plays Sold - Win for Life (5)	17,682,922	21,052,138
Number of Plays Sold - Lotto South (5)	-	-
Number of Plays Sold - Millionaire Raffle (6)	6,625,456	6,600,000
Number of Plays Sold - Fast Play Bingo (6)	12,094,785	8,915,566
Number of Plays Sold - Powerball (7)	89,046,990	66,614,340
Number of Plays Sold - Decades of Dollars (8)	15,467,376	8,377,354
Number of Tickets Sold - Instant Tickets	842,121,604	756,837,222
Virginia College Savings Plan		
Number of Prepaid Tuition Contractholders	69,847	70,955
Virginia Employment Commission		
Number of Individuals Receiving Unemployment Benefits	136,753	162,025
New Unemployment Benefit Claims	318,935	360,657

- (1) In accordance with GASB Statement No. 44, the Commonwealth began reporting these operating indicators in fiscal year 2006. Information was not available prior to fiscal year 2005.
- (2) Information is not yet available for fiscal year 2012.
- (3) The assets of the Pocahontas Parkway Association, including the rights and obligations to manage, operate, maintain and collect tolls, were sold in June 2006. Therefore, this information is not available subsequent to fiscal year 2006.
- (4) 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.
- (5) Win for Life replaced Lotto South during fiscal year 2006; therefore, information for fiscal year 2005 and prior is not available.
- (6) Fast Play Bingo and Millionaire Raffle began during fiscal year 2007; therefore, information for fiscal year 2006 and prior is not available.
- (7) Powerball began during fiscal year 2010; therefore, information for fiscal year 2009 and prior is not available.
- (8) Decades of Dollars began during fiscal year 2011; therefore, information for fiscal year 2010 and prior is not available.

2010	2009	2008	2007	2006
705,777	731,609	741,701	733,714	710,380
1,372,483	1,397,850	1,366,596	1,335,192	1,327,296
2,143,109	2,050,896	2,019,753	1,973,047	1,971,413
650	654	649	650	650
686,173	647,396	652,837	646,166	600,121
22,713	23,996	22,475	23,348	22,622
31,735	32,708	33,157	31,647	31,072
246,899,030	250,634,329	256,605,411	265,398,821	257,008,607
197,460,420	185,418,033	183,990,214	179,922,714	169,761,961
28,242,740	29,267,637	29,022,974	27,520,707	27,723,536
174,882,294	162,095,735	166,144,927	130,299,581	159,665,341
28,440,948	32,128,730	37,717,958	41,323,625	17,529,322
-	-	-	-	44,322,641
6,600,000	8,905,555	8,798,720	13,005,307	-
6,884,748	6,772,764	9,229,805	6,600,000	-
34,562,352	-	-	-	-
-	-	-	-	-
711,155,383	690,382,366	694,902,491	698,271,837	689,315,033
71,373	71,898	71,812	71,382	70,006
190,370	219,646	122,144	106,554	110,881
418,431	474,777	279,939	260,804	260,381

Sources: Compensation Board
 Comprehensive Services for At-Risk Youth and Families
 Department of Agriculture and Consumer Services
 Department of Behavioral Health and Developmental Services
 Department of Education
 Department of Environmental Quality
 Department of Forestry
 Department of Health
 Department of Housing and Community Development
 Department of Medical Assistance Services
 Department of Social Services
 Department of State Police
 Department of Transportation
 State Council of Higher Education
 State Lottery Department
 Supreme Court
 Virginia College Savings Plan
 Virginia Employment Commission

Capital Asset Statistics by Function (1)

Last Seven Fiscal Years

	2012	2011
General Government		
Department of General Services		
Number of Buildings	62	54
Total Square Footage of Buildings	4,961,416	5,259,506
Vehicles	14,161	13,983
Education		
State Council of Higher Education		
Campuses of In-State Institutions	262	250
Campuses of Out-of-State Institutions	158	166
Transportation		
Department of Transportation		
Bridges Maintained	13,042	12,949
State Maintained Highway Lane Miles (calendar year) (2)	Not yet available	71,668
Vehicles	7,797	7,593
Number of Buildings (3)	3,487	3,520
Total Square Footage of Buildings	7,830,447	7,916,019
Resources and Economic Development		
Department Conservation & Recreation		
State Parks	37	37
Acres of State Parks (in thousands)	69	69
Natural Area Preserves	39	39
Acres of Natural Area Preserves (in thousands)	31	30
Historic Sites	3	3
Acres of Historic Sites (in thousands)	0.3	0.3
Number of Buildings (4)	1,164	1,164
Total Square Footage of Buildings	1,152,257	1,152,257
Department of Forestry		
State Forests	22	22
Buildings	295	295
Total Square Footage of Buildings	600,602	600,602
Individual and Family Services		
Department of Behavioral Health and Developmental Services		
Number of Buildings	407	429
Total Square Footage of Buildings	5,169,937	5,901,505
Administration of Justice		
Department of State Police		
Number of Stations	65	65
Number of Buildings	144	145
Total Square Footage of Buildings	562,736	562,736
Department of Corrections		
Number of Buildings	1,858	1,820
Total Square Footage of Buildings	11,872,765	11,771,319
Business-type Activities		
Department of Alcoholic Beverage Control		
Number of Buildings	25	25
Total Square Footage of Buildings	1,185,501	1,185,501

(1) In accordance with GASB Statement No. 44, the Commonwealth began reporting these capital asset statistics in fiscal year 2006. Information was not available prior to fiscal year 2005.

(2) Information not yet available for 2012. Prior year amounts have been updated based on revised information from the Virginia Department of Transportation.

(3) Includes storage sheds.

(4) Includes cabins.

2010	2009	2008	2007	2006
55	48	48	47	45
5,053,912	4,718,480	4,409,026	4,358,746	4,236,832
13,534	13,322	13,262	12,779	11,841
244	254	258	207	116
121	87	67	63	110
12,949	12,912	12,603	12,603	12,603
71,561	71,349	71,091	70,784	70,105
7,734	8,185	9,060	9,443	9,952
3,513	3,526	3,562	3,595	3,582
7,713,617	7,683,384	7,734,267	7,750,199	7,624,896
37	37	37	37	34
71	69	68	67	66
39	39	38	35	34
30	29	28	25	25
3	3	3	3	3
0.3	0.3	0.3	0.3	0.3
1,164	1,168	991	991	989
1,152,257	1,154,487	1,223,427	1,223,427	1,284,589
19	19	19	17	17
295	295	295	295	283
600,602	600,602	600,602	600,602	587,838
438	435	441	449	446
5,744,389	5,743,088	6,037,953	6,161,843	6,263,527
64	66	66	66	66
145	145	145	143	143
562,736	550,736	550,736	526,617	526,617
1,835	1,826	1,817	1,809	1,812
11,920,234	12,160,909	11,963,087	11,787,810	11,102,021
25	24	22	21	22
1,185,501	1,142,273	787,348	784,548	789,548

Sources: Department of Conservation and Recreation
Department of Forestry
Department of Motor Vehicles
Department of State Police

Department of Transportation
Department of the Treasury
State Council of Higher Education for Virginia

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