Index to the Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Reporting Entity

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

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

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

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

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

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

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

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

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

Discretely presented component units are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Virginia Health Workforce Development Authority (nonmajor) – The Authority is a legally separate public body corporate and a political subdivision of the Commonwealth created by the General Assembly. The Authority facilitates the development of a statewide health professions pipeline. The Governor appoints a majority of the board members and the primary government is able to impose its will on the Authority. The administrative offices of the Authority are located at 8527 Mayland Drive, Suite 104A, Richmond, Virginia 23294. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

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

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

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

Jamestown-Yorktown Foundation, Inc. – The nonprofit corporation was created by the *Code of Virginia* to assist the Jamestown-Yorktown Foundation (Foundation). The corporation board consists of five members selected from the Foundation's board of trustees. Several Commonwealth officials serve as ex-officio members of the Foundation's board, and the Governor appoints 12 members. The Corporation's basic activities consist of soliciting and collecting contributions, purchasing artifacts, sponsoring events and exhibits, and overseeing investments. The administrative offices of the Corporation are located at 2207 Colonial Parkway, Post Office Box 3605, Williamsburg, Virginia 23187. Keiter Certified Public Accountants audits the Corporation, and a separate report is issued.

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

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

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

C. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

The primary government reports the following major governmental funds:

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

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

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

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

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

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

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

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

- University of Virginia (nonmajor component unit):
  - institution assets of $435,429
  - institution liabilities of $932,934
  - foundation assets of $1.0 million
  - foundation liabilities of $357,206

- Old Dominion University (nonmajor component unit):
  - institution liabilities of $64.6 million
  - foundation assets of $52.9 million

- Longwood University (nonmajor component unit):
  - institution assets of $596,060
  - institution expenses of $5.4 million
  - foundation assets of $343,494
  - foundation liabilities of $211,556
  - foundation revenues of $3.4 million

The primary government reports the following major enterprise funds:

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

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

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

Additionally, the primary government reports the following fund types:

Governmental Fund Types:

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

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

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

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

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

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

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

Commonwealth administered retirement systems and other employment benefits.

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

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

E. Budgetary Process

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

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

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

F. Cash, Cash Equivalents, Investments, and Derivatives

Cash

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

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

Cash Equivalents

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

Investments

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

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

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

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

Derivatives

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

G. Receivables

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

H. Contributions Receivable, Net

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

I. Internal Balances

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

J. Inventory

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

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

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

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

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

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

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

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

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

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

K. Prepaid Items

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

L. Interfund Loans Receivable/Payable

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

M. Other Assets

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

N. Capital Assets

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

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

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

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

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

Expenditures are classified as construction-in-progress if:

(1) They extend the asset life, improve productivity, or improve the quality of service; and,

(2) They fall into the planning, acquisition, construction, improvement, renovation, repair, replacement, relocation, or demolition phase of the asset life.

The estimated lives of capital assets are as follows:

	Years
Buildings	10–75
Equipment	2–50
Infrastructure	5–50
Software	5–35

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

O. Deferred Outflows of Resources

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

P. Accounts Payable

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

Q. Unearned Revenue

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

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

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

R. Unearned Taxes

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

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

S. Obligations Under Securities Lending Program

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

T. Other Liabilities

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

U. Claims Payable

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

V. Long-Term Liabilities

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

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

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

W. Deferred Inflows of Resources

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

X. Nonspendable Fund Balances

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

Y. Restricted Fund Balances

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

Z. Committed Fund Balances

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

AA. Assigned Fund Balances

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

BB. Unassigned Fund Balances

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

CC. Cash Management Improvement Act

Included in Amounts Due to Other Governments is the Commonwealth's Cash Management Improvement Act (CMIA) interest liability to the federal government, which is calculated in accordance with the interest calculation and exchange provisions of the Federal Cash Management Improvement Act of 1990. The Commonwealth's interest liability is subject to review and final confirmation by the Financial Management Service (FMS) of the U.S. Treasury. The payment is to be made on March 31, 2015. Payment will be made from a sum sufficient appropriation authorized for this purpose by the Appropriation Act. The CMIA interest rate of exchange is based by law on the average of the bond equivalent rates of 13-week Treasury Bills auctioned during the annual reporting period as calculated by FMS.

DD. Investment Income

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

EE. Intrafund Eliminations

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

FF. Interfund Activity

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

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

2. RESTATEMENT OF BEGINNING BALANCES

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

Government-wide Activities

- **Governmental Activities**

  The Governmental Activities were restated for the following:

  - Capital Asset balances were restated by $34.9 million due to errors attributable primarily to the Department of Transportation and the Department of Conservation and Recreation that resulted in an understatement of previous balances.

  - The Commonwealth Transportation (major special revenue) beginning balance has been restated for the following:

    - The prior balance was overstated by $25.6 million due to a legislatively authorized disbursement to a third party being recorded as a loan receivable by the Department of Transportation. Originally, the Department understood this amount would be recovered. The Department no longer expects to receive this amount.

    - The prior balance was understated by $15.8 million due to tax collections and associated receivables that were historically reported in the Funds for the Collection of Taxes and Fees (agency fund). A review of legislation during the current year identified these amounts as a state tax distributed to a locality versus a locality tax.

- **Business-type Activities**

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

Fund Statements

The fund statement beginning balance restatements resulted from the following:

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

- The Route 460 Funding Corporation of Virginia (nonmajor enterprise) net position has been restated by $2.6 million as discussed previously.

- Agency Funds have been restated by $15.8 million to correct the reclassification of the tax collections and associated receivables as discussed previously.

Component Units

- As previously mentioned, the Commonwealth implemented GASB Statement No. 65 during the fiscal year. The implementation of this Statement resulted in restated prior balances for unamortized bond issuance costs that are required to be expensed rather than amortized. Major component units, Virginia Housing Development Authority and Virginia Resources Authority, restated balances by $5.3 million and $568,626, respectively. The following nonmajor component unit restatements are Virginia Commonwealth University, $1.7 million; Virginia State University, $531,464; Norfolk State University, $236,033; Old Dominion University, $848,295; George Mason University, $2.8 million; Virginia Community College System, $978,067; Innovation and Entrepreneurship Investment Authority, $7,470; Virginia Port Authority, $5.0 million; Hampton Roads Sanitation District Commission, $2.9 million; and Virginia Biotechnology Research Park Authority, $502,419.

- The Commonwealth implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the fiscal year ending June 30, 2014. As a result, the Virginia Small Business Financing Authority (nonmajor) restated fund balance by $162,805 related to financial guarantees issued.

- In addition to the restatement associated with the GASB Statement No. 65 implementation, the Virginia Port Authority (nonmajor) has restated balances by $12.2 million due to the blended component unit adopting applicable GASB guidance for pension accounting.

- In addition to the restatement associated with the GASB Statement No. 65 implementation, Norfolk State University (nonmajor) has been restated for $16.0 million because previously estimated financial information was used in the prior fiscal year. Audited information was subsequently made available.

Beginning Balance Restatement

(Dollars in Thousands)

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

3. NET POSITION/FUND BALANCE CLASSIFICATIONS

Fund Balance

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

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

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

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

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

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

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

Governmental Fund Balance Classifications

(Dollars in Thousands)

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

4. DEFICIT FUND BALANCES/NET POSITION

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

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

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

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

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

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

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

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

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

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

5. REVENUE STABILIZATION FUND

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

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

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

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

6. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

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

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

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

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

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

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

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

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

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

Custodial Risk

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

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

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

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

Interest Rate Risk

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

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

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

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

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

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

Primary Government Investments

(Dollars in Thousands)

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

Component Unit Investments

(Dollars in Thousands)

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

Foundation Investments

(Dollars in Thousands)

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

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

Credit Risk

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

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

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

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

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

Credit Rating - Primary Government

(Dollars in Thousands)

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

Credit Rating - Component Units

(Dollars in Thousands)

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

Concentration of Credit Risk

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

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

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

Foreign Currency Risk

Primary Government

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

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

Component Units

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

Foreign Currency Exposures by Asset Class - Primary Government

(Dollars in Thousands)

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

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
U.S. Dollar	$ -	$ -	$ -	$ -	$ -	$ 610	$ 610
British Pound Sterling	1,443	-	-	-	-	-	1,443
Euro Currency Unit	3,147	-	-	-	-	-	3,147
Japanese Yen	2	-	-	-	-	-	2
Other	12	-	-	-	-	-	12
Total	$ 4,604	$ -	$ -	$ -	$ -	$ 610	$ 5,214

Securities Lending

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

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

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

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

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

Securities loaned for the State Treasurer's cash collateral reinvestment pool, which consisted of 84.9 percent general account funds and 15.1 percent Virginia Lottery funds as of June 30, 2014, had a carrying value of $572.0 million and a fair value of $617.4 million. The fair value of the collateral received was $629.3 million providing for coverage of 101.9 percent. All securities are marked to market daily. The carrying value of the cash collateral reinvestment pool received was $629.4 million and the fair value of the investments purchased with the cash collateral was $629.3 million. As of June 30, 2014, the State Treasurer's cash collateral reinvestment pool had an unrealized loss of $73,349, and is recorded in the General Fund as stated in Note 1.DD. This amount is included in the total State Treasurer's Portfolio discussed earlier in this note.

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

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

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

Under authorization of the Board, the Virginia Retirement System (the System) lends its fixed income and equity securities to various broker-dealers on a temporary basis. This program is administered through an agreement with the System's custodial agent bank. All security loan agreements are collateralized by cash, securities, or an irrevocable letter of credit issued by a major bank, and have a market value equal to at least 102.0 percent of the market value for domestic securities and 105.0 percent for international securities. Securities received as collateral cannot be pledged or sold by the System unless the borrower defaults. Contracts require the lending agents to indemnify the System if the borrowers fail to return the securities lent. All securities loans can be terminated on demand by either the System or the borrowers. The majority of loans are open loans, meaning the rebate is set daily. This results in a maturity of one or two days on average, although securities are often on loan for longer periods. The maturity of loans generally does not match the maturity of collateral investments, which averages 40 days. At year-end, the System has no credit risk exposure to borrowers because the amounts it owes the borrowers exceeded the amounts the borrowers owe the System. All securities are marked to market daily and carried at market value. The market value of securities on loan at June 30, 2014, was $9.2 billion. The June 30, 2014, balance was composed of U.S. Government and agency securities of $3.3 billion, corporate and other bonds of $374.1 million and common and preferred stocks of $5.5 billion. The value of collateral (cash and non-cash) at June 30, 2014, was $9.7 billion.

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

7. RECEIVABLES

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

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

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

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

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

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

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

8. CONTRIBUTIONS RECEIVABLE, NET

The following schedule details the contributions receivable for foundations[1] included with the nonmajor component units, as of June 30, 2014. The major component units reported no contributions receivable for fiscal year 2014.

(Dollars in Thousands)

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

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.
Note (2): The discount rate used to determine present value ranges from 0.1 percent to 8.0 percent.

9. INTERFUND AND INTER-ENTITY ASSETS / LIABILITIES

Due from/to Other Funds

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

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

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

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

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

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

Schedule of Due from/to Other Funds
June 30, 2014

(Dollars in Thousands)

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

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

(Dollars in Thousands)

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

Interfund Receivables/Payables

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

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

Interfund Receivables/Payables
June 30, 2014

(Dollars in Thousands)

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

Due from/to Primary Government and Component Units

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

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

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

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

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

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

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

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

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

Due from/to Component Units and Fiduciary Funds

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

Loans Receivable/Payable Between Primary Government and Component Units

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

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

10. OTHER ASSETS

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

(Dollars in Thousands)

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

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

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

11. RESTRICTED ASSETS

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

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

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

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

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

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

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

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

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

12. CAPITAL ASSETS

The following schedule presents the changes in the Capital Assets.

Schedule of Changes in Capital Assets

Governmental Activities

(Dollars in Thousands)

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

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

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

Depreciation Expense Charged to Functions of the Primary Government

June 30, 2014

(Dollars in Thousands)

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

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

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

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

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

13. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

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

Deferred Outflows

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

Deferred Inflows

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

Government-wide Statements

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

Fund Statements

(Dollars in Thousands)	Primary Government - Governmental Funds					
	General	Commonwealth Transportation	Federal Trust	Literary	Nonmajor Governmental Funds	Total Governmental Funds
Deferred Outflows of Resources						
Nonexchange Transactions Not Meeting Time Requirements	$ 33	$ -	$ -	$ -	$ -	$ 33
Total Deferred Outflows of Resources	$ 33	$ -	$ -	$ -	$ -	$ 33
Deferred Inflows of Resources						
Revenues Considered Unavailable	$ 877,558	$ 52,609	$ 77,175	$ 18,339	$ 34,151	$ 1,059,832
Total Deferred Inflows of Resources	$ 877,558	$ 52,609	$ 77,175	$ 18,339	$ 34,151	$ 1,059,832

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

14. DERIVATIVES

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

Primary Government

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

Virginia College Savings Plan (VCSP)

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

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

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

Investment Derivatives - Credit Default Swaps

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

Aggregate Credit Risk by Counterparty as of June 30, 2014

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

Virginia Retirement System

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

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

Futures Contracts

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

Futures Contracts
as of June 30

(Dollars in Thousands)

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

Currency Forwards

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

Currency Forwards

as of June 30

(Dollars in Thousands)

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

Options Contracts

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

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

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

Options Contracts
as of June 30
(Dollars in Thousands)

	2014	2013
Cash and Cash Equivalent Options:		
Call	$ (117)	$ (10)
Put	(23)	-
Equity Options:		
Call	-	-
Put	-	-
Fixed Income Options:		
Call	-	-
Put	-	-
Sw aptions:		
Call	(110)	(2)
Put	(53)	(379)
Total Options	$ (303)	$ (391)

Swap Agreements

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

Swap Agreements
as of June 30

(Dollars in Thousands)

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

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

(Dollars in Thousands)

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

Continued on next page

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

(Dollars in Thousands)

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

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

Component Units

Investment Derivative Instruments

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

Hedging Derivative Instruments

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

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

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

In December 2005, Virginia Commonwealth University (VCU) (nonmajor) entered into an interest rate swap agreement in anticipation of the issuance of General Revenue Pledge bonds, Series 2006A and Series 2006B, which carry variable interest rates. In November 2012, VCU refunded the Series 2006A and Series 2006B bonds associated with these swaps with General Revenue Pledge bonds, Series 2012A and 2012B, which also carry variable interest rates. At that time the hedging relationship between the interest rate swaps and the Series 2006A and 2006B bonds was terminated. The accumulated change in fair value of the interest rate swaps at the time of the refunding was negative $14.1 million and was included in the calculation of the deferred loss on refunding. Concurrently, VCU reestablished hedge accounting by designating the Series 2012A and 2012B bonds as hedged debt. At June 30, 2014, the swap has a notional amount of $62.9 million which declines over time to $4.8 million at the termination date of November 1, 2030. VCU pays a fixed rate of 3.4 percent and the counterparty pays 67.0 percent of the London Interbank Offered Rate (LIBOR) (0.1 percent as of June 30, 2014). The payments are settled monthly at the first of each month. In December 2005, the Medical College of Virginia Hospitals (MCVH), which is a division of the Virginia Commonwealth University Health System Authority (a blended component unit of VCU), entered into an interest rate swap agreement in conjunction with the issuance of its Series 2005 bonds. The swap has a notional amount of $75.0 million, which declines over time to $8.0 million at the maturity date of July 1, 2030. The notional amount as of June 30, 2014, was $69.5 million. MCVH pays a fixed rate of 3.5 percent and the counterparty pays 67.0 percent of LIBOR (0.1 percent as of June 30, 2014). The payments are settled monthly at the first of each month. In June 2007, the MCVH entered into two interest rate swap agreements in anticipation of the issuance of the Series 2008 bonds. The swaps have a combined notional amount of $125.0 million, which declines over time to $15.7 million at the termination date of July 1, 2037. The notional amount as of June 30, 2014 was $120.4 million. MCVH pays a fixed rate of 3.8 percent and the counterparty pays 67.0 percent of LIBOR (0.1 percent as of June 30, 2014). The payments are settled monthly at the first of each month. In June 2013, MCVH refunded the Series 2005 and Series 2008 bonds associated with these swaps with Series 2013A and Series 2013B bonds, which also carry variable interest rates. At that time the hedging relationship between the interest rate swap agreements and the Series 2005 and 2008 bonds was terminated. The accumulated change in fair value of the interest rate swaps at the time of the refunding was negative $42.1 million and was included in the calculation of the deferred loss on refunding. In June 2013, MCVH reestablished hedge accounting by designating the Series 2013A and 2013B bonds as hedged debt. At June 30, 2014, the negative market value of VCU's swap of $9.2 million and MCVH's swaps of $42.6 million are included in other liabilities in the accompanying financial statements. At June 30, 2014, the change in fair market value of VCU's swap, since reestablishing hedge accounting, of $4.9 million is included in deferred inflows of resources in the accompanying financial statements. At June 30, 2014, the change in fair value of MCVH's swaps was $519,918 and is included in deferred outflows of resources in the accompanying financial statements.

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

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

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

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

15. RETIREMENT AND PENSION SYSTEMS

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

A. Administration

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

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

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

Basis of Accounting

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

Method Used to Value Investments

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

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

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

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

C. Plan Description

Retirement Plans

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

Single-employer Retirement Plans

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

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

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

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

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

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

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

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

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

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

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

D. Funding Policy

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

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

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

E. Annual Pension Cost and Net Pension Obligation

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

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

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

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

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

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

F. Funded Status and Funding Progress

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

(Dollars in Millions)

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

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

G. Defined Contribution Plan for Political Appointees

Officers appointed by the Governor, officers elected by popular vote or the General Assembly, and executive branch chief deputies and confidential assistants may participate in the deferred contribution plan for Political Appointees, rather than the VRS. This optional retirement plan is authorized by the *Code of Virginia* and offered through the ICMARC. This is a defined contribution plan where the retirement benefits are based upon the Commonwealth's 8.8 percent and the employee's (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year ended June 30, 2014, the total contributions to this plan were $1.1 million.

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

H. Defined Contribution Plan for Public School Superintendents

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

I. Virginia Supplemental Retirement Plan

The Virginia Supplemental Retirement Plan is a defined contribution pension plan established by the Department of Education to provide an optional postemployment benefit plan for turnaround specialists in the public school system. This plan is utilized as an incentive to attract highly skilled teachers for participating public schools pursuant to the *Code of Virginia* by Title 51.1-617. The Board of Trustees of the System manages the investments of the fund as custodian. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school boards for credit to the members. At June 30, 2014, there were two participants in this plan. There were no contributions to the plan for fiscal year 2014.

J. Higher Education Fund (Nonmajor Component Unit)

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

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

University of Virginia Medical Center (part of the University of Virginia – nonmajor) employees hired after July 1, 1999, cannot participate in Plan 1 or Plan 2 noted above but have the option of participating in the Medical Center's Optional Retirement Plan. This is a defined contribution plan offered through TIAA-CREF and Fidelity Investments, Inc. Under this plan, the employer contributions are 4.0 percent if hired on or after September 30, 2002, and 8.0 percent if hired prior to September 30, 2002. There are no employee contributions under this plan. During the year ended June 30, 2014, the total employer contributions to this plan were $13.6 million. The Medical Center also has a plan to cover their physicians who work for Community Medicine, LLC. These UVA employees participate in a Defined Contribution plan with retirement benefits based on tax-deferred accumulations. Vesting in the plan is 100.0 percent after 12 months of community service. All Community Medicine employees were hired after July 1, 2010. The current employer paid contribution is 11.9 percent of salaries paid. The total employer contributions to this plan for 2014 were $142,491.

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

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

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

MCVAP also sponsors the VCUHS 401(a) Retirement Plan, a defined contribution plan which covers all non-medical employees of MCVP. This plan became effective on January 1, 2002, and replaced the MCVAP 403(b) plan for all non-medical staff. The contributions to the VCUHS 401(a) for the period ended June 30, 2014, were approximately $3.6 million.

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

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

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

The Center for Innovative Technology (CIT) is a blended component unit of the Innovation and Entrepreneurship Investment Authority (nonmajor). The CIT has a defined contribution retirement plan covering substantially all employees. Under the plan, contributions are fixed at a percentage of each employee's compensation to pay premiums for individual retirement annuity contracts written by TIAA-CREF. Contributions for the plan totaled $662,369 in fiscal year 2014.

K. Other Component Units

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

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

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

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

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

Trend Information

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

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

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

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

Trend Information

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

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

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

Trend Information

(Dollars in Thousands)

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

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

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

Trend Information

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

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

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

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

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

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

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

16. OTHER EMPLOYMENT BENEFITS

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

Group Life Insurance

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

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

An optional Group Life Insurance Fund was established for members covered under the group life program as a supplement to that plan. Members may purchase optional life insurance coverage for themselves, their spouses and/or their dependent children. The optional program provides natural death coverage equal to one, two, three or four times the member's annual compensation rounded to the next highest $1,000, up to a maximum of $700,000. Spouse coverage is available for up to one-half of the member's optional insurance amount. Minor children who are at least 15 days old can be insured for $10,000, $20,000 or $30,000, depending on the option chosen by the member. An additional accidental death and dismemberment benefit is payable for death or bodily injuries. Approximately 67,731 members were covered under this program at June 30, 2014.

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

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

Virginia Sickness and Disability Program

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

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

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

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

Volunteer Firefighters' and Rescue Squad Workers' Fund

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

17. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Virginia Retirement System (The System) Administered Plans

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

Group Life Insurance Benefits

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

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

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

Retiree Health Insurance Credit Program

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

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

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

Disability Insurance Trust Fund

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

Line of Duty Death and Disability

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

Virginia Local Disability Program

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

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

B. Pre-Medicare Retiree Healthcare

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

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

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

C. Annual OPEB Cost and Net OPEB Obligation

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

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

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

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

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

(1) During fiscal year 2012, the required annual contributions of $2.9 million were paid by the Commonwealth. Additionally, the loan increased to $13.9 million that will be repaid in future periods with contributions received.

(2) During fiscal year 2013, the required annual contributions of $5.9 million were paid by the Commonwealth. Additionally, the loan increased to $14.9 million that will be repaid in future periods with contributions received.

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

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

The annual required contributions for the current year were determined during the actuarial valuations conducted as of June 30, 2011, as that is the most recent report that reflects the current funding policies. Employer contributions by the Commonwealth for Group Life Insurance, Retiree Health Insurance Credit and Disability Insurance were 1.2 percent, 1.0 percent, and 0.5 percent, respectively, of covered payrolls for fiscal year 2014. The valuations were prepared using the entry age normal cost method for all plans except for the Disability Insurance trust fund and the Line of Duty Act trust fund for which the Projected Unit Credit actuarial cost method was used. The Pre-Medicare Retiree Healthcare plan uses a 4.0 percent investment rate of return, per year compounded annually, which approximates the projected rate of return on the State Treasurer's Portfolio. The Group Life Insurance, Retiree Health Insurance Credit and Disability Insurance use a 7.0 percent investment rate of return, per year compounded annually. The Line of Duty Act trust fund uses a 4.8 percent rate of return compounded annually. The actuarial assumptions for all but the Pre-Medicare Retiree Healthcare plan included a projected salary increase of 3.0 percent, including a 2.5 percent inflation component. Valuation techniques were applied to smooth the effects of short-term volatility in the market value of investments over a five year period. The remaining open amortization period at the June 30, 2012 valuation, was 29 years. The actuarial assumptions for the Pre-Medicare Retiree Healthcare plan as to current claim cost, projected increases in health insurance costs, mortality, turnover, retirement, disability and discount rate include (a) projected salary increases ranging from 3.8 percent to 5.6 percent, including a 2.5 percent inflation component; and, (b) assumption that there is no liability associated with those retirees eligible for Medicare, as costs for members aged 65 and older are not subsidized by the active population (no implicit subsidy), participants pay 100.0 percent of the costs, and the liability associated with the health insurance credit is measured and held by the Virginia Retirement System. Initial healthcare costs trend rates used were 10.0 percent, 11.0 percent, and 6.0 percent for medical, pharmacy, and dental benefits, respectively. The ultimate trend rates used were 5.0 percent, 5.0 percent, and 4.0 percent for medical, pharmacy, and dental benefits, respectively. The remaining open amortization period at June 30, 2012 was 30 years.

D. Funded Status and Funding Progress

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

(Dollars in Millions)

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

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

E. Higher Education Fund (Component Unit)

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

F. Other Component Units

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

Hampton Roads Sanitation District Commission (nonmajor) provides other postemployment benefits for its employees through a single employer defined benefit plan. The plan was established and may be amended by the Commission. The plan furnishes health and dental benefits for life for all employees with at least 15 years of service and who also qualify for an unreduced retirement benefit through the VRS. The plan allows the retiree at their expense to cover their spouse and dependents under the district's health care provider. Contribution requirements are actuarially determined and funding is subject to approval by the Commission. The current rate is 6.0 percent of annual covered payroll. For 2014, the Commission's annual OPEB cost was $2.2 million; the percentage of annual OPEB cost contributed was 100.0 percent.

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

18. DEFERRED COMPENSATION PLANS

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

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

Most employees of the Commonwealth's colleges and universities may participate in the Commonwealth's deferred compensation plan in accordance with Internal Revenue Code Section 457(b) and/or the institution's deferred compensation plan in accordance with Internal Revenue Code Section 403(b). Under either plan, the institution's cash match under the Internal Revenue Code Section 401(a) during fiscal year 2014 was a maximum match up to $20 per pay period or $40 per month. This employer match is for either plan but not both plans. Employer contributions under these plans were approximately $13.1 million for fiscal year 2014.

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

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

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

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

The third deferred compensation plan and second matching savings plan covers substantially all non-union employees with 90 days or more of service. The matching savings plan requires the VPA to match employee contributions in an amount equal to half of the first 3.0 percent of the participant's base pay contributed to the deferred compensation plan. VPA's total contribution to the matching savings plan was $287,325 for the fiscal year ended June 30, 2014.

19. STATE NON-ARBITRAGE POOL

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

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

20. COMMITMENTS

A. Construction Projects

Primary Government

Highway Projects

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

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

Mass Transit Projects

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

Wastewater Treatment Projects

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

Other Construction Projects

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

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

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

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

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

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

Component Units

Port Projects

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

Wallops Island Project

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

Treatment Plant

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

Higher Education Institutions

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

B. Operating Leases

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

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

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

	Foundations (2)
2015	$ 3,268
2016	2,438
2017	2,139
2018	1,493
2019	1,216
Thereafter	3,664
Total	$ 14,218

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

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

C. Investment Commitments – Virginia Retirement System

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

D. Virginia Transportation Infrastructure Bank

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

The Bank has established a revolving line of credit for the benefit of the Route 460 Funding Corporation of Virginia (Corporation) (nonmajor enterprise fund) and the trustee not to exceed $80.0 million at 3.3 percent. Amounts issued under this line of credit will be designated as Toll Road Junior Lien Revenue Bond Series 2012C. In the event of issue, the Series 2012C bond is a Junior Lien Bond within the meaning of the Master Indenture and payable from and secured by the Trust Estate in accordance with the terms of the Master Indenture and the Second Supplemental Indenture. It will be paid from the Junior Lien Bond Fund. In the event the Series 2012C bonds are issued, the bonds are junior to any Senior Lien bonds and any subordinate lien bonds including without limitation, the Corporation's Toll Road Senior Lien Revenue Bonds, Series 2012A and Series 2012B. The term of the line of credit commenced on the date the series 2012A and 2012B bonds were issued, December 20, 2012. The term will continue until the earliest of the repayment or defeasance of the Series 2012A and 2012B bonds, the provisions for release as set forth in the Master Indenture, the Comprehensive Agreement or otherwise have been satisfied in full and the 35th anniversary of the substantial completion date. In no event will the term end any later than 40 years from the date of the issuance of the Series 2012A and Series 2012B bonds. The Corporation has no outstanding amounts under this line of credit as of June 30, 2014.

E. Tobacco Grants

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

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

F. Other Commitments

Primary Government

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

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

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

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

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

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

Component Units

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

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

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

21. ACCRUED LIABILITY FOR COMPENSATED ABSENCES

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

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

In conformance with Section C60 of the GASB Codification, the monetary value of accumulated vacation, compensatory, overtime, recognition, and sick leave payable upon termination is included in the accompanying financial statements and is reported as Compensated Absences. In the government-wide statements, proprietary fund statements, and discrete component unit fund statements, compensated absence amounts are segregated into two components – the amount due within one year and the amount due in more than one year. Compensated absences due within one year consist of an estimate of the amount that will be used by active employees for paid time off and/or paid upon termination, plus the actual amount paid after June 30 for employees terminating on or before June 30. In the governmental fund statements, amounts to be paid from expendable resources are recognized as fund liabilities in the applicable governmental fund types as long-term liabilities and represent payments to employees for separations that occurred on or before June 30. Amounts not payable from expendable resources are reflected in the governmental activities column in the Government-wide Statement of Net Position (see Note 26). All amounts related to the fiduciary funds are recognized in those funds.

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

22. POLLUTION REMEDIATION OBLIGATIONS

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

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

Agencies involved in remediation include:

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

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

formation of the Pollution Prevention Section of the Environmental Services Unit, disclosure of all environmental deficiencies to both the EPA and DEQ and corrections of those deficiencies.
The following pollution remediation outlays could not reasonably be estimated as of June 30, 2014:

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

23. INSURANCE

A. Self-Insurance

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

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

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

The second type of plan, Risk Management, is administered by the Department of the Treasury, Division of Risk Management and the Department of Human Resource Management, Worker's Compensation Program. These plans are accounted for in the Risk Management Internal Service Fund. The Department of the Treasury administers risk management programs providing property, general (tort) liability, medical malpractice, automobile and surety bond exposures for the Commonwealth of Virginia as provided in Sections 2.2-1834 through 1838 and Section 2.2-1840 of the *Code of Virginia*. Established subject to the approval of the Governor, risk management plans provide state agencies with protection through purchased insurance, self-insurance or a combination thereof. Interfund premiums for the fund are accounted for as internal activity receipts from other funds. The claims payable is an estimated liability based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported. At June 30, 2014, $624.6 million is reported as the estimated claims payable for the risk management plan. This amount is discounted to present value at a rate of 3.0 percent. Undiscounted claims payable at June 30, 2014, is $921.2 million. The estimated losses are based upon actual claims that have been submitted, as well as claims incurred but not reported. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

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

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

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

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

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

Estimated losses on malpractice and workers' compensation claims for the current and prior fiscal years are as follows (dollars in thousands):

Estimated Malpractice Losses

	Balance July 1,	Claims Expense (2)	Claims Settled	Balance June 30, (1)
2013-2014	$ 23,931	$ 6,621	$ (4,360)	$ 26,192
2012-2013	$ 23,467	$ 5,797	$ (5,333)	$ 23,931

(1) Of the balance shown above, $4.2 million is due within one year.
(2) This column represents malpractice claims expense, net of actuarial adjustments.

Estimated Workers' Compensation Losses

	Balance July 1,	Claims Expense (2)	Claims Settled	Balance June 30, (1)
2013-2014	$ 15,081	$ 4,754	$ (2,022)	$ 17,813
2012-2013	$ 17,527	$ (355)	$ (2,091)	$ 15,081

(1) Of the balance shown above, $2.1 million is due within one year.
(2) This column represents workers' compensation expense, net of actuarial adjustments.

In addition, expenses and liabilities arising from services rendered to VA Premier's Plan (component unit of the Authority) HMO members are reported when it is probable that services have been provided and the amount of the claim can be reasonably estimated. The claims payable includes an estimate of claims that have been incurred but not reported. At June 30, 2014, the amount of these liabilities is approximately $65.4 million and is reported as Claims Payable – Due Within One Year. This liability is VA Premier's best estimate based on available information.

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

Virginia International Terminals, LLC (VIT) (a blended component unit of the Virginia Port Authority – nonmajor) is partially self-insured for certain workers' compensation claims. The Authority maintains insurance coverage of $5.0 million per claim, but is obligated to pay the first $1.0 million of any individual's claims per incident. The Authority is also partially self-insured for employee health coverage. The Authority is responsible for actual claim costs up to $125,000 per individual per calendar year. Insurance coverage is maintained for claims in excess of the individual employee limit and for aggregate claims in excess of $5.4 million.

B. Public Entity Risk Pools

The Commonwealth administers two types of public entity risk pools for the benefit of local governmental units: health care and risk management insurance. The Local Choice Health Care plan was established to make comprehensive health care insurance available to localities and political subdivisions at affordable rates and with stable premiums. During the fiscal year, there were 314 local government units participating in the pool. This includes 34 school districts, 39 counties, 115 cities/towns, and 126 other subdivisions. This program is accounted for in the Local Choice Health Care Enterprise Fund (nonmajor).

The Department of Human Resource Management, under Section 2.2-1204 of the *Code of Virginia*, has the authority to design, set rates, and administer the Local Choice Health Care fund. The pool's standard contract period is one year. However, a member group may withdraw on the last day of any month with three month's written notice. Contributions are based on the current necessary contribution and the amortization of experience adjustments in the pool. At June 30, 2014, $33.0 million is reported as the actuarially determined estimated claims payable for this fund based on claims incurred but not reported.

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

The Department of the Treasury, Division of Risk Management administers risk management programs for political subdivisions, constitutional officers and others in accordance with Section 2.2-1839 of the *Code of Virginia*. These pools were established to provide an economical, low-cost alternative to the commercial insurance market for the Commonwealth's political subdivisions. These risk programs are accounted for in the Risk Management Enterprise Fund (nonmajor). The pool is established subject to approval by the Governor. It may be insurance, self-insurance, or any combination thereof, and must provide protection and legal defense against liability. Participation is voluntary and open to those identified in Section 2.2-1839, *Code of Virginia*. As of June 30, 2014, there were 490 units of local government in the pool, including 3 cities, 24 towns, and 30 counties. The remaining 433 units include a large variety of boards, commissions, authorities, and special districts.

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

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

At June 30, 2014, $30.1 million is reported as estimated claims payable for these programs. This figure is actuarially determined for the fund in total and is reported at gross and does not reflect possible reimbursements for insurance recoveries.

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

	Local Choice Health Care		Risk Management	
	June 30, 2014	**June 30, 2013**	**June 30, 2014**	**June 30, 2013**
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	$ 31,225	$ 26,507	$ 27,404	$ 24,533
Incurred Claims and Claim Adjustment Expenses:				
Provision for Insured Events of the Current Fiscal Year	293,514	279,842	204	(1,684)
Changes in Provision for Insured Events of Prior Fiscal Years	-	-	2,261	2,431
Total Incurred Claims and Adjustment Expenses	293,514	279,842	2,465	747
Payments:				
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	291,711	275,124	367	335
Total Payments	291,711	275,124	367	335
Change in Provision for Discounts	-	-	641	578
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Discounted) (1) (2) (3)	$ 33,028	$ 31,225	$ 30,143	$ 25,523
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Undiscounted)	$ 33,028	$ 31,225	$ 32,337	$ 27,404

Note (1): The entire balance for Local Choice Health Care, $33,028 (dollars in thousands) is due within one year.

Note (2): Of the balance shown above for Risk Management, $8,896 (dollars in thousands) is due within one year.

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

24. ACCOUNTS PAYABLE

The following table (dollars in thousands) summarizes Accounts Payable as of June 30, 2014.

	Vendor	Salary/ Wage	Retainage	Other	Foundations (1)	Total
Primary Government:						
General	$ 162,219	$ 95,082	$ 189	$ -	$ -	$ 257,490
Major Special Revenue Funds:						
Commonwealth Transportation	277,051	30,222	4,071	-	-	311,344
Federal Trust	105,720	16,127	3,533	-	-	125,380
Literary	20	-	-	-	-	20
Nonmajor Governmental Funds	33,588	20,536	4,150	317	-	58,591
Major Enterprise Funds:						
Virginia Lottery (2)	6,736	1,169	-	6,277	-	14,182
Virginia College Savings Plan (2)	219	409	-	667	-	1,295
Unemployment Compensation	190	-	-	-	-	190
Nonmajor Enterprise Funds	48,072	5,719	-	4	-	53,795
Internal Service Funds	52,739	3,022	1,603	-	-	57,364
Private Purpose Trust Funds	302	153	-	2,736	-	3,191
Pension and Other Employee Benefit Trust (3)	520	1,766	-	39,462	-	41,748
Agency Funds	1,853	-	-	3,793	-	5,646
Total Primary Government (4)	$ 689,229	$ 174,205	$ 13,546	$ 53,256	$ -	$ 930,236
Discrete Component Units:						
Virginia Housing Development Authority	$ 2,579	$ 1,839	$ -	$ 19,203	$ -	$ 23,621
Virginia Public School Authority	149	-	-	-	-	149
Virginia Resources Authority	134	6	-	-	-	140
Virginia College Building Authority	7	-	-	-	-	7
Nonmajor Component Units	519,429	382,314	29,195	11,189	106,405	1,048,532
Total Component Units	$ 522,298	$ 384,159	$ 29,195	$ 30,392	$ 106,405	$ 1,072,449

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

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

Note (3): Other Accounts Payable for the Pension and Other Employee Benefit Trust Fund consists of $27,280 (dollars in thousands) in investment management expense and $12,182 (dollars in thousands) in program benefit liabilities.

Note (4): Fiduciary liabilities of $50,585 (dollars in thousands) are not included in the Government-wide Statement of Net Position. In addition, governmental fund liabilities of $111,996 (dollars in thousands) are included in the Government-wide Statement of Net Position, but excluded from the above amounts.

25. OTHER LIABILITIES

The following table (dollars in thousands) summarizes Other Liabilities as of June 30, 2014.

	Primary Government				
	General	Commonwealth Transportation	Federal Trust	Nonmajor Governmental Funds	Virginia Lottery
Lottery Prizes Payable	$ -	$ -	$ -	$ -	$ 61,978
Due to Program Participants, Escrows, and Providers	-	-	-	-	-
Medicaid Payable	312,609	-	315,334	-	-
Family Access to Medical Insurance Security Payable	4,134	-	7,677	-	-
Accrued Interest Payable	-	-	-	-	-
Tax Refunds Payable	390,682	-	-	-	-
Insurance Carrier Surety Deposit	-	-	-	-	-
Deposits Pending Distribution	5,428	6,860	-	3,338	-
Car Tax Payable	263,025	-	-	-	-
Other Liabilities	348	9	4	1,089	-
Total Other Liabilities	$ 976,226	$ 6,869	$ 323,015	$ 4,427	$ 61,978

	Primary Government				
	Virginia College Savings Plan	Unemployment Compensation	Nonmajor Enterprise Funds	Internal Service Funds (1)	Private Purpose Trust Funds
Lottery Prizes Payable	$ -	$ -	$ -	$ -	$ -
Due to Program Participants, Escrows, and Providers	215	35,477	-	-	3,819
Medicaid Payable	-	-	-	-	-
Family Access to Medical Insurance Security Payable	-	-	-	-	-
Accrued Interest Payable	-	-	5,863	-	-
Tax Refunds Payable	-	-	-	-	-
Insurance Carrier Surety Deposit	-	-	-	-	-
Deposits Pending Distribution	-	-	178	344	-
Car Tax Refund Payable	-	-	-	-	-
Other Liabilities	-	-	163	508	73
Total Other Liabilities	$ 215	$ 35,477	$ 6,204	$ 852	$ 3,892

Note (1): The Other Liabilities amount of $508 (dollars in thousands) is due to third party clearing amounts that have decreased from the prior year due to the closing of an account therefore less timing issues with checks clearing the bank.

	Primary Government		
	Pension and Other Employee Benefit Trust Funds (2)	Agency Funds	Total Primary Government (3)
Lottery Prizes Payable	$ -	$ -	$ 61,978
Due to Program Participants, Escrows, and Providers	-	41,355	80,866
Medicaid Payable	-	-	627,943
Family Access to Medical Insurance Security Payable	-	-	11,811
Accrued Interest Payable	-	-	5,863
Tax Refunds Payable	-	-	390,682
Insurance Carrier Surety Deposit	-	438,617	438,617
Deposits Pending Distribution	-	73,814	89,962
Car Tax Refund Payable	-	-	263,025
Other Liabilities	118,444	1,887	122,525
Total Other Liabilities	$ 118,444	$ 555,673	$ 2,093,272

Note (2): Other Liabilities of $118,444 (dollars in thousands) reported in pension and other employee benefit trust funds are made up of $35,424 (dollars in thousands) in funds held for the Commonwealth Health Research Fund; $27,945 (dollars in thousands) in other funds managed by the System; $49,491 (dollars in thousands) in pending investment transactions, including $1,681 (dollars in thousands) for futures contracts, $47,793 (dollars in thousands) for net foreign exchange contracts, $17 (dollars in thousands) in other investment payables; $2,326 (dollars in thousands) in other payables related to the System benefit plans; $2,444 (dollars in thousands) in foreign taxes payables related to the System benefit plans, and $814 (dollars in thousands) in interest and dividends payable related to the System benefit plans.

Note (3): Fiduciary liabilities of $678,009 (dollars in thousands) are not included in the Government-wide Statement of Net Position. Governmental fund liabilities of $186,951 (dollars in thousands) are included in the Government-wide Statement of Net Position, but excluded from the above amounts.

	Component Units					
	Virginia Housing Development Authority	Virginia Public School Authority	Virginia Resources Authority	Virginia College Building Authority	Nonmajor Component Units	Total Component Units
Accrued Interest Payable	$ 64,393	$ 57,449	$ 27,748	$ 84,375	$ 65,478	$ 299,443
Other Liabilities	1,028	-	12,224	442	235,677	249,371
Deposits Pending Distribution	-	-	-	-	607,759	607,759
Short-term Debt	157,000	-	-	-	256,451	413,451
Grants Payable	-	-	-	-	4,081	4,081
Total Other Liabilities	$ 222,421	$ 57,449	$ 39,972	$ 84,817	$ 1,169,446	$ 1,574,105

Medicaid Payable

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

The Department of Medical Assistance Services (DMAS) estimates, based on past experience, the total amount of Medicaid claims that will be paid from the Medicaid program in the future which relate to services provided before year-end. At June 30, 2014, the estimated liability related to Medicaid claims totaled $627.9 million. Of this amount, $312.6 million is reflected in the General Fund (major governmental) and $315.3 million in the Federal Trust Special Revenue Fund (major governmental).

Family Access to Medical Insurance Security Payable

DMAS estimates the total amount of claims that will be paid from the Family Access to Medical Insurance Security program in the future which relate to services provided before year-end. At June 30, 2014, the estimated liability related to claims totaled $11.8 million. Of this amount, $4.1 million is reflected in the General Fund (major governmental) and $7.7 million in the Federal Trust Special Revenue Fund (major governmental).

Tax Refunds Payable

Tax refunds payable represent refunds due on individual tax returns filed for the calendar year ended on or before December 31, 2013, and on business tax returns filed for corporate fiscal years ending on or before June 30, 2014. The individual tax return filing deadline is May 1 of each year for the preceding calendar year. The corporate tax return filing deadline is the 15th day of the fourth month following the close of the corporate fiscal year.

Car Tax Refund Payable

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

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

Termination Benefits

During fiscal year 2014, the Commonwealth laid off 498 employees. The affected employees had the option of volunteering for enhanced retirement benefits or severance benefits. The enhanced retirement benefits option was elected by 26 employees, and the remaining 472 employees elected severance benefits. The severance benefits include salary payments based on years of service and insurance premium payments for health and life insurance. All severance benefits were initiated during fiscal year 2014 and will end no later than June 30, 2015. The benefit cost expended and the outstanding liability as of June 30, 2014, are $3.9 million and $2.2 million, respectively. Since the severance benefits last for a maximum of 12 months, discounting of future cash flows is unnecessary. Additionally, the estimated payments are calculated using the Department of Human Resources’ Termination Benefits Calculator and actual costs.

Short-term Debt

Short-term debt results from borrowings from anticipation notes, lines of credit, and similar loans with parties external to the primary government. The primary government’s policy is to disclose activity related to short-term borrowings occurring during the fiscal year. For fiscal year 2014, the primary government’s agencies did not participate in short-term borrowings with external parties.

Various higher education institutions and foundations (nonmajor component units) have short-term debt totaling $256.4 million. Of this amount, $217.1 million provides bridge financing for capital projects. The remaining short-term debt is for working capital, property acquisition, and operating costs. The Virginia Housing Development Authority (major component unit) has borrowing from lines of credit in the amount of $157.0 million. The Library of Virginia Foundation (nonmajor component unit) has a $37,000 note with a related party.

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

26. LONG-TERM LIABILITIES

Commonwealth bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. Section 9(a) bonds have been issued to redeem previous debt obligations. Section 9(b) bonds have been authorized by the citizens of Virginia through bond referenda to finance capital projects. These bonds are retired through the use of state appropriations. Section 9(c) bonds are issued to finance capital projects which, when completed, will generate revenue to repay the debt. Section 9(a), 9(b), and 9(c) bonds are tax-supported general obligation bonds and are backed by the full faith and credit of the Commonwealth. No other long-term debt obligations are backed by the full faith and credit of the Commonwealth.

Section 9(d) bonds are revenue bonds that are not backed by the full faith and credit of the Commonwealth. These bonds are not general obligation bonds and are not deemed to constitute a legal liability of the Commonwealth. However, this debt may be supported by state appropriations in whole or in part, as in the case of certain debt of the Virginia Port Authority (nonmajor component unit) and the Commonwealth Transportation Board (primary government). Other 9(d) revenue bonds are payable from general revenues of the component units, or from revenues of specific revenue-producing capital projects such as the teaching hospitals, dormitories, student centers, and dining halls at the various colleges and universities (nonmajor component units).

The 9(d) Route 460 Funding Corporation of Virginia Bonds (primary government) are special, limited obligations of the Corporation, secured by a gross revenue pledge and payable solely from revenues.

Certain 9(d) bonds are considered, with 9(a), 9(b), and 9(c) bonds, to be tax-supported debt of the Commonwealth. Tax-supported debt includes all bonds and short-term debt for which debt service payments are made or are ultimately pledged to be made from tax revenues (net of sinking fund requirements).

Other 9(d) revenue bonds are considered debt not supported by taxes. For this debt, the Commonwealth has no direct or indirect pledge of tax revenues. In certain limited cases, the Commonwealth has made a moral obligation pledge. A government's moral obligation pledge provides a deficiency make-up for bondholders in the event pledged revenues prove to be insufficient. If a revenue deficiency exists, monies held in a debt service reserve fund are used to pay bondholders. The issuer then requests that the legislative body provide an appropriation to replenish the reserve fund before subsequent debt service is due. The legislative body may, but is not legally required to, replenish the reserve fund.

The following schedule presents the total long-term liabilities of the Commonwealth, and the portion of these amounts which are due within one year, as reported on the Government-wide Statement of Net Position.

Total Long-term Liabilities
June 30, 2014

(Dollars in Thousands)	**Balance At June 30**	**Amount Due Within One Year**
Primary Government:		
Governmental Activities:(1)		
General Obligation Bonds: (2)		
9(b) Public Facilities (3)	$ 706,192	$ 67,225
9(c) Parking Facilities (3)	17,045	848
9(c) Transportation Facilities (3)	19,632	2,405
Total General Obligation Bonds	742,869	70,478
Nongeneral Obligation Bonds - 9(d):		
Transportation Debt (3) (4)	3,181,100	170,360
Virginia Public Building Authority (3)	2,374,835	182,730
Total Nongeneral Obligation Bonds	5,555,935	353,090
Other Long-term Obligations:		
Pension Liability	2,114,803	-
OPEB Liability	568,764	-
Compensated Absences	321,520	165,046
Capital Lease Obligations	60,916	11,822
Pollution Remediation Obligations	13,186	2,079
Notes Payable	529	222
Installment Purchase Obligations	113,936	10,901
Economic Development Authority Obligations (3)	57,621	5,425
Other Liabilities	36,632	5,000
Total Other Long-term Obligations	3,287,907	200,495
Total Governmental Activities (3)	9,586,711	624,063
Business-type Activities: (1) (5)		
Nongeneral Obligation Bonds - 9(d):		
Route 460 Funding Corporation of Virginia Bonds	317,305	-
Other Long-term Obligations:		
Pension Liability	57,400	-
OPEB Liability	18,709	-
Compensated Absences	10,102	5,398
Capital Lease Obligations	6,072	364
Tuition Benefits Payable	2,140,430	224,344
Lottery Prizes Payable	152,693	23,317
Total Other Long-term Obligations	2,385,406	253,423
Total Business-type Activities	2,702,711	253,423
Total Primary Government	12,289,422	877,486

Total Long-term Liabilities
June 30, 2014

(Dollars in Thousands)	Balance At June 30	Amount Due Within One Year
Component Units:		
General Obligation Bonds: (2)		
Higher Education Fund - 9(c) Bonds (3)	925,086	47,317
Nongeneral Obligation Bonds:		
Higher Education Institutions - 9(d) (3) (5)	1,826,603	28,078
Virginia College Building Authority (3)	3,286,119	189,005
Virginia Port Authority (3) (6)	494,873	14,840
Virginia Housing Development Authority (3) (5)	4,931,982	255,175
Virginia Resources Authority (3) (7)	3,367,876	139,355
Virginia Public School Authority (3) (5)	3,523,633	227,845
Hampton Roads Sanitation District Commission (5)	766,353	53,644
Virginia Biotechnology Research Park Authority (3)	34,355	3,385
Foundations (5) (8)	1,034,675	28,135
Total Nongeneral Obligation Bonds	19,266,469	939,462
Other Long-term Obligations:		
Pension Liability (9)	1,066,638	-
OPEB Liability (10)	701,715	-
Compensated Absences	280,237	194,147
Capital Lease Obligations	82,189	5,520
Notes Payable (5)	2,067,038	155,080
Installment Purchase Obligations	76,526	15,270
Trust and Annuity Obligations (5) (11)	3,687	-
Other Liabilities (5)	249,042	71,895
Total Other Long-term Obligations (Excluding Foundations)	4,527,072	441,912
Other Long-term Obligations (Foundations): (5) (8)		
Pension Liability	103,591	-
Compensated Absences	11,885	9,581
Capital Lease Obligations	2,601	460
Notes Payable	265,161	14,626
Trust and Annuity Obligations (11)	81,481	3,236
Other Liabilities	169,847	17,849
Total Other Long-term Obligations - Foundations	634,566	45,752
Total Other Long-term Obligations	5,161,638	487,664
Total Component Units	25,353,193	1,474,443
Total Long-term Liabilities	$ 37,642,615	$ 2,351,929

1. Pursuant to GASB Statement No. 34, governmental activities include internal service funds. Business-type activities are considered enterprise funds.
2. Total general obligation debt of the Commonwealth is $1.7 billion.
3. Amounts are net of any unamortized discounts and premiums.
4. This debt includes $807.7 million that is not supported by taxes.
5. This debt is not supported by taxes.
6. This debt includes $272.8 million that is not supported by taxes.
7. This debt is not supported by taxes; however, $831.2 million is considered moral obligation debt.
8. Foundations represent FASB reporting entities defined in Note 1.B.
9. This includes pension obligations that do not relate to the Virginia Retirement System from Virginia Commonwealth University of $2.9 million and Virginia Port Authority of $3.0 million. It does not include pension obligations from fiduciary funds of $16.4 million.
10. This includes OPEB obligations that do not relate to the Virginia Retirement System from University of Virginia of $40.7 million and Virginia Port Authority of $194,709. It does not include OPEB obligations from fiduciary funds of $6.1 million.
11. These generally represent split-interest agreements that represent donor contributed assets with the requirement that an annual distribution be made to the donor or specified beneficiary. The annual distributions are usually for a fixed dollar amount or a fixed percentage of the trust's fair market value. The present value of these commitments is reported as Trust and Annuity Obligations.

Primary Government

Transportation Facilities Debt

Transportation Facilities Bonds include $19.6 million of Section 9(c) general obligation bonds and $3.2 billion of Transportation Facilities Section 9(d) debt. The Section 9(d) debt includes $2.4 billion of Section 9(d) revenue bonds, $60.9 million of outstanding Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes, and $746.8 million of Grant Anticipation Revenue Vehicles (GARVEES) in addition to the outstanding Section 9(d) revenue bonds. 9(c) principal and interest requirements for the current year totaled $3.2 million. 9(d) principal and interest requirements for the current year totaled $292.7 million. The Section 9(c) Transportation Facilities Bonds were issued to fund the construction and improvement of the George P. Coleman Bridge. The Section 9(d) Transportation Facilities Bonds were issued to fund the construction of State Route 28, U.S. Route 58, the Northern Virginia Transportation District Program, and the Oak Grove Connector (Chesapeake). The Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes were issued to finance various capital transportation projects throughout the Commonwealth. The interest rates for these bonds range from 3.0 percent to 5.0 percent and the issuance date was September 28, 2005. The GARVEES were issued to finance various Federal Aid Transportation projects throughout the Commonwealth. The interest rates for these bonds range from 1.0 percent to 5.0 percent and the issuance dates range from March 15, 2012 to November 21, 2013.

The following schedules detail the annual funding requirements necessary to amortize Transportation Facilities 9(c) bonds and 9(d) debt. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $110.2 million for Build America Bonds (BABs) issued. The BABs are applicable to Commonwealth of Virginia Transportation Series 2010A Capital Project Revenue Bonds and Series 2009A Northern Virginia Transportation District Revenue Bonds.

9(c) TRANSPORTATION FACILITIES BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2015	$ 2,405,000	$ 786,100	$ 3,191,100
2016	2,520,000	665,850	3,185,850
2017	2,620,000	568,200	3,188,200
2018	2,730,000	463,400	3,193,400
2019	2,840,000	354,200	3,194,200
2020-2024	6,015,000	363,200	6,378,200
Add:			
Unamortized Premium	501,953	-	501,953
Total	$ 19,631,953	$ 3,200,950	$ 22,832,903

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

Maturity	Principal	Interest	Total
2015	$ 170,360,000	$ 135,179,116	$ 305,539,116
2016	177,490,000	127,368,041	304,858,041
2017	154,620,000	119,502,376	274,122,376
2018	161,220,000	112,146,594	273,366,594
2019	159,380,483	104,936,176	264,316,659
2020-2024	712,845,473	420,593,978	1,133,439,451
2025-2029	648,839,315	251,620,825	900,460,140
2030-2034	483,655,000	120,060,296	603,715,296
2035-2039	219,335,000	16,053,408	235,388,408
Less: Unamortized Discount	(100,420)	-	(100,420)
Add: Accretion on Capital Appreciation Bonds	20,761,750	-	20,761,750
Unamortized Premium	272,692,925	-	272,692,925
Total	$ 3,181,099,526	$ 1,407,460,810	$ 4,588,560,336

Fairfax Economic Development Authority Obligations

In fiscal year 2006, the Fairfax County Economic Development Authority (EDA) issued Section 9(d) revenue bonds to pay for the Commonwealth's (VDOT) costs of the planning, design and construction of a transportation infrastructure and related public safety operations complex to be developed on the contiguous sites in the county commonly referred to as "Camp 30" for the joint use of VDOT and the county. In fiscal year 2014, Fairfax County EDA issued a series of revenue refunding bonds, which partially refunded Series 2006 revenue bonds. The Commonwealth's obligation is set out in a payment agreement between Fairfax County EDA and the Commonwealth of Virginia, Department of Transportation, in which the Commonwealth agrees to make payments equal to the debt service from amounts appropriated by the General Assembly. The interest rates for these bonds range from 1.0 percent to 5.0 percent and the issue dates were April 12, 2006 and March 26, 2014. The principal and interest requirements for the current year totaled $7.8 million. The following schedule details the annual funding requirements necessary to repay these bonds.

FAIRFAX COUNTY ECONOMIC DEVELOPMENT AUTHORITY
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2015	$ 5,425,000	$ 2,399,750	$ 7,824,750
2016	5,590,000	2,237,000	7,827,000
2017	5,870,000	1,957,500	7,827,500
2018	6,165,000	1,664,000	7,829,000
2019	6,470,000	1,355,750	7,825,750
2020-2024	20,645,000	2,060,500	22,705,500
Unamortized Premium	7,456,363	-	7,456,363
Total	$ 57,621,363	$ 11,674,500	$ 69,295,863

Route 460 Funding Corporation of Virginia Debt

At June 30, 2014, Route 460 Funding Corporation of Virginia (nonmajor enterprise) bonds included $231.6 million of Current Interest bonds, $61.8 million of Capital Appreciation bonds, and $4.8 million of accreted value in Capital Appreciation bonds. No principal payments were required for fiscal year 2014; however, interest payments of $12.1 million were paid during fiscal year 2014. An interest payment of $5.9 million is due July 1, 2014, and is therefore recorded as accrued interest payable. On December 20, 2012, the Route 460 Funding Corporation of Virginia issued $231.6 million of Toll Road Senior Revenues Bonds (Current Interest Bonds), Series 2012A. Series 2012A will be maturing in annual installments on July 1 in the years 2045 to 2052 and interest is payable on January 1 and July 1 at rates varying from 5.0 percent to 5.1 percent beginning July 1, 2013 through July 1, 2052. The proceeds of the series 2012A bonds will be used to pay a portion of the costs of the design, construction, and financing of the Project including, without limitation, to pay interest payable on the series 2012A bonds through January 1, 2018, and to pay certain costs of issuance of the Series 2012 Senior Lien Bonds or as otherwise permitted by the Indenture. On December 20, 2012, the Route 460 Funding Corporation of Virginia issued $61.8 million of Toll Road Senior Revenues Bonds (Capital Appreciation Bonds), Series 2012B. Series 2012B will be maturing in annual installments on July 1 in the years 2024 to 2045. The Series 2012B Bonds will not bear current interest but each Series 2012B will accrete in value, compounded semiannually from its date of issuance on January 1 and July 1 at interest rates varying from 3.9 percent to 5.2 percent and interest will be payable only upon maturity or early redemption date. The proceeds of the series 2012B bonds will be used to pay a portion of the costs of the design, construction, and financing of the Project including, without limitation, and to pay certain costs of issuance of the Series 2012 Senior Lien Bonds or as otherwise permitted by the Indenture.

9(d) ROUTE 460 FUNDING CORPORATION OF VIRGINIA BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2015	$ -	$ 11,725,913	$ 11,725,913
2016	-	11,725,913	11,725,913
2017	-	11,725,913	11,725,913
2018	-	11,725,913	11,725,913
2019	-	11,725,913	11,725,913
2020-2024	-	58,629,562	58,629,562
2025-2029	11,630,000	58,629,562	70,259,562
2030-2034	32,205,000	58,629,562	90,834,562
2035-2039	54,095,000	58,629,562	112,724,562
2040-2044	80,940,000	58,629,562	139,569,562
2045-2049	120,045,000	51,826,638	171,871,638
2050-2054	146,950,000	15,443,800	162,393,800
Less: Unaccreted Capital Appreciation Bonds	(147,691,080)	-	(147,691,080)
Add: Unamortized Premium	19,131,141	-	19,131,141
Total	$ 317,305,061	$ 419,047,813	$ 736,352,874

Public Facilities Bonds

Section 9(b) general obligation bonds consist of Public Facilities Bonds, Series 2005A, Series 2006A Refunding, Series 2006B, Series 2007A, Series 2007B, Series 2008A, Series 2008B, Series 2009A, Series 2009D Refunding, Series 2009E, Series 2012A Refunding, Series 2013B Refunding, and Series 2014B Refunding. Bonds were issued to fund construction projects for higher educational institutions, behavioral health, and/or park facilities. The Series 2006A bonds were issued to advance refund outstanding Series 1996 bonds. The Series 2009D bonds were issued to advance refund outstanding Series 2004A, Series 2005A, and Series 2006B bonds. The Series 2012A bonds were issued to advance refund outstanding Series 2002, Series 2003A, Series 2004A, and Series 2005A bonds. The Series 2013B bonds were issued to advance refund outstanding Series 2005A, Series 2006B, Series 2007A, and Series 2007B. The Series 2014B bonds were issued to advance refund outstanding Series 2004B Refunding. Principal and interest requirements for the current year totaled $98.2 million. The interest rates for all bonds range from 2.0 percent to 5.0 percent and the issuance dates range from November 16, 2005, to April 16, 2014. The following schedule details the annual funding requirements necessary to repay these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $4.5 million for Build America Bonds (BABs) issued. The BABs are applicable to Series 2009E Public Facilities Revenue Bonds.

9(b) PUBLIC FACILITIES BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2015	$ 67,225,000	$ 29,475,523	$ 96,700,523
2016	60,795,000	26,489,323	87,284,323
2017	53,110,000	23,632,195	76,742,195
2018	49,815,000	21,041,353	70,856,353
2019	48,940,000	18,757,198	67,697,198
2020-2024	243,035,000	58,906,145	301,941,145
2025-2029	120,255,000	12,348,389	132,603,389
Add: Unamortized Premium	63,017,524	-	63,017,524
Total	$ 706,192,524	$ 190,650,126	$ 896,842,650

Parking Facilities Bonds

Section 9(c) general obligation bonds consist of Parking Facilities Bonds, Series 2009B and 2009D Refunding, and 2012A Refunding. The Series 2009B bonds were issued to fund the construction of a new 1,000 vehicle parking structure at 7th and Franklin Streets. The Series 2009D Refunding bonds were issued to advance refund outstanding Series 2004A bonds. The Series 2012A Refunding bonds were issued to advance refund outstanding Series 2002 Refunding and Series 2004A bonds. The interest rates for these bonds range from 4.0 percent to 5.0 percent, and the issuance dates range from October 21, 2009, to March 7, 2012. Current year principal and interest requirements totaled $1.6 million.

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

9(c) PARKING FACILITIES BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2015	$ 847,843	$ 743,436	$ 1,591,279
2016	722,093	704,073	1,426,166
2017	890,000	667,610	1,557,610
2018	940,000	623,110	1,563,110
2019	985,000	576,110	1,561,110
2020-2024	5,704,045	2,099,173	7,803,218
2025-2029	4,915,000	761,000	5,676,000
Add:			
Unamortized Premium	2,041,348	-	2,041,348
Total	$ 17,045,329	$ 6,174,512	$ 23,219,841

Virginia Public Building Authority

Virginia Public Building Authority Section 9(d) bonds consist of Series 2003A Refunding, 2004A Refunding, 2004B, 2004C Refunding, 2004D Refunding, 2005A Refunding, 2005B Refunding, 2005C, 2005D, 2006A, 2006B, 2007A, 2008B, 2009A, 2009B, 2009C, 2009D Refunding, 2010A, 2010B-1, 2010B-2, 2010B-3 Refunding, 2011A, 2011B, 2012A Refunding, 2013A, and 2013B Refunding. All bonds were issued for the purpose of constructing, improving, furnishing, maintaining, and acquiring public buildings for the use of the Commonwealth and also to reimburse localities, regional jail authorities or other combination of localities under the Regional Jail Financing Program. The Series 2003A were issued to advance refund outstanding Series 1993A bonds. The Series 2004A bonds were issued to advance refund outstanding Series 1994A, 1995, and 1997A bonds. The Series 2004C and 2005A bonds were issued to refinance certain capital lease obligations of the Commonwealth. The Series 2004D bonds were issued to advance refund outstanding Series 1997A, Series 1999B, and Series 2000A bonds. The Series 2005B bonds were issued to advance refund outstanding Series 1996A, Series 1998B, and Series 1999A bonds. The Series 2009D bonds were issued to advance refund outstanding series 2001A and 2002A Revenue bonds. The Series 2010B-3 bonds were issued to advance refund outstanding series 2002A and 2004B Revenue bonds. The Series 2012A bonds were issued to advance refund outstanding series 2004B and 2005C Revenue bonds. The Series 2013B bonds were issued to advance refund 2006A and 2006B revenue bonds. The interest rates for all fixed rate bonds range from 0.1 percent to 5.9 percent and the issuance dates range from February 20, 2003, to February 21, 2013. The Series 2005D bonds are variable rate bonds and the rates are reset weekly by the remarketing agent. Current year principal and interest requirements totaled $276.4 million. The following schedule details the annual funding requirements necessary to repay these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $89.1 million for Build America Bonds (BABs) issued. The BABs are applicable to Series 2010 Revenue Bonds.

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

Maturity	Principal	Interest	Total
2015	$ 182,730,000	$ 100,109,967	$ 282,839,967
2016	180,165,000	91,466,371	271,631,371
2017	164,445,000	83,387,743	247,832,743
2018	147,490,000	75,913,375	223,403,375
2019	131,375,000	69,219,586	200,594,586
2020-2024	633,720,000	256,464,699	890,184,699
2025-2029	580,265,000	113,891,605	694,156,605
2030-2034	207,365,000	13,196,876	220,561,876
Add:			
Unamortized Premium	147,280,622	-	147,280,622
Total	$ 2,374,835,622	$ 803,650,222	$ 3,178,485,844

Component Units

Higher Education Institution Bonds

Higher Education Institution Bonds are comprised of both 9(c) general obligation bonds and 9(d) revenue bonds. Section 9(d) bonds are from several sources as shown on the following schedule (dollars in thousands).

College and university bonds backed by pledge of general revenue or revenue from specific revenue-producing capital projects	$ 1,315,358
College and university debt backed exclusively by pledged revenues of an institution	511,244
Total Higher Education Institution 9(d) debt	$ 1,826,602

The interest rates for these bonds range from 0.1 percent to 6.4 percent and the issuance dates range from April 23, 1982, to May 1, 2014. The Virginia College Building Authority Series 2006B and 2006C bonds, the Virginia Commonwealth University Series 2012A and 2012B bonds, the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – nonmajor) Series 2013A and 2013B bonds, and the University of Virginia Series 2003A bonds are variable rate bonds and the rates are reset weekly by the remarketing agent.

The following schedules detail the annual funding requirements necessary to amortize Higher Education Institution 9(c) and 9(d) bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $343.9 million for Build America Bonds (BABs) issued. The BABs are applicable to General Obligation Series 2010A Bonds, Series 2009F and 2010B 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

Maturity	Principal	Interest	Total
2015	$ 47,317,157	$ 38,052,876	$ 85,370,033
2016	51,072,907	35,509,670	86,582,577
2017	50,525,000	33,381,928	83,906,928
2018	47,660,000	31,069,608	78,729,608
2019	47,780,000	28,948,358	76,728,358
2020-2024	242,030,955	112,534,891	354,565,846
2025-2029	227,440,000	59,380,117	286,820,117
2030-2034	121,810,000	19,361,056	141,171,056
2035-2039	21,730,000	2,449,985	24,179,985
2040-2044	1,785,000	83,895	1,868,895
Add:			
Unamortized Premium	65,935,255	-	65,935,255
Total	$ 925,086,274	$ 360,772,384	$ 1,285,858,658

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

Maturity	Principal	Interest (1)	Total
2015	$ 28,077,894	$ 73,471,769	$ 101,549,663
2016	24,445,775	72,545,158	96,990,933
2017	19,199,307	71,756,286	90,955,593
2018	19,976,785	71,249,566	91,226,351
2019	20,044,933	70,702,567	90,747,500
2020-2024	139,026,764	343,430,562	482,457,326
2025-2029	123,528,154	321,263,215	444,791,369
2030-2034	212,030,242	303,813,784	515,844,026
2035-2039	378,740,000	266,836,245	645,576,245
2040-2044	803,125,000	82,353,763	885,478,763
Add:			
Unamortized Premium	58,407,197	-	58,407,197
Total	$ 1,826,602,051	$ 1,677,422,915	$ 3,504,024,966

Note (1): The future interest requirements exclude any net payments associated with hedging derivative instruments. See Note 14 for more details on hedging derivative instruments.

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

Maturity	Principal	Interest	Total
2015	$ 189,005,000	$ 136,662,955	$ 325,667,955
2016	192,430,000	127,541,779	319,971,779
2017	200,845,000	119,026,124	319,871,124
2018	188,020,000	110,026,808	298,046,808
2019	181,960,000	101,537,020	283,497,020
2020-2024	846,720,000	387,555,751	1,234,275,751
2025-2029	812,155,000	200,036,822	1,012,191,822
2030-2034	441,630,000	42,947,029	484,577,029
Add:			
Unamortized Premium	233,354,353	-	233,354,353
Total	$ 3,286,119,353	$ 1,225,334,288	$ 4,511,453,641

Various higher education institutions' foundations (component units) and a museum foundation (component unit) have bonds outstanding as of year-end. The purpose of a majority of these bonds is for construction, property acquisition, and defeasance of prior debt. The following schedule details the future principal payments.

FOUNDATIONS' BONDS (1)
Debt Service Requirements to Maturity

Maturity	Principal
2015	$ 28,134,993
2016	32,053,388
2017	31,200,509
2018	137,497,269
2019	107,631,212
Thereafter	698,158,216
Total	$ 1,034,675,587

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

Virginia Port Authority

The Virginia Port Authority (VPA) (nonmajor) has issued Section 9(d) revenue bonds and notes pursuant to powers provided to its board of commissioners by the *Code of Virginia*. The interest rates for these bonds range from 0.1 percent to 5.5 percent, and the issuance dates range from June 26, 2003, to October 22, 2013. Series 2006A bonds were issued to advance refund \$22.9 million of outstanding Series 1996 bonds. Series 2010 bonds were issued to currently refund in full the outstanding principal amount of the Authority's Series 2009 Bond Anticipation Note. Series 2012 bonds were issued to currently refund in full the outstanding principal amount of the Authority's Commonwealth Port Fund Revenue Bonds and to pay all or a portion of the expenses incurred with respect to the issuance of the Series 2012 Bonds and the refunding of the Series 2002 Bonds. Series 2012B and 2012C bonds were issued to pay the cost of refunding all or a portion of the Series 2005A and 2005B bonds, and to pay costs of issuance of the 2012B and 2012C bonds. Series 2013 bonds were issued to pay the costs of refunding all or a portion of Series 2003 and 2006 bonds and series 2013 issuance costs. The following schedule details the annual funding requirements necessary to amortize VPA bonds.

9(d) VIRGINIA PORT AUTHORITY DEBT
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2015	$ 14,840,000	$ 19,570,469	$ 34,410,469
2016	15,295,000	19,087,459	34,382,459
2017	16,240,000	18,605,825	34,845,825
2018	16,770,000	18,135,608	34,905,608
2019	17,260,000	17,642,330	34,902,330
2020-2024	95,015,000	79,069,808	174,084,808
2025-2029	107,925,000	59,720,268	167,645,268
2030-2034	106,685,000	37,217,722	143,902,722
2035-2039	85,750,000	9,820,000	95,570,000
2040-2044	8,965,000	453,625	9,418,625
Add:			
Unamortized Premium	10,128,249	-	10,128,249
Total	$ 494,873,249	$ 279,323,114	$ 774,196,363

Virginia Housing Development Authority

The Virginia Housing Development Authority (VHDA) (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 2.1 percent to 6.8 percent and the origination dates range from March 20, 2002, to December 19, 2013. The following schedule details the annual funding requirements necessary to amortize these bonds.

9(d) VIRGINIA HOUSING DEVELOPMENT AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2015	$ 255,174,601	$ 343,041,263	$ 598,215,864
2016	223,075,000	197,617,919	420,692,919
2017	233,340,000	189,665,553	423,005,553
2018	217,105,000	180,953,023	398,058,023
2019	228,660,000	172,692,280	401,352,280
2020-2024	976,945,000	729,174,936	1,706,119,936
2025-2029	682,770,000	554,642,513	1,237,412,513
2030-2034	670,067,564	406,952,612	1,077,020,176
2035-2039	711,181,705	246,653,012	957,834,717
2040-2044	715,041,812	92,062,727	807,104,539
2045-2049	18,825,000	1,156,734	19,981,734
Less: Unamortized Discount	(203,481)	-	(203,481)
Total	$ 4,931,982,201	$ 3,114,612,572	$ 8,046,594,773

Virginia Resources Authority

The Virginia Resources Authority (VRA) (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 0.6 percent to 6.3 percent and the origination dates range from March 1, 2000, to May 21, 2014. The following schedule details the annual funding requirements necessary to amortize these bonds.

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

Maturity	Principal	Interest	Total
2015	$ 139,355,000	$ 141,186,501	$ 280,541,501
2016	147,660,000	135,403,607	283,063,607
2017	163,260,000	128,760,185	292,020,185
2018	173,985,000	121,268,567	295,253,567
2019	155,600,000	113,815,939	269,415,939
2020-2024	781,045,000	460,351,180	1,241,396,180
2025-2029	767,030,000	281,087,388	1,048,117,388
2030-2034	508,010,000	127,853,203	635,863,203
2035-2039	242,605,000	47,033,477	289,638,477
2040-2044	98,180,000	8,237,152	106,417,152
2045-2049	1,535,000	29,688	1,564,688
Less: Unaccreted Capital Appreciation Bonds	(37,350,404)	-	(37,350,404)
Add: Unamortized Premium	226,960,909	-	226,960,909
Total	$ 3,367,875,505	$ 1,565,026,887	$ 4,932,902,392

Virginia Public School Authority

The Virginia Public School Authority (VPSA) (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 0.0 percent to 5.5 percent, and the origination dates range from December 21, 2001, to May 15, 2014. The following schedule details the annual funding requirements necessary to amortize these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $198.3 million for Qualified School Construction Bonds (QSCBs) issued. The QSCBs are applicable to Series 2010-1, 2011-1, 2011-2, and 2012-1 Revenue Bonds.

9(d) VIRGINIA PUBLIC SCHOOL AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2015	$ 227,845,000	$ 144,100,891	$ 371,945,891
2016	228,444,060	136,355,376	364,799,436
2017	224,168,003	125,498,077	349,666,080
2018	217,825,000	114,758,777	332,583,777
2019	209,620,000	104,374,048	313,994,048
2020-2024	939,415,000	379,671,186	1,319,086,186
2025-2029	859,500,000	177,247,731	1,036,747,731
2030-2034	380,455,000	39,914,044	420,369,044
2035-2039	56,165,000	3,742,485	59,907,485
2040-2044	7,000,000	301,597	7,301,597
Add: Unamortized Premium	173,195,609	-	173,195,609
Total	$ 3,523,632,672	$ 1,225,964,212	$ 4,749,596,884

Hampton Roads Sanitation District Commission

The Hampton Roads Sanitation District Commission (nonmajor) issued bonds under a Master Trust Indenture and a Trust Agreement dated December 1, 1993 and March 1, 2008. The interest cost for these bonds range from 0.3 percent to 5.9 percent. The following schedule details the annual funding requirements necessary to amortize these bonds.

HAMPTON ROADS SANITATION DISTRICT COMMISSION
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2015	$ 53,644,000	$ 31,092,000	$ 84,736,000
2016	28,084,000	30,273,000	58,357,000
2017	22,828,000	29,544,000	52,372,000
2018	23,295,000	28,829,000	52,124,000
2019	24,424,000	27,991,000	52,415,000
2020-2024	132,786,000	124,551,000	257,337,000
2025-2029	151,309,000	94,599,000	245,908,000
2030-2034	147,992,000	60,173,000	208,165,000
2035-2039	126,480,000	25,012,000	151,492,000
2040-2044	33,115,000	3,316,000	36,431,000
Add: Unamortized Premium	22,396,000	-	22,396,000
Total	$ 766,353,000	$ 455,380,000	$ 1,221,733,000

Virginia Biotechnology Research Partnership Authority

The Virginia Biotechnology Research Partnership Authority (nonmajor) consists of Series 2009 Commonwealth of Virginia Lease Revenue bonds. Coupon interest rates range from 3.0 percent to 5.0 percent.

VIRGINIA BIOTECH RESEARCH PARTNERSHIP AUTHORITY
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2015	$ 3,385,000	$ 1,370,150	$ 4,755,150
2016	3,525,000	1,231,950	4,756,950
2017	3,665,000	1,088,150	4,753,150
2018	3,815,000	938,550	4,753,550
2019	3,990,000	762,500	4,752,500
2020-2024	13,255,000	1,016,125	14,271,125
Add:			
Unamortized Premium	2,719,599	-	2,719,599
Total	$ 34,354,599	$ 6,407,425	$ 40,762,024

Total principal outstanding at June 30, 2014, on all component unit bonds amounted to $20.2 billion.

The following schedule summarizes the changes in long-term liabilities:

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

(Dollars in Thousands)

	Balance July 1 as restated (3)	Issuances and Other Increases	Retirements and Other Decreases	Subtotal June 30
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	$ 710,115	$ 22,855	$ (89,795)	$ 643,175
Parking Facilities Bonds	15,810	-	(806)	15,004
Transportation Facilities Bonds	21,420	-	(2,290)	19,130
Add: Unamortized Premium	77,359	1,619	(13,418)	65,560
Total General Obligation Bonds	824,704	24,474	(106,309)	742,869
Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Transportation Facilities Bonds	2,800,146	471,425	(383,825)	2,887,746
Virginia Public Building Authority Bonds	2,397,330	-	(169,775)	2,227,555
Regional Jails Financing Payable	837	-	(837)	-
Economic Development Authority Obligations	74,830	55,875	(80,540)	50,165
Add: Unamortized Premium	408,323	72,923	(53,815)	427,431
Accretion on Capital Appreciation Bonds	18,497	2,262	-	20,759
Less: Unamortized Discount	(105)	5	-	(100)
Installment Purchase Obligations	106,367	21,092	(13,523)	113,936
Notes Payable - Transportation	8,000	-	(8,000)	-
Notes Payable - Aviation	764	-	(235)	529
Notes Payable - Tax Refund	20,319	-	(20,319)	-
Compensated Absences	317,528	195,009	(191,017)	321,520
Capital Lease Obligations	71,835	367	(11,286)	60,916
Pension Liability	1,875,011	239,792	-	2,114,803
OPEB Liability	493,443	75,321	-	568,764
Pollution Remediation Liability	3,494	10,002	(310)	13,186
Other	29,606	11,260	(4,234)	36,632
Total Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth	8,626,225	1,155,333	(937,716)	8,843,842
Total Governmental Activities	9,450,929	1,179,807	(1,044,025)	9,586,711
Business-type Activities:				
Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Non-General Obligation Bonds - 9(d)				
Route 460 Funding Corporation of Virginia Bonds	445,865	-	-	445,865
Add: Unamortized Premium	19,673	-	(542)	19,131
Less: Unaccreted Capital Appreciation Bonds	(150,876)	3,185	-	(147,691)
Capital Lease Obligations	6,453	-	(381)	6,072
Compensated Absences	9,727	2,930	(2,555)	10,102
Pension Liability	48,798	8,607	(5)	57,400
OPEB Liability	15,688	3,023	(2)	18,709
Lottery Prizes Payable	172,474	1,529	(21,310)	152,693
Tuition Benefits Payable	2,189,079	79,025	(127,674)	2,140,430
Total Business-type Activities	2,756,881	98,299	(152,469)	2,702,711
Total Primary Government	$ 12,207,810	$ 1,278,106	$ (1,196,494)	$ 12,289,422

Foundations (4)	Balance June 30	Due Within One Year
$ -	$ 643,175	$ 67,225
-	15,004	848
-	19,130	2,405
-	65,560	-
-	742,869	70,478
-	2,887,746	170,360
-	2,227,555	182,730
-	-	-
-	50,165	5,425
-	427,431	-
-	20,759	-
-	(100)	-
-	113,936	10,901
-	-	-
-	529	222
-	-	-
-	321,520	165,046
-	60,916	11,822
-	2,114,803	-
-	568,764	-
-	13,186	2,079
-	36,632	5,000
-	8,843,842	553,585
-	9,586,711	624,063
-	445,865	-
-	19,131	-
-	(147,691)	-
-	6,072	364
-	10,102	5,398
-	57,400	-
-	18,709	-
-	152,693	23,317
-	2,140,430	224,344
-	2,702,711	253,423
$ -	$ 12,289,422	$ 877,486

Continued on next page

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

(Dollars in Thousands)

	Balance July 1 as restated	Issuances and Other Increases	Retirements and Other Decreases	Subtotal June 30
Component Units				
Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
General Obligation Bonds - Higher Education 9(c) (5)	$ 900,492	$ 121,354	$ (96,760)	$ 925,086
Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Bonds (5) (6)	18,417,027	2,234,500	(2,419,733)	18,231,794
Installment Purchase Obligations	86,315	10,917	(20,706)	76,526
Capital Lease Obligations	85,631	1,954	(5,396)	82,189
Notes Payable (7)	2,057,305	174,577	(164,844)	2,067,038
Compensated Absences (8)	265,285	273,258	(258,306)	280,237
Pension Liability (9)	920,606	150,842	(4,810)	1,066,638
OPEB Liability	582,714	119,142	(141)	701,715
Trust and Annuity Obligations	3,058	629	-	3,687
Other	282,755	859,470	(893,183)	249,042
Total Component Units	$ 23,601,188	$ 3,946,643	$ (3,863,879)	$ 23,683,952

Note (1) Pursuant to GASB Statement No. 34, governmental activities include internal service funds. Business-type activities are considered enterprise funds.

Note (2) Payments on bonded debt that pertain to the Commonwealth's governmental activities are made through the debt service funds. Payments for installment purchases, compensated absences, capital leases, pension, and other obligations that pertain to the Commonwealth's governmental activities are made through the general and all special revenue funds, excluding the Literary Fund (major). Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the total for governmental activities. Enterprise funds, or business-type activities, are self-supporting funds. Accordingly, long-term liabilities are paid from each respective fund.

Note (3) Bonds payable of the primary government have been restated by $61,033 (dollars in thousands) for the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Note (4) Foundations represent FASB reporting entities defined in Note 1.B.

Note (5) Amounts are net of any unamortized discounts and premiums.

Note (6) Bonds payable of component units have been restated for the implementation of GASB Statement No. 65 for the following: Virginia College Building Authority (major) for $12,646 (dollars in thousands); higher education institutions (nonmajor) for $96,197 (dollars in thousands); Virginia Housing Development Authority (major) for $17,754 (dollars in thousands), Virginia Public School Authority (major) for $97,440 (dollars in thousands), and other nonmajor component units for $9,402 (dollars in thousands). These restatements are for prior year's deferral on debt defeasance amounts that are no longer netted with the debt and are reported as deferred outflows of resources for losses and deferred inflows of resources for gains.

Note (7) Notes payable amount of $121,876 (dollars in thousands) has been reclassified as follows: Virginia Housing Development Authority (major) of $151,046 (dollars in thousands) reclassified to short-term debt; higher education institutions (nonmajor) of $30,124 (dollars in thousands) for the implementation of GASB Statement No. 65; and Virginia Biotechnology Research Partnership Authority (nonmajor) of $954 (dollars in thousands) reclassified to short-term debt.

Note (8) The Fort Monroe Authority (nonmajor) restated compensated absences by $38,824. This amount was reported as accounts payable in fiscal year 2013.

Note (9) Pension liability has been restated by $3,906 (dollars in thousands) due to a change in accounting principle for the Virginia Port Authority (nonmajor).

Foundations (4)	Balance June 30	Due Within One Year
$ -	$ 925,086	$ 47,317
1,034,675	19,266,469	939,462
-	76,526	15,270
2,601	84,790	5,980
265,161	2,332,199	169,706
11,885	292,122	203,728
103,591	1,170,229	-
-	701,715	-
81,481	85,168	3,236
169,847	418,889	89,744
$ 1,669,241	$ 25,353,193	$ 1,474,443

Bond and Note Defeasance

Primary Government

In February 2014, the Commonwealth Transportation Board issued $54.6 million in Transportation Revenue Refunding Bonds Series 2014A and $143.4 million in Transportation Revenue Refunding Bonds Series 2014B with a varying interest rate of 3.0 to 5.0 percent. The bonds that were refunded include $61.5 million of Series 2004A and $161.4 million of Series 2004B. The net proceeds from the sale of the Refunding Bonds of $228.5 million (after payment of underwriter's fees and other issuance costs) were deposited into an irrevocable trust with an escrow agent to provide future debt service payments on the Refunded Bonds and to pay the costs related to issuance and refunding. As a result, the Refunded Bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by $5.3 million. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt or the new debt, whichever is shorter. Total debt service payments will be reduced by $31.2 million resulting in an economic gain of $29.4 million.

In March 2014, Virginia Department of Transportation and Fairfax County Economic Development Authority issued $55.9 million in Camp 30 Commonwealth of Virginia Lease Revenue Refunding Bonds Series 2014 with a varying interest rate of 1.0 to 5.0 percent. The bonds that were refunded include $61.5 million of Series 2006A. The net proceeds from the sale of the Refunding bonds of $82.5 million were deposited into an irrevocable trust with an escrow agent to provide future debt service payments on the Refunded Bonds and to pay the costs related to issuance and refunding. As a result, the Refunded Bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by $7.7 million. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt or the new debt, whichever is shorter. Total debt service payments will be reduced by $12.8 million resulting in and economic gain of $7.9 million.

In April 2014, the Commonwealth issued $64.8 million General Obligation Refunding Bonds, Series 2014B, pursuant to Sections 9(b) and 9(c) of Article X of the Constitution of Virginia, with a true interest cost (TIC) of 0.9 percent to refund $69.8 million of certain outstanding bonds. The bonds that were refunded include $46.0 million of outstanding Higher Education Institution Bonds, Series 2004B and $23.8 million of Public Facilities Bonds, Series 2004B. The net proceeds from the sale of the Refunding Bonds of $71.5 million (after payment of underwriter's fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the refunded bonds. The debt defeasance resulted in an accounting loss of $5.1 million. It will, however, reduce total debt service payments over the next six years by $6.6 million, resulting in an economic gain of $6.3 million discounted at the rate of 2.4 percent.

Component Units

Higher education institutions (nonmajor) participate in the Virginia College Building Authority Pooled Bond Program.

In November 2013, the Virginia College Building Authority (VCBA) (nonmajor) issued $9.1 million of Series 2013B Pooled Bond Program refunding notes. The notes were issued to refund $6.5 million of Series 2006A and $1.6 million of Series 2009A Pooled Bond Program notes. The net proceeds from the sale of the refunding notes of $9.1 million were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the defeased notes. This defeasance resulted in an accounting loss of $850,000. Total debt service payments over the next 16 years will be increased by $621,357 resulting in a present value loss of $467,346 discounted at the rate of 3.5 percent.

In May 2014, VCBA issued $28.0 million of Series 2014B 21st Century College and Equipment Programs refunding bonds. The bonds were issued to refund $25.0 million of Series 2004B and $4.8 million of Series 2005A 21st Century College and Equipment Programs bonds. The net proceeds from the sale of the refunding bonds of $30.6 million were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the defeased bonds. This defeasance resulted in an accounting loss of $964,000. Total debt service payments over the next 11 years will be reduced by $2.8 million resulting in a present value savings of $2.8 million discounted at the rate of 2.7 percent.

Virginia Commonwealth University (nonmajor) issued $12.2 million of Series 2014B to refund $12.0 million of Series 2004A. For additional information regarding these refundings, see the institution's individually published financial statements.

GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of June 30, 2014, there were $460.9 million in bonds from the primary government that have been refunded and defeased in-substance from the governmental activities column by placing existing assets and the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments. In addition, there were $1.4 billion in bonds and notes outstanding considered defeased from the component units.

Arbitrage Rebate

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

Although rebatable arbitrage need only be calculated for tax purposes every fifth year that debt is outstanding, and consistent with modified accrual basis of accounting, is not recognized as a liability in governmental funds until amounts actually become due and payable, a liability is recognized in accrual basis government-wide statements as soon as the underlying event has occurred. Accordingly, as of June 30, 2014, the Commonwealth has recognized a government-wide liability of $1.2 million and the Virginia Resources Authority (major component unit) has recognized a liability of $631,080.

Amounts remitted to the federal government for rebate liability are generally paid from earnings derived from the issue. However, if all proceeds (including earnings) have been expended and depending on the type of issue, it may be necessary to use project revenues or general or nongeneral fund appropriations to satisfy any rebate liability. During fiscal year 2014, no rebate payments were owed on the Commonwealth's General Obligation Bonds, Virginia Public Building Authority, Commonwealth Transportation Board, or the Virginia College Building Authority 21st Century or Pooled Bond Programs, Virginia Public School Authority, or the Commonwealth Transportation Board.

Capital Leases

The Commonwealth leases buildings and equipment under various agreements that are accounted for as capital leases. The lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

Gross minimum lease payments, together with the present value of the net minimum lease payments as of June 30, 2014, are shown in the following table (dollars in thousands).

	Governmental Activities	Business-Type Activities	Component Units (1)
2015	$ 16,222	$ 547	$ 8,432
2016	16,044	561	8,767
2017	9,035	575	7,085
2018	8,100	589	6,771
2019	6,017	604	6,367
2020-2024	19,318	3,252	27,771
2025-2029	2,362	3,679	26,069
2030-2034	2,110	4,163	18,500
2035-2039	2,291	4,710	720
2040-2044	1,369	5,329	837
2045-2049	-	4,762	1,242
Total Gross Minimum Lease Payments	82,868	28,771	112,561
Less: Amount Representing Executory Costs	(7,578)	-	-
Net Minimum Lease Payments	75,290	28,771	112,561
Less: Amount Representing Interest	(14,374)	(22,699)	(30,372)
Present Value of Net Minimum Lease Payments	$ 60,916	$ 6,072	$ 82,189

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

	Foundations (2)
2015	$ 465
2016	456
2017	351
2018	311
2019	302
Thereafter	1,027
Net Minimum Lease Payments	2,912
Less: Amount Representing Interest	(311)
Present Value of Net Minimum Lease Payments	$ 2,601

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

At June 30, 2014, assets purchased under capital leases were included in depreciable capital assets as follows (dollars in thousands). The amounts are net of accumulated depreciation where applicable. For a portion of these assets, ownership will pass to the Commonwealth at the end of the lease term.

	Buildings	Equipment	Total
Governmental Activities:			
Gross Capital Assets	$ 166,837	$ 3,905	$ 170,742
Less: Accumulated Depreciation	(67,304)	(1,987)	(69,291)
Total Governmental Activities	$ 99,533	$ 1,918	$ 101,451
Business-Type Activities:			
Gross Capital Assets	$ 8,800	$ -	$ 8,800
Less: Accumulated Depreciation	(701)	-	(701)
Total Business-Type Activities	$ 8,099	$ -	$ 8,099
Component Units:			
Gross Capital Assets	$ 131,872	$ 3,804	$ 135,676
Less: Accumulated Depreciation	(42,811)	(1,836)	(44,647)
Subtotal (excluding Foundations)	89,061	1,968	91,029
Foundations:			
Gross Capital Assets	2,655	662	3,317
Less: Accumulated Depreciation	(569)	(287)	(856)
Subtotal Foundations	2,086	375	2,461
Total Component Units (3)	$ 91,147	$ 2,343	$ 93,490

Note (3): Land purchased under capital leases by the University of Virginia (nonmajor) is $8,095 (dollars in thousands).

Notes Payable

Notes Payable consist of several items as shown in the following schedule (dollars in thousands):

Primary Government	
Aviation Note	$ 529
Installment Notes	113,936
Total Primary Government	114,465
Component Units	
Virginia Public School Authority	174,975
Virginia Resources Authority	1,737
Nonmajor Component Units	1,890,326
Installment Notes	76,526
Subtotal (excluding Foundations)	2,143,564
Foundations:	
Notes Payable	265,161
Subtotal - Foundations	265,161
Total Component Units	2,408,725
Total Notes Payable	$ 2,523,190

The Aviation (primary government) Note represents a loan agreement with the Virginia Resources Authority (major component unit) with an outstanding balance of $529,145. The purpose of the loan was to finance and refinance grants-in-aid made to the Peninsula Airport Commission to provide funding for capital improvements at the Newport News/Williamsburg International Airport. The principal amount shall be paid semi-annually with the final payment due in 2017.

The Virginia Public School Authority (major component unit) notes of $175.0 million are for the School Equipment Financing Notes Educational Technology program. The note proceeds were used to make grants to school divisions for the purchase of educational technology equipment. The notes will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund (major special revenue fund).

The Virginia Resources Authority (major component unit) notes of $1.7 million are Equipment and Term Financing loans.

An additional amount of $1.9 billion is comprised primarily of higher education institutions' (nonmajor component unit) promissory notes with the Virginia College Building Authority (VCBA) (major component unit) to finance the construction of various higher education facilities. Interest rates range from 1.0 percent to 5.6 percent and shall be paid semi-annually. The final principal payment is due in 2043. The following higher education institutions (nonmajor component units) reported notes payables primarily for construction: University of Virginia $53,000; Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – nonmajor component unit) $19.5 million, which includes $11.7 million reported by the University Health Services (a component unit of the Authority); Virginia State University $1.2 million; Norfolk State University $132,066; and the Institute for Advanced Learning and Research $902,429.

Various foundations (component units) have notes outstanding as of year-end. The purpose of a majority of these notes is for property acquisition, working capital, and construction. Future principal payments as of June 30, 2014, are shown in the following table (dollars in thousands).

Foundations' Notes Payable (Component Units) (1)

Maturity	Principal
2015	$ 14,627
2016	70,864
2017	89,274
2018	19,783
2019	3,260
Thereafter	67,353
Total	$ 265,161

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

Installment purchase obligations have been entered into by agencies and institutions of the Commonwealth. These agreements, other than those in the component units and certain institutions of higher education, contain nonappropriation clauses indicating that continuation of the installment purchase obligations is subject to funding by the General Assembly. Installment purchase obligations represent $190.5 million of the total outstanding debt of the Commonwealth. Presented in the following tables are repayment schedules for installment purchase obligations as of June 30, 2014.

Installment Purchase Obligations - Governmental Funds
June 30, 2014

Maturity	Principal	Interest	Total
2015	$ 10,901,165	$ 2,885,153	$ 13,786,318
2016	11,840,338	3,022,462	14,862,800
2017	11,574,491	2,664,432	14,238,923
2018	11,049,572	2,353,370	13,402,942
2019	10,786,064	2,052,375	12,838,439
2020-2024	39,528,534	6,184,917	45,713,451
2025-2029	17,255,473	1,140,503	18,395,976
2030-2034	999,932	29,425	1,029,357
Total	$ 113,935,569	$ 20,332,637	$ 134,268,206

Installment Purchase Obligations - Component Units

Maturity	Principal	Interest	Total
2015	$ 15,270,312	$ 1,542,159	$ 16,812,471
2016	12,297,256	1,296,257	13,593,513
2017	11,673,164	1,043,281	12,716,445
2018	11,513,594	802,184	12,315,778
2019	9,202,087	556,080	9,758,167
2020-2024	14,131,028	1,068,160	15,199,188
2025-2029	2,439,532	133,016	2,572,548
Total	$ 76,526,973	$ 6,441,137	$ 82,968,110

The foundations (component units) had no installment purchase obligations as of June 30, 2014.

Lottery Prizes Payable

Lottery prizes are paid in 20, 25, 26, or 30 installments. The first installment is paid on the day the prize is claimed. The subsequent annual payments are funded with U.S. Treasury STRIPS purchased by the Virginia Lottery. For Life prizes payable represent estimated prizes payable monthly, quarterly or annually for the life of the winner based on life expectancy tables from the Virginia Bureau of Insurance, and funded with a pool of U.S. Treasury STRIPS.

Lottery prizes payable represent the future annual prize payments valued at cost plus accrued interest (present value of securities held to maturity) of the investment securities funding the payments.

Lottery prizes payable for the fiscal year ended June 30, 2014, are shown in the following table:

	Jackpot	Win For Life	Total
Due within one year	$ 18,382,862	$ 4,934,615	$ 23,317,477
Due in subsequent years	66,380,004	62,996,108	129,376,112
Total (present value)	84,762,866	67,930,723	152,693,589
Add:			
Interest to Maturity	30,477,134	37,705,277	68,182,411
Lottery Prizes Payable at Maturity	$ 115,240,000	$ 105,636,000	$ 220,876,000

Tuition Benefits Payable

The Virginia College Savings Plan administers the Virginia 529 prePAID Program. Virginia 529 prePAID offers contracts which, for actuarially determined amounts, provide for guaranteed full future tuition payments at state higher education institutions. The contract provisions also allow the benefits to be used for private or out-of-state institutions at a prorated amount based upon the amounts charged by the state's higher education institutions.

At June 30, 2014, tuition benefits payable of $2.1 billion have been recorded for the Virginia 529 prePAID Program on the balance sheet for the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for the Virginia 529 prePAID program. In addition, a receivable in the amount of $217.8 million has been recorded to reflect the actuarially determined present value of future payments anticipated from contract holders.

27. OTHER REVENUE

The following table (dollars in thousands) summarizes Other Revenue for the fiscal year ended June 30, 2014.

	Assessments and Receipts for Support of Special Services	Fines, Forfeitures, Court Fees, Penalties, and Escheats	Receipts from Cities Counties, and Towns	Private Gifts, Grants, and Contracts	Sales of Property
Primary Government:					
General	$ 959	$ 212,254	$ 16,317	$ 423	$ 30,679
Major Special Revenue Funds:					
Commonwealth Transportation	19,189	11,603	79,937	9,872	2,764
Federal Trust	-	95,347	-	-	222
Literary	-	63,085	-	-	-
Nonmajor Governmental Funds	112,329	52,946	66,553	7,517	22,654
Major Enterprise Funds:					
Unemployment Compensation	-	121	-	-	-
Nonmajor Enterprise Funds	-	13,628	-	-	-
Internal Service Funds	-	-	-	-	-
Private Purpose Trust Funds	-	-	-	-	-
Pension and Other Employee Benefit Trust	-	-	-	-	-
Total Primary Government	$ 132,477	$ 448,984	$ 162,807	$ 17,812	$ 56,319

	Tobacco Master Settlement	Taxes	E-Z Pass	Other (1)	Total Other Revenue
Primary Government:					
General	$ 48,693	$ -	$ -	$ 184,308	$ 493,633
Major Special Revenue Funds:					
Commonwealth Transportation	-	-	11,760	2,773	137,898
Federal Trust	-	-	-	143,457	239,026
Literary	-	-	-	75,244	138,329
Nonmajor Governmental Funds	-	-	-	90,586	352,585
Major Enterprise Funds:					
Unemployment Compensation	-	-	-	-	121
Nonmajor Enterprise Funds	-	3,983	-	808	18,419
Internal Service Funds	-	-	-	2	2
Private Purpose Trust Funds	-	-	-	1	1
Pension and Other Employee Benefit Trust	-	-	-	796	796
Total Primary Government	$ 48,693	$ 3,983	$ 11,760	$ 497,975	$ 1,380,810

Note (1): $136,810 (dollars in thousands) is related to prior year expenditures refunded in the current fiscal year for the General Fund. $129,099 (dollars in thousands) is related to indirect costs and prior year expenditures refunded in the current fiscal year in the Federal Trust Fund. $75,000 (dollars in thousands) of the total amount recorded for the Literary Fund is related to unclaimed property.

28. PRIZES AND CLAIMS

The following table summarizes Prizes and Claims Expense for the fiscal year ended June 30, 2014.

(Dollars in Thousands)

	Insurance Claims	Lottery Prize Expense	Total Prizes and Claims
Proprietary Funds:			
Major Enterprise Funds:			
Virginia Lottery	$ -	$ 1,072,636	$ 1,072,636
Unemployment Compensation	535,731	-	535,731
Nonmajor Enterprise Funds	302,496	-	302,496
Total Enterprise Funds	$ 838,227	$ 1,072,636	$ 1,910,863
Internal Service Funds	$ 1,177,130	$ -	$ 1,177,130

29. OTHER EXPENSES

The following table summarizes Other Expenses for the fiscal year ended June 30, 2014.

(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	$ -	$ 427	$ 2,146	$ 2,573
Nonmajor Enterprise Funds	91	2,332	976	3,399
Total Enterprise Funds	$ 91	$ 2,759	$ 3,122	$ 5,972
Internal Service Funds	$ 1,551	$ 2,035	$ 8,532	$ 12,118
Pension and Other Employee Benefit Trust (2)	$ -	$ -	$ 9,047	$ 9,047

Note (1): $7,840 (dollars in thousands) can be attributed to expenses related to closing cases and cyber insurance in the Risk Management internal service fund. $2,146 (dollars in thousands) can be attributed to the SOAR scholarship program for Virginia College Savings Plan Fund.

Note (2): Fiduciary expenses of $9,047 (dollars in thousands) are not included in the Government-wide Statement of Activities.

30. OTHER NON-OPERATING REVENUE/EXPENSES

The following table summarizes Other Non-Operating Revenue/Expenses for the fiscal year ended June 30, 2014.

(Dollars in Thousands)

	Loss on Sale of Capital Assets	Expenses for Securities Lending Transactions	Interest Expense	Federal Unemployment Tax Act	Other (1)	Total Other Non-Operating Revenue/ (Expenses)
Proprietary Funds:						
Major Enterprise Funds:						
Virginia Lottery	$ -	$ (278)	$ -	$ -	$ 358	$ 80
Virginia College Savings Plan	-	-	(153)	-	-	(153)
Unemployment Compensation	-	-	-	315	-	315
Nonmajor Enterprise Funds	-	-	(11,830)	-	8,704	(3,126)
Total Enterprise Funds	$ -	$ (278)	$ (11,983)	$ 315	$ 9,062	$ (2,884)
Internal Service Funds	$ 1,598	$ -	$ (3,162)	$ -	$ 277	$ (1,287)

Note (1): Other Non-Operating Revenue/Expenses of the nonmajor enterprise funds are comprised of $9,088 (dollars in thousands) reported by the Department of Alcoholic Beverage Control and offset by $384 (dollars in thousands) of expenses reported by the Route 460 Funding Corporation of Virginia.

31. SPECIAL ITEM

The Commonwealth authorized an Internal Service Fund to account for the activities associated with the development and operation of the Commonwealth's Performance Budgeting and Cardinal (General Ledger replacement) Systems. Prior to the authorized establishment of the Internal Service Fund, the related activities were reported in the Other Special Revenue Fund (nonmajor governmental fund). For fiscal year 2014, Cardinal (General Ledger replacement) Systems had a transfer of assets and working capital advance that occurred in June 2014 as a result of this authorized reporting change.

32. TRANSFERS

The following table summarizes Transfers In and Transfers Out for the fiscal year ended June 30, 2014 (dollars in thousands).

	Transfers In (Reported In):				
Transfers Out (Reported In):	**General**	**Commonwealth Transportation**	**Federal Trust**	**Literary**	**Nonmajor Governmental Funds**
Primary Government					
General	$ -	$ 65,493	$ 115	$ -	$ 404,291
Major Special Revenue Funds:					
Commonwealth Transportation	25,569	-	67	-	339,434
Federal Trust	308	15,561	-	-	9,834
Nonmajor Governmental Funds	62,138	-	2,090	-	1,858
Major Enterprise Funds:					
Virginia Lottery	538,552	-	-	9,834	-
Virginia College Savings Plan	197	-	-	-	-
Unemployment Compensation	-	-	11,148	-	-
Nonmajor Enterprise Funds	149,134	-	-	32	15,153
Internal Service Funds	1,113	-	-	-	9,427
Total Primary Government	$ 777,011	$ 81,054	$ 13,420	$ 9,866	$ 779,997

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

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

Various nongeneral funds transferred approximately $4.4 million to the General Fund as required by Chapter 1, 2014 Special Session I, Acts of Assembly.

Nonmajor Enterprise Funds	Internal Service Funds	Total Primary Government
$ -	$ -	$ 469,899
-	388	365,458
49	-	25,752
300	-	66,386
-	-	548,386
-	-	197
-	-	11,148
-	-	164,319
-	-	10,540
$ 349	$ 388	$ 1,662,085

33. ON-BEHALF PAYMENTS

Higher education institutions (nonmajor component units) received various on-behalf payments from foundations primarily for salary supplements and stipends during fiscal year 2014. Since the foundations are included as part of the higher education entity, most on-behalf payments were considered intrafund and were eliminated from the financial statements. On-behalf payments not eliminated for fiscal year 2014 totaled $43,479 and were recorded as program revenue – operating grants and contributions with corresponding expenses.

34. ENDOWMENTS

Donor restricted endowments reside primarily within the higher education institutions. The net appreciation available for expenditure is $1.4 billion. Of this amount, $1.3 million is reported as unrestricted net position and the remainder is reported as restricted net position. The *Code of Virginia* authorizes acceptance of donations. The governing boards of these entities and the donor agreements determine whether net appreciation can be spent and the accepted spending rate. These policies are entity specific and vary with each institution.

35. CASH FLOWS – ADDITIONAL DETAILED INFORMATION

The following table (dollars in thousands) summarizes specific cash flows for the fiscal year ended June 30, 2014.

Cash Flows Resulting from:	Virginia Lottery	Virginia College Savings Plan	Unemployment Compensation
Payments for Prizes, Claims, and Loss Control:			
Lottery Prizes	$ (1,173,142)	$ -	$ -
Claims and Loss Control	-	-	(560,891)
Total	$ (1,173,142)	$ -	$ (560,891)
Other Operating Revenue:			
Other Operating Revenue	$ -	$ -	$ 25
Total	$ -	$ -	$ 25
Other Operating Expense:			
Other Operating Expenses (1)	$ -	$ (2,880)	$ -
Total	$ -	$ (2,880)	$ -
Other Noncapital Financing Receipt Activities:			
Advances/Contributions from the Commonwealth	$ -	$ -	$ -
Receipts from Taxes	-	-	-
Other Noncapital Financing Receipt Activities	720	-	771
Total	$ 720	$ -	$ 771
Other Noncapital Financing Disbursement Activities:			
Repayments of Advances/Contributions from the Commonwealth	$ -	$ -	$ -
Other Noncapital Financing Disbursement Activities	-	-	-
Total	$ -	$ -	$ -
Other Capital and Related Financing Disbursement Activities:			
Other Capital and Related Financing Disbursement Activities	$ -	$ -	$ -
Total	$ -	$ -	$ -

Note (1): $2,880 (dollars in thousands) can be attributed to disbursements related to Virginia College Savings Plan for the SOAR scholarship. Also, $7,840 (dollars in thousands) can be attributed to disbursements related to closing cases and cyber insurance in the Risk Management internal service fund.

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
$ -	$ (1,173,142)	$ -
(298,783)	(859,674)	(1,179,164)
$ (298,783)	$ (2,032,816)	$ (1,179,164)
$ 9,405	$ 9,430	$ 1
$ 9,405	$ 9,430	$ 1
$ (2,223)	$ (5,103)	$ (11,216)
$ (2,223)	$ (5,103)	$ (11,216)
$ 26,563	$ 26,563	$ -
203,531	203,531	-
525	2,016	240
$ 230,619	$ 232,110	$ 240
$ (31,265)	$ (31,265)	$ (7,930)
(61)	(61)	-
$ (31,326)	$ (31,326)	$ (7,930)
$ -	$ -	$ (1,500)
$ -	$ -	$ (1,500)

36. TOBACCO SETTLEMENT AND SECURITIZATION

On November 23, 1998, 46 states' Attorneys General and the major tobacco companies signed a proposed settlement that reimburses states for smoking-related medical expenses paid through Medicaid and other health care programs. At the time of the settlement, it was estimated that the Commonwealth could receive approximately $4.1 billion over the duration of the settlement. The settlement was approved in a Consent Decree in December 1998. On March 29, 1999, the General Assembly enacted a law approving the establishment of the Virginia Tobacco Indemnification and Community Revitalization Commission (Commission) (nonmajor component unit), in compliance with the Consent Decree, to help communities in Virginia hurt by the decline of tobacco.

The Commission was established for the purposes of determining the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund. The monies are to be used to provide payments to tobacco farmers as compensation for the tobacco equipment and barns and lost tobacco production opportunities associated with a decline in quota. The monies are also to be used to revitalize tobacco dependent communities.

The General Assembly also created the Virginia Foundation for Healthy Youth (Foundation) (nonmajor component unit). The purpose of the Foundation is to determine the appropriate recipients of monies in the Virginia Tobacco Settlement Fund. The Foundation will also be responsible for distributing monies for the purposes provided in the legislation. Disbursements can be made to assist in financing efforts to restrict the use of tobacco products by minors, through educational and awareness programs describing the health effects of tobacco use on minors, and laws restricting the distribution of tobacco products to minors.

Additionally, the General Assembly created two special non-reverting funds. The Tobacco Settlement monies were accounted for in these funds and in the General Fund. Of the Settlement monies, 50.0 percent was deposited into the Tobacco Indemnification and Community Revitalization Fund at the Commission and 10.0 percent continues to be deposited into the Virginia Tobacco Settlement Fund at the Foundation. The remaining 40.0 percent continues to be reported in the General Fund.

Pursuant to Purchase and Sale Agreements executed in 2005 and 2007, the Commonwealth, acting as an agent on behalf of the Commission, sold the Commission's future right, title and interest in the Tobacco Settlement Revenues (TSRs) to the Tobacco Settlement Financing Corporation (Corporation) (related organization).

Consideration paid by the Corporation to the Commission for TSRs consisted of a cash amount deposited into an endowment to fund the long-term spending plan approved by the Commission. Bonds issued by the Corporation to finance the purchase price are asset-backed instruments secured solely by the Corporation's right to receive TSRs. At the time of issuance these revenues were expected to produce sufficient funds to repay the bond obligations issued by the Corporation.

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

37. SERVICE CONCESSION ARRANGEMENTS

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, describes the criteria for when an arrangement is classified as a Service Concession Arrangement (SCA). The basic criteria are: the operator of the capital asset owned by the transferor has the right to provide services in exchange for significant consideration; the operator's revenue must come from a third party; the transferor must retain some level of control over the asset; and the transferor must receive significant residual interest at the conclusion of the arrangement.

The Commonwealth of Virginia has four SCAs as of June 30, 2014: Pocahontas 895, the 495 Express Lanes, Elizabeth River – Midtown Tunnel, and the 95 Express Lanes. They are all related to highway construction and operation and were established per the Public-Private Transportation Act of 1995, as amended (PPTA). PPTA project goals are to provide highway projects to the public in a timely and cost effective manner with private funding and support.

Pocahontas 895

On June 21, 2006, the Pocahontas Parkway Association (Association – previously reported as a blended component unit of the Virginia Department of Transportation (VDOT), part of primary government) signed an agreement with Transurban (895) LLC (Transurban). Under the terms of the agreement, all assets and rights of the Association under the Comprehensive Agreement with VDOT were transferred to Transurban. In exchange for the existing toll road and other assets, Transurban transferred sufficient funds and securities to pay or defease all outstanding bonds of the Association and pay all other outstanding obligations owed to VDOT. Additionally, Transurban agreed to construct an enhancement to the original toll road, and this enhancement was completed and placed in service in 2011.

During the 99-year agreement term, VDOT will have fee title or good and valid interest in the asset. VDOT retains the right of inspection of the asset and has outlined maximum toll charges and increases in the terms of the agreement. Capital assets of $337.2 million and deferred inflow balances of $523.8 million are included in the government-wide financial statements. No contractual liabilities exist for this arrangement as of June 30.

During fiscal year 2014, the Transurban Board approved the transfer of Pocahontas 895 to the lenders of the asset due to lower revenues than anticipated. On May 15, 2014, DBi Services assumed control of Pocahontas 895.

495 Express Lanes

On December 19, 2007, VDOT signed an 80-year public-private partnership agreement with Capital Beltway Express, LLC. The purpose of this agreement is to build new express lanes to provide users with a faster and more reliable travel option. The construction of the express lanes was completed in November 2012.

During the 80-year agreement, VDOT maintains regulatory control and jurisdiction of the express lanes. VDOT will have fee title or good and valid interest in the express lanes. The lanes will remain open for the public as long as the applicable tolls are paid. Capital assets of $989.5 million and deferred inflows of $1.0 billion are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement.

Elizabeth River – Midtown Tunnel

On December 5, 2011, VDOT signed a 58-year public private partnership agreement with Elizabeth River Crossings OPCO, LLC. The purposes of this agreement are to build and operate a new tunnel that will be adjacent to the existing Midtown Tunnel for crossing the Elizabeth River, provide improvements to the existing Midtown Tunnel and the Downtown Tunnel, and to provide various extensions and improvements of the MLK Freeway and I-264.

During the agreement, Elizabeth River Crossings OPCO, LLC will operate and maintain the road. The revenue source for the concessionaire will be toll collections which will be used for maintenance, operating and return on investment for constructing the project. At the end of the 58-year term, control of and the rights to operate the facilities will revert back to VDOT. Since assets related to this project will not be operational until fiscal year 2017, no capital assets, liabilities, or deferred inflows of resources have been included in the financial statements.

95 Express Lanes

On July 31, 2012, VDOT signed a 73-year public private partnership agreement with 95 Express Lanes, LLC. This project will create approximately 29 miles of Express Lanes on I-95 in Northern Virginia. The project will also add capacity to the existing HOV Lanes.

During the agreement, 95 Express Lanes LLC will operate and maintain the road. The revenue source for the concessionaire will be toll collections which will be used for maintenance, operating and return on investment for constructing the project. At the end of the 73-year term, control of and the rights to operate the facilities will revert back to VDOT. Since assets related to this project will not be operational until fiscal year 2015, no capital assets, liabilities, or deferred inflows of resources have been included in the financial statements.

38. INFORMATION TECHNOLOGY INFRASTRUCTURE PARTNERSHIP – NORTHROP GRUMMAN

The Comprehensive Infrastructure Agreement (CIA) is a contract, executed on November 13, 2005, between the Commonwealth of Virginia (Commonwealth) acting through the Virginia Information Technologies Agency (VITA) and Northrop Grumman Systems Corporation (NG). The Commonwealth's primary goal is to significantly improve the Commonwealth's IT infrastructure and the manner in which such infrastructure is operated, supported, and maintained for the following service towers: Cross-Functional Services, Desktop Computing Services, Data Network Services, Voice and Video Telecom Services, Mainframe and Server Services, Help Desk Services, Messaging Services, Security Services, Internal Application Services, and Data Center facilities.

On March 31, 2010, contract revisions to the CIA were completed between the Commonwealth and Northrop Grumman. As a result of the contract changes, the Commonwealth renewed the contract for an additional three years, the parties established the products and services covered in the contractual cap including the baseline quantities to be billed and the prices at which those quantities will be billed, a shortened formula for contract year ten cost of living adjustment, and increased resolution and disentanglement fees. These contract changes are intended to provide improved performance to the VITA customer agencies, provide greater accountability and operational efficiencies for the services provided, and resolve outstanding financial issues. Additional contract revisions to the CIA were completed between the Commonwealth and Northrop Grumman during fiscal years 2011, 2012, 2013 and 2014. The contract term expires June 30, 2019.

Expenses associated with the CIA in fiscal year 2014 are $288.4 million, including payments to Northrop Grumman of $238.7 million. The Commonwealth expects to spend an additional $1.3 billion over the next five fiscal years.

The Commonwealth may terminate the CIA due to a variety of reasons including the Commonwealth's convenience; a significant change of control in the equity interests in NG; NG's failure to implement satisfactory improvements; or, NG's failure to prevent service interruption of 15 days or more. In these instances, the Commonwealth will be required to pay exit and resolution fees as outlined in the CIA. Additional causes for termination that do not require the payment of exit or resolution fees are NG's default on the CIA terms, the Commonwealth's lack of funds, or NG's incurrence of liabilities equal to or more than 75.0 percent of the direct damages cap. NG may terminate the CIA only if the Commonwealth owes an aggregate amount in excess of $100.0 million that is more than 30 days past due and not being disputed in good faith. The Commonwealth may be required to pay exit and resolution fees, as outlined in the CIA, if NG terminates the CIA. Fees resulting from the termination of the agreement are expected to be significant to the Commonwealth. However, exit fees are subject to the appropriation, allocation and availability of Commonwealth funds. Further, if the Commonwealth and NG terminate the business relationship at the conclusion of the CIA term, the Commonwealth could incur significant costs to obtain and transition the IT infrastructure necessary to continue the Commonwealth's operations.

39. CONTINGENCIES

A. Grants and Contracts

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

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

The U.S. Department of Health and Human Services (DHHS) Office of the Inspector General conducted a review and indicated that the Commonwealth's Statewide Indirect Cost Allocation Plan rates have allowed over-recoveries and transfers in the internal service funds. The U.S. DHHS has received the 2015 cost allocation plan, which is based on fiscal year 2013 data. The Commonwealth believes this liability has the potential to total $3.2 million as of June 30, 2014. The Commonwealth believes an additional $15.7 million representing the federal share of various rebates received may be owed.

Virginia's combined overpayment and underpayment SNAP error rate for fiscal year 2013 was 0.4 percent. The national performance measure (national average payment error rate) for fiscal year 2013 was 3.2 percent. Information for fiscal year 2014 is not yet available.

Under the Food and Nutrition Act of 2008 (the Act), a 2-year liability system for excessive payment error rates is in place. Under this system, a liability amount shall be established when, for the second or subsequent consecutive fiscal year, FNCS (Food, Nutrition, and Consumer Services) determines that there is a 95.0 percent statistical probability that a state's payment error rate exceeds 105.0 percent of the national performance measure for payment error rates. Virginia was notified that fiscal year 2013 fell within the tolerance level and therefore will not count as a first year for the Virginia Department of Social Services.

The Virginia Tourism Authority (nonmajor component unit) had unclaimed awards totaling $1.5 million payable to awardees upon submission of proper claims for reimbursement for the Marketing Leverage Program. Additionally, the Authority had unclaimed awards totaling $113,540 payable to awardees' upon submission of proper claims for reimbursement for the Sesquicentennial Marketing Program. In addition, the program has $67,190 in funding that had not been awarded to specific grantees.

B. Litigation

The Commonwealth is named as a party in legal proceedings and investigations that occur in the normal course of governmental operations, some involving substantial amounts. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the Commonwealth in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits or investigations will not have a material, adverse effect on the financial condition of the Commonwealth.

C. Subject to Appropriation

Both the primary government and the discretely presented component units enter into agreements and issue debt secured solely by future appropriations from the General Fund of the Commonwealth. The primary government has leases and other agreements of such debt of $2.5 billion. The discretely presented component units have such debt of $3.3 billion.

D. Bailment Inventory

The Department of Alcoholic Beverage Control (ABC) houses and controls bailment inventory in the warehouse and is therefore responsible for the exercise of reasonable care to preserve the inventory until it is purchased by ABC or returned to the supplier. ABC uses the bailment system for payment of merchandise for resale. ABC initiates payments to the vendors based on shipments from the ABC warehouse to the retail stores, rather than receipt of invoice from the vendor. At June 30, 2014, the bailment inventory was valued at $32.8 million.

E. Route 460 Funding Corporation of Virginia

The Route 460 Funding Corporation of Virginia (Corporation) (nonmajor enterprise fund), in consultation with VDOT, issued a contractually permitted stop work order to halt certain preliminary work with respect to the Project pending further environmental review. This review consists of working on the completion of a Supplemental Environmental Impact Statement (SEIS). The SEIS was submitted for public review and made available for public comment through November 17, 2014, during which public hearings on the SEIS were held. Thereafter, USACE, with FHWA's concurrence, will make a determination as to which of the design alternative corridors studied in the

SEIS appears to be designated as the least environmentally damaging practicable alternative (LEDPA). Once this determination is made, permitting activities can commence.

A draft SEIS had been approved by the FHWA and the USACE and made available to the public. A preliminary LEDPA determination is anticipated to be made by the USACE in December 2014 and action on the permit to follow in early 2015.

The Series 2012 Senior Lien Bonds are subject to extraordinary mandatory redemption by the Corporation if the Comprehensive Agreement is terminated. If the permit is not obtained from the USACE by June 30, 2015, the bonds will be subject to redemption.

F. Loan Guarantees

The Assistive Technology Loan Fund Authority (nonmajor component unit) has an alternative financing program which provides guarantees of loans made and serviced by its banking partner. As of June 30, 2014, there was approximately $181,201 of guaranteed loans held by the Authority's banking partner.

The Virginia Small Business Financing Authority (VSBFA) (nonmajor component unit) has a loan guaranty program which provides guarantees up to the lesser of $500,000, or 75.0 percent, of a bank loan for lines of credit and short-term working capital loans for small businesses authorized by Section 2.2-2285 of the *Code of Virginia*. The relationship of the Commonwealth to the issuer or issuers of the obligations are private banks that contact VSBFA to obtain guarantees if they deem it necessary to approve the loan. The VSBFA staff underwrites the request for guarantees, and the Board of Directors makes the credit decision to approve or decline the loan. The Board has given VSBFA staff delegated authority to approve requests up to, and including, $500,000. The Board reviews all loan packages and ratifies all decisions. The length of time for the guarantees is up to five years for lines of credit and seven years for term loans. Upon a default or event of default under the loan documents and payment by VSBFA under the Guaranty Agreement, the borrower and the guarantor(s), jointly and severally, acknowledge and agree that VSBFA may set off, collect and retain any payments or monies due or owing the borrower or any guarantor from the Commonwealth of Virginia, and/or any governmental authority or agency of the Commonwealth. VSBFA submits collections to the Office of the Attorney General, Division of Debt Collection for legal action and collection of debt. As of June 30, 2014, the loan guaranty program has guarantees outstanding of $7.6 million and cash pledged as collateral of $5.7 million.

The Commonwealth implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the fiscal year ending June 30, 2014. As of June 30, 2014, the VSBFA recognized a nonexchange financial guarantee liability of $149,878. This is a reduction of $12,927 from the beginning balance of $136,951. There were no required payments made during fiscal year 2014. Additionally, there have been no cumulative amounts paid on these outstanding loan guarantees nor are there any expected recoveries.

G. Regional Wet Weather Management Plan

Hampton Roads Sanitation District (HRSD) (nonmajor component unit) is party to a federal consent decree with the federal and state governments (the Consent Decree), which requires HRSD to evaluate the wet weather capacity of the regional sewer system, including collection systems owned by 13 of the localities which HRSD serves in the Hampton Roads area. Based upon that evaluation, HRSD, in consultation with the Localities, is required to develop a regional wet weather management plan (RWWMP) for submittal to the federal and state environmental agencies for their approval.

HRSD and the localities believe that addressing wet weather capacity issues from a regional perspective will result in the most affordable and cost-effective approach for rate payers throughout the region. Toward that end, HRSD and the localities entered into a legally binding Memorandum of Agreement in March of 2014 (the MOA). The MOA commits HRSD to (1) develop the RWWMP in consultation with the localities, (2) fund the approved plan through a regional rate imposed on all regional ratepayers, (3) design and construct the necessary improvements, and (4) assume responsibility for wet weather capacity throughout the region in each area once the RWWMP is implemented. In exchange, the localities have agreed to (1) cooperate with HRSD, (2) facilitate the construction of and accept ownership of any improvements which HRSD may need to construct in the localities' systems, and (3) maintain the integrity of their systems to industry standards. The Consent Decree and MOA also contemplate that the localities' obligation to maintain the integrity of their sewer systems to industry standards will be embodied in a State administrative order by the end of 2014. While HRSD is preparing the RWWMP, the Consent Decree also requires HRSD to implement approximately $200.0 million in priority capital system upgrade projects over a 9-year period, which are included in the capital improvement and expansion program. Management currently believes that HRSD is on schedule to complete these projects.

H. Virginia Horse Center Foundation Going Concern

The Virginia Horse Center Foundation (VHCF) (nonmajor component unit) has incurred recurring losses from operations and is in violation of selected covenants contained in agreements with USDA, banks and with the Commonwealth of Virginia. At June 30, 2014, the VHCF failed to make $103,434 of the payments then due to USDA. In addition, resources have not been segregated to fulfill selected debt covenants.

40. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement will require, in part, the Commonwealth to record a liability representing the net actuarially accrued pension liability in the government-wide and certain fund financial statements. This reporting change will further significantly impact the Commonwealth's reporting disclosures. The Commonwealth will implement this statement in fiscal year 2015.

41. SUBSEQUENT EVENTS

Primary Government

Debt

On September 17, 2014, the Virginia Public Building Authority (VPBA) issued its $132.9 million Public Facilities Revenue Bonds Series 2014A, $29.7 million Public Facilities Revenue Bonds, Series 2014B (Taxable) and $298.4 million Public Facilities Revenue Refunding Bonds, Series 2014C. The Bonds will provide funding for authorized VPBA projects, reimbursement of the Commonwealth's share of regional and local jail costs and refund certain prior Authority Bonds.

On December 3, 2014, the Commonwealth Transportation Board sold $275.0 Capital Projects Revenue Bonds, Series 2014. Bond proceeds will be used to finance certain eligible transportation projects in the Commonwealth.

Component Units

Debt

Subsequent to June 30, 2014, the Virginia Housing Development Authority (major) issued bonds in the amount of $12.6 million, dated August 19, 2014. The interest rates range from 1.3 percent to 5.0 percent with a final due date of November 1, 2038.

Subsequent to June 30, 2014, the Virginia Resources Authority (VRA) (major) issued bonds in the amount of $134.5 million, dated August 13, 2014. The interest rates range from 1.3 percent to 5.0 percent with a final due date of November 1, 2038. Subsequent to June 30, 2014, a local borrower prepaid an outstanding obligation with VRA in the amount of $57.4 million. The prepayment was August 22, 2014. The local obligation was funded from bond proceeds from the Series 2004B, Series 2005C, Series 2006C and Series 2007B bonds. It is VRA's intention to defease the related bonds with the prepayment proceeds.

Effective July 1, 2014, the Virginia Commonwealth University Health System Authority (VCUHSA) (a blended component unit of the Virginia Commonwealth University (VCU) – nonmajor) and Community Memorial Healthcenter (CMH), a Virginia not-for-profit, nonstock corporation located in South Hill, Virginia, entered in to an affiliation agreement. VCUHSA became the sole member of CMH and, in addition to other contractual obligations, has committed to invest $75.0 million in facility replacements and enhancements to assist CMH in carrying out certain strategic projects and initiatives to improve and enhance the delivery of health care services to the communities it serves as an affiliate of VCUHSA.

On July 1, 2014, Norfolk State University (NSU) (nonmajor) defeased two debt obligations that were close to maturity, Phyllis Wheatley and Rosa Alexander dormitories (Series 1982) and the Dick Price Stadium athletic facility (Series 1996). NSU used funds that were held in reserves by the State Treasury to extinguish the remaining debt of $1.2 million for the dormitories and $2.6 million for the stadium. The bonds were called on July 1, 2014.

On July 31, 2014, the University of Virginia (UVA) (nonmajor) renewed two of its revolving credit agreements and entered into a new revolving credit agreement with a new bank. The aggregate amount of revolving credit agreements outstanding is $200.0 million. On August 26, 2014, UVA entered into an agreement with Aramark Educational Services, LLC (Aramark) for Aramark to provide a dining services program to UVA including board, retail, concessions, vending and athletic dining through June 30, 2034. Aramark is required to make an up-front payment to UVA in the amount of $70.0 million, of which $35.0 million was paid within thirty days of execution of the contract with the remaining amount to be paid by December 31, 2014. Additional financial commitments are required of Aramark over the term of the contract for capital improvements totaling $22.6 million.

On August 15, 2014, George Mason University (GMU) (nonmajor) signed a $1.6 million early construction work package contract with Whiting-Turner Contracting Company for the Central Plant Expansion project. On August 30, 2014, GMU signed a $25.5 million PPEA Comprehensive Agreement with Belmont Mason, LLC for the Potomac Science Center Project.

In October 2014, it was announced that VCUHSA, VCU, and Bon Secours signed a memo of understanding with the Virginia Children's Hospital Alliance to begin negotiations toward an independent, free-standing children's hospital in the Richmond region. This memo recognizes the primary of VCU and VCUHSA as managing partners of any academic affiliation arrangements involved in an independent, free-standing children's hospital.

On October 7, 2014, the Virginia Public School Authority (VPSA) (major) issued its Special Obligation School Financing Bonds, Prince William County Series, 2014 in the amount of $82.6 million. The interest rates range from 2.5 percent to 5.0 percent with a final due date of July 15, 2034. The Bonds will be used by the County to finance a portion of the costs of certain capital improvements to the County school system.

In November 2014, VCU submitted the first draw of $3.7 million on a $60.0 million line of credit for use toward the basketball practice facility, with interest payments due monthly. This line of credit can be used for the construction, equipping and furnishings of a basketball training facility, an Institute of Contemporary Art, and a phase of renovation of Sanger Hall. Additionally, the line of credit can be used for other capital projects authorized by the Board and other capital projects below the threshold of requiring Board approval.

On November 13, 2014, the Virginia College Building Authority (VCBA) (major) issued its $98.0 million Educational Facilities Revenue Bonds, Series 2014A and $186.0 million Educational Facilities Revenue Refunding Bonds, Series 2014B under the Public Higher Education Financing Program (the Pool Program). VCBA will use the proceeds of the Series 2014A Bonds to acquire Institutional Notes from participating public institutions of higher education. Each participating Institution will use the proceeds of its Institutional Note to finance capital projects approved by the General Assembly. VCBA will use the proceeds of the Series 2014B Bonds to refund certain prior VCBA Bonds issued under the Pool Program.

On November 20, 2014, VPSA issued $81.3 million of School Financing Bonds (1997 Resolution) Series 2014C. The interest rates range from 2.0 percent to 5.0 percent with a final due date of August 1, 2035. The Bonds will be used to purchase certain general obligation local school bonds to finance capital projects for public schools.

VPSA issued $42.4 million of Special Obligation School Financing Bonds, Warren County Series, 2014 on December 9, 2014. The Bonds will be used by the County to finance a portion of the costs of certain capital improvements to the County school system.

Other

Subsequent to June 30, 2014, the Virginia International Terminals, LLC (VIT) (a blended component unit of the Virginia Port Authority (VPA) – nonmajor) and Hampton Roads Chassis Pool II (HRCP II) amended their respective operating agreements to incorporate relevant changes as a result of VIT's conversion from a nonstock, not-for-profit corporation to a single-member limited liability company, and to incorporate relevant changes related to VIT's and VPA's amended service agreement, dated August 8, 2014. In August 2014, a partnership comprising affiliates of investment funds managed by Alinda Capital Partners and Universities Superannuation Scheme Limited purchased the APM Terminal (APMT). VPA continues to operate the terminal under the original 20-year lease agreement with APMT. APMT has been renamed to Virginia International Gateway (VIG). In October 2014, Portsmouth Marine Terminal was officially opened and received its first vessel ship. Annual volume is expected to be approximately 75,000 to 100,000 containers and will help alleviate container congestion at Norfolk International Terminal and VIG.

Subsequent to June 30, 2014, the Virginia Horse Center Foundation (VHCF) (nonmajor) has entered into performance agreements with Rockbridge County, Virginia, and Lexington City, Virginia. Under the agreements, the two local governments have dedicated up to 3.0 percent of local transient occupancy taxes collected to support the USDA loan payments. Any surplus over the required USDA debt service may be used for capital maintenance projects with advance permission of the local economic development authorities and appropriation by the board of supervisors and/or city council. The agreements impose operating and financial covenants on the VHCF.

On October 28, 2014 the Orbital Sciences Corporation's Antares launch vehicle experienced a catastrophic failure shortly after lift-off from Virginia Commercial Space Flight Authority's (nonmajor) Mid-Atlantic Regional Spaceport Pad 0A. Preliminary findings indicate that major elements of the Pad 0A launch complex infrastructure, including the Launch Pad which was purchased on behalf of the Authority by the Commonwealth, Liquid Fuel Facility and Water Tower, escaped severe damage. Additionally, the Pad 0B launch complex appears to be unaffected. However, an estimate of the financial impact of the damage to Pad 0A cannot be made as of the date of publication of these financial statements. A detailed inspection to identify the full extent of necessary repairs will continue. Until an in-depth engineering assessment is completed, the related cost to the Commonwealth and the time required to complete those repairs are unknown.