

Internal Service Funds

Internal Service Funds account for the operations of state agencies that render services to other state agencies, institutions, or other governmental units of the Commonwealth on a cost-reimbursement basis.

Virginia Information Technologies Agency accounts for the installation and maintenance of the state government's telephone system; the development, use and maintenance of the Commonwealth's data processing systems; and the development of automated systems.

Enterprise Application Fund accounts for the development and operation of the Commonwealth's Performance Budgeting System, Cardinal System, and Payroll System Replacement Project. Funding is derived from charges to agencies for the ongoing costs of the Commonwealth's enterprise applications, including recovery of the development and implementation costs initially funded through working capital advances.

Virginia Correctional Enterprises accounts for the manufacturing activities of the Commonwealth's correctional facilities.

Health Care accounts for the health insurance programs provided to state employees and for retirees who are not yet eligible to participate in Medicare.

Fleet Management accounts for the Commonwealth's motor vehicle pool.

Property Management accounts for real estate services, non-routine facility maintenance, and the disposal of state-owned property.

Risk Management accounts for the insurance programs provided to state agencies and institutions.

General Services accounts for a variety of services, including the purchase of supplies, the sale of surplus property, water testing, graphic design and engineering.

Payroll Service Bureau accounts for the payroll and leave accounting services provided to state agencies and institutions.

Combining Statement of Fund Net Position – Internal Service Funds

June 30, 2016

(Dollars in Thousands)

| | Virginia Information Technologies Agency | Enterprise Application | Virginia Correctional Enterprises |
|--|---|---------------------------|---|
| Assets and Deferred Outflows of Resources | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 74,144 | \$ 2,142 | \$ 9,624 |
| Receivables, Net | 2,043 | - | 3,140 |
| Due From Other Funds | 14,985 | - | 1,410 |
| Due From External Parties (Fiduciary Funds) | 39 | - | - |
| Due From Component Units | - | - | - |
| Inventory | - | - | 14,706 |
| Prepaid Items | 2,798 | 3 | - |
| Other Assets | 11,945 | - | 1,109 |
| Total Current Assets | <u>105,954</u> | <u>2,145</u> | <u>29,989</u> |
| Noncurrent Assets: | | | |
| Nondepreciable Capital Assets | 1,764 | 64,566 | 376 |
| Depreciable Capital Assets, Net | 12,625 | 7,074 | 7,786 |
| Total Noncurrent Assets | <u>14,389</u> | <u>71,640</u> | <u>8,162</u> |
| Total Assets | <u>120,343</u> | <u>73,785</u> | <u>38,151</u> |
| Deferred Outflows of Resources | <u>1,925</u> | <u>586</u> | <u>1,252</u> |
| Total Assets and Deferred Outflows of Resources | <u>122,268</u> | <u>74,371</u> | <u>39,403</u> |
| Liabilities and Deferred Inflows of Resources | | | |
| Current Liabilities: | | | |
| Accounts Payable | 58,050 | 2,251 | 4,705 |
| Amounts Due to Other Governments | - | - | - |
| Due to Other Funds | 69 | 41 | 359 |
| Due to External Parties (Fiduciary Funds) | 125 | 21 | 85 |
| Interfund Payable | 26,000 | 7,863 | - |
| Unearned Revenue | 43,292 | - | 848 |
| Obligations Under Securities Lending Program | - | - | - |
| Other Liabilities | - | - | 1 |
| Claims Payable Due Within One Year | - | - | - |
| Long-term Liabilities Due within One Year | 860 | 171 | 148 |
| Total Current Liabilities | <u>128,396</u> | <u>10,347</u> | <u>6,146</u> |
| Noncurrent Liabilities: | | | |
| Interfund Payable | - | 68,534 | - |
| Claims Payable Due In More Than One Year | - | - | - |
| Long-term Liabilities Due in More Than One Year | 29,066 | 3,216 | 15,630 |
| Total Noncurrent Liabilities | <u>29,066</u> | <u>71,750</u> | <u>15,630</u> |
| Total Liabilities | <u>157,462</u> | <u>82,097</u> | <u>21,776</u> |
| Deferred Inflows of Resources | <u>2,157</u> | <u>190</u> | <u>1,383</u> |
| Total Liabilities and Deferred Inflows of Resources | <u>159,619</u> | <u>82,287</u> | <u>23,159</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 14,389 | 71,640 | 8,014 |
| Unrestricted | <u>(51,740)</u> | <u>(79,556)</u> | <u>8,230</u> |
| Total Net Position (Deficit) | <u>\$ (37,351)</u> | <u>\$ (7,916)</u> | <u>\$ 16,244</u> |

| <u>Health Care</u> | <u>Fleet Management</u> | <u>Property Management</u> | <u>Risk Management</u> | <u>General Services</u> | <u>Payroll Service Bureau</u> | <u>Total</u> |
|--------------------|-------------------------|----------------------------|------------------------|-------------------------|-------------------------------|--------------|
| \$ 114,986 | \$ 3,555 | \$ 33,550 | \$ 197,464 | \$ 7,502 | \$ 105 | \$ 443,072 |
| 2,700 | 513 | 150 | 211 | 920 | - | 9,677 |
| 28,128 | 2,198 | 2,431 | 10 | 1,808 | - | 50,970 |
| 13,848 | - | - | - | - | - | 13,887 |
| 18,715 | - | - | - | - | - | 18,715 |
| - | 33 | 294 | - | 3,694 | - | 18,727 |
| - | - | 359 | 90 | - | 132 | 3,382 |
| - | - | - | - | - | - | 13,054 |
| 178,377 | 6,299 | 36,784 | 197,775 | 13,924 | 237 | 571,484 |
| - | - | 1,499 | - | 150 | - | 68,355 |
| - | 38,610 | 15,752 | 72 | 4,497 | 84 | 86,500 |
| - | 38,610 | 17,251 | 72 | 4,647 | 84 | 154,855 |
| 178,377 | 44,909 | 54,035 | 197,847 | 18,571 | 321 | 726,339 |
| - | 114 | 1,180 | 257 | 735 | 446 | 6,495 |
| 178,377 | 45,023 | 55,215 | 198,104 | 19,306 | 767 | 732,834 |
| 29,041 | 1,031 | 2,608 | 1,681 | 2,570 | 92 | 102,029 |
| - | - | 981 | - | - | - | 981 |
| - | 83 | 834 | 24 | 495 | 9 | 1,914 |
| - | 8 | 77 | 13 | 48 | 14 | 391 |
| - | - | 419 | - | 397 | - | 34,679 |
| - | - | 22,047 | 49,979 | 106 | - | 116,272 |
| 727 | - | - | 1,235 | - | - | 1,962 |
| - | - | 383 | - | 49 | - | 433 |
| 123,385 | - | - | 74,984 | - | - | 198,369 |
| - | 3,209 | 3,894 | 77 | 395 | 96 | 8,850 |
| 153,153 | 4,331 | 31,243 | 127,993 | 4,060 | 211 | 465,880 |
| - | - | 1,812 | - | - | - | 70,346 |
| - | - | - | 760,299 | - | - | 760,299 |
| - | 17,430 | 42,668 | 2,269 | 9,088 | 2,805 | 122,172 |
| - | 17,430 | 44,480 | 762,568 | 9,088 | 2,805 | 952,817 |
| 153,153 | 21,761 | 75,723 | 890,561 | 13,148 | 3,016 | 1,418,697 |
| - | 102 | 1,046 | 145 | 652 | 145 | 5,820 |
| 153,153 | 21,863 | 76,769 | 890,706 | 13,800 | 3,161 | 1,424,517 |
| - | 19,522 | (1,505) | 72 | 4,647 | 84 | 116,863 |
| 25,224 | 3,638 | (20,049) | (692,674) | 859 | (2,478) | (808,546) |
| \$ 25,224 | \$ 23,160 | \$ (21,554) | \$ (692,602) | \$ 5,506 | \$ (2,394) | \$ (691,683) |

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

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

| | Virginia Information Technologies Agency | Enterprise Application | Virginia Correctional Enterprises |
|---|---|-----------------------------------|--|
| Operating Revenues | | | |
| Charges for Sales and Services | \$ 352,932 | \$ 19,957 | \$ 53,467 |
| Other | - | 43 | - |
| Total Operating Revenues | 352,932 | 20,000 | 53,467 |
| Operating Expenses | | | |
| Cost of Sales and Services | - | - | 38,063 |
| Prizes and Claims | - | - | - |
| Personal Services | 19,855 | 2,419 | 5,899 |
| Contractual Services | 326,492 | 19,119 | 2,912 |
| Supplies and Materials | 52 | 15 | 516 |
| Depreciation | 4,013 | 1,297 | 1,220 |
| Rent, Insurance, and Other Related Charges | 3,147 | 285 | 874 |
| Interest Expense | - | 8 | - |
| Other | 134 | 52 | 47 |
| Total Operating Expenses | 353,693 | 23,195 | 49,531 |
| Operating Income (Loss) | (761) | (3,195) | 3,936 |
| Nonoperating Revenues (Expenses) | | | |
| Interest, Dividends, Rents, and Other Investment Income | - | - | - |
| Other | - | - | (51) |
| Total Nonoperating Revenues (Expenses) | - | - | (51) |
| Income (Loss) Before Transfers | (761) | (3,195) | 3,885 |
| Transfers In | 108 | - | 38 |
| Transfers Out | - | (27) | (1,000) |
| Change in Net Position | (653) | (3,222) | 2,923 |
| Total Net Position (Deficit), July 1 | (36,698) | (4,694) | 13,321 |
| Total Net Position (Deficit), June 30 | \$ (37,351) | \$ (7,916) | \$ 16,244 |

| <u>Health Care</u> | <u>Fleet Management</u> | <u>Property Management</u> | <u>Risk Management</u> | <u>General Services</u> | <u>Payroll Service Bureau</u> | <u>Total</u> |
|--------------------|-------------------------|----------------------------|------------------------|-------------------------|-------------------------------|--------------|
| \$ 1,351,266 | \$ 16,608 | \$ 106,326 | \$ 109,463 | \$ 40,287 | \$ 2,230 | \$ 2,052,536 |
| - | - | - | - | - | - | 43 |
| 1,351,266 | 16,608 | 106,326 | 109,463 | 40,287 | 2,230 | 2,052,579 |
| - | - | - | - | 25,772 | - | 63,835 |
| 1,322,568 | - | - | 258,684 | - | - | 1,581,252 |
| - | 1,111 | 11,505 | 1,961 | 7,224 | 2,235 | 52,209 |
| 78,249 | 3,453 | 15,016 | 10,327 | 3,392 | 48 | 459,008 |
| - | 2,713 | 2,701 | 7 | 1,797 | 8 | 7,809 |
| - | 7,438 | 2,191 | 13 | 864 | 4 | 17,040 |
| - | 1,074 | 66,725 | 2,262 | 1,754 | 147 | 76,268 |
| - | - | 11 | - | - | - | 19 |
| 7,315 | 85 | 2,361 | 7,830 | 194 | 8 | 18,026 |
| 1,408,132 | 15,874 | 100,510 | 281,084 | 40,997 | 2,450 | 2,275,466 |
| (56,866) | 734 | 5,816 | (171,621) | (710) | (220) | (222,887) |
| 1,242 | - | - | 1,260 | 114 | - | 2,616 |
| (11) | 321 | (1,590) | 4 | - | - | (1,327) |
| 1,231 | 321 | (1,590) | 1,264 | 114 | - | 1,289 |
| (55,635) | 1,055 | 4,226 | (170,357) | (596) | (220) | (221,598) |
| 75 | - | 15 | - | 388 | - | 624 |
| (750) | - | - | (859) | - | - | (2,636) |
| (56,310) | 1,055 | 4,241 | (171,216) | (208) | (220) | (223,610) |
| 81,534 | 22,105 | (25,795) | (521,386) | 5,714 | (2,174) | (468,073) |
| \$ 25,224 | \$ 23,160 | \$ (21,554) | \$ (692,602) | \$ 5,506 | \$ (2,394) | \$ (691,683) |

Combining Statement of Cash Flows – Internal Service Funds

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

| | Virginia Information Technologies Agency | Enterprise Application | Virginia Correctional Enterprises |
|---|---|---------------------------|---|
| Cash Flows from Operating Activities | | | |
| Receipts for Sales and Services | \$ 13,903 | \$ 1,680 | \$ 17,952 |
| Receipts from Investments | - | - | - |
| Internal Activity-Receipts from Other Funds | 335,674 | 18,320 | 35,072 |
| Internal Activity-Payments to Other Funds | (5,203) | - | (1,009) |
| Payments to Suppliers for Goods and Services | (665) | (15) | (36,278) |
| Payments for Contractual Services | (320,475) | (17,810) | (2,547) |
| Payments for Prizes, Claims, and Loss Control | - | - | - |
| Payments to Employees | (18,722) | (2,110) | (6,024) |
| Payments for Interest | - | (8) | - |
| Other Operating Expense | - | (341) | - |
| Net Cash Provided by (Used for) Operating Activities | 4,512 | (284) | 7,166 |
| Cash Flows from Noncapital Financing Activities | | | |
| Transfers In from Other Funds | 108 | - | 38 |
| Transfers Out to Other Funds | - | (106) | (1,000) |
| Other Noncapital Financing Receipt Activities | 10,000 | 2,589 | - |
| Other Noncapital Financing Disbursement Activities | - | (1,473) | - |
| Net Cash Provided by (Used for) Noncapital Financing Activities | 10,108 | 1,010 | (962) |
| Cash Flows from Capital and Related Financing Activities | | | |
| Acquisition of Capital Assets | (1,625) | - | (290) |
| Payment of Principal and Interest on Bonds and Notes | - | - | (591) |
| Proceeds from Sale of Capital Assets | - | - | 1 |
| Other Capital and Related Financing Disbursement Activities | - | - | - |
| Net Cash Used for Capital and Related Financing Activities | (1,625) | - | (880) |
| Cash Flows from Investing Activities | | | |
| Investment Income on Cash, Cash Equivalents, and Investments | - | - | - |
| Net Cash Provided by Investing Activities | - | - | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | 12,995 | 726 | 5,324 |
| Cash and Cash Equivalents, July 1 | 61,149 | 1,416 | 4,300 |
| Cash and Cash Equivalents, June 30 | \$ 74,144 | \$ 2,142 | \$ 9,624 |
| Reconciliation of Cash and Cash Equivalents | | | |
| Per the Statement of Net Position: | | | |
| Cash and Cash Equivalents | \$ 74,144 | \$ 2,142 | \$ 9,624 |
| Less: | | | |
| Securities Lending Cash Equivalents | - | - | - |
| Cash and Cash Equivalents per the Statement of Cash Flows | \$ 74,144 | \$ 2,142 | \$ 9,624 |

| <u>Health Care</u> | <u>Fleet Management</u> | <u>Property Management</u> | <u>Risk Management</u> | <u>General Services</u> | <u>Payroll Service Bureau</u> | <u>Total</u> |
|--------------------|-------------------------|----------------------------|------------------------|-------------------------|-------------------------------|--------------|
| \$ 656,644 | \$ 1,794 | \$ 5,975 | \$ 44,769 | \$ 10,109 | \$ 45 | \$ 752,871 |
| - | - | - | 15 | - | - | 15 |
| 680,997 | 14,157 | 100,727 | 68,052 | 30,259 | 2,185 | 1,285,443 |
| - | (1,175) | (3,225) | - | (2,613) | - | (13,225) |
| - | (2,636) | (69,099) | (7) | (24,734) | (8) | (133,442) |
| (77,322) | (3,096) | (12,758) | (10,158) | (3,102) | (47) | (447,315) |
| (1,308,693) | - | - | (76,211) | - | - | (1,384,904) |
| - | (1,103) | (11,683) | (1,879) | (7,255) | (2,162) | (50,938) |
| - | - | (11) | - | - | - | (19) |
| (7,315) | (8) | - | (9,573) | - | (146) | (17,383) |
| (55,689) | 7,933 | 9,926 | 15,008 | 2,664 | (133) | (8,897) |
| 75 | - | 15 | - | 388 | - | 624 |
| (750) | - | - | (859) | - | - | (2,715) |
| - | - | 687 | 16 | 113 | - | 13,405 |
| - | - | (428) | - | - | - | (1,901) |
| (675) | - | 274 | (843) | 501 | - | 9,413 |
| - | (760) | (1,416) | - | (96) | - | (4,187) |
| - | (8,657) | (5,213) | - | - | - | (14,461) |
| - | 1,935 | - | - | - | - | 1,936 |
| - | - | - | - | (633) | - | (633) |
| - | (7,482) | (6,629) | - | (729) | - | (17,345) |
| 1,230 | - | - | 1,248 | - | - | 2,478 |
| 1,230 | - | - | 1,248 | - | - | 2,478 |
| (55,134) | 451 | 3,571 | 15,413 | 2,436 | (133) | (14,351) |
| 169,393 | 3,104 | 29,979 | 180,816 | 5,066 | 238 | 455,461 |
| \$ 114,259 | \$ 3,555 | \$ 33,550 | \$ 196,229 | \$ 7,502 | \$ 105 | \$ 441,110 |
| \$ 114,986 | \$ 3,555 | \$ 33,550 | \$ 197,464 | \$ 7,502 | \$ 105 | \$ 443,072 |
| (727) | - | - | (1,235) | - | - | (1,962) |
| \$ 114,259 | \$ 3,555 | \$ 33,550 | \$ 196,229 | \$ 7,502 | \$ 105 | \$ 441,110 |

Continued on next page

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

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

| | Virginia Information Technologies Agency | Enterprise Application | Virginia Correctional Enterprises |
|--|---|---------------------------|---|
| Reconciliation of Operating Income | | | |
| To Net Cash Provided by (Used for) | | | |
| Operating Activities: | | | |
| Operating Income (Loss) | \$ (761) | \$ (3,195) | \$ 3,936 |
| Adjustments to Reconcile Operating | | | |
| Income to Net Cash Provided by (Used for) | | | |
| Operating Activities: | | | |
| Depreciation | 4,013 | 1,297 | 1,220 |
| Miscellaneous Nonoperating Income | - | - | 23 |
| Other | - | 80 | - |
| Change in Assets, Deferred Outflow s of Resources, Liabilities, and | | | |
| Deferred Inflow s of Resources | | | |
| (Increase) Decrease in Accounts Receivable | 278 | - | (905) |
| (Increase) Decrease in Due from Other Funds | 3,832 | - | (399) |
| (Increase) Decrease in Due from External Parties (Fiduciary Funds) | (38) | - | - |
| (Increase) Decrease in Due from Component Units | - | - | - |
| (Increase) Decrease in Other Assets | (2,866) | - | 871 |
| (Increase) Decrease in Inventory | - | - | (1,414) |
| (Increase) Decrease in Prepaid Items | 1,786 | (3) | - |
| (Increase) Decrease in Deferred Outflow s of Resources | 27 | (237) | (289) |
| Increase (Decrease) in Accounts Payable | 4,665 | 1,315 | 3,795 |
| Increase (Decrease) in Amounts Due to Other Governments | - | - | - |
| Increase (Decrease) in Due to Other Funds | (47) | (55) | 102 |
| Increase (Decrease) in Due to External Parties (Fiduciary Funds) | (1) | 6 | 20 |
| Increase (Decrease) in Unearned Revenue | (4,573) | - | 11 |
| Increase (Decrease) in Other Liabilities | (409) | - | - |
| Increase (Decrease) in Claims Payable: Due Within One Year | - | - | - |
| Increase (Decrease) in Claims Payable: Due in More Than One Year | - | - | - |
| Increase (Decrease) in Long-term Liabilities: Due Within One Year | (655) | 27 | (17) |
| Increase (Decrease) in Long-term Liabilities: Due in More Than One Year | 1,236 | 665 | 1,271 |
| Increase (Decrease) in Deferred Inflow s of Resources | (1,975) | (184) | (1,059) |
| Net Cash Provided by (Used for) Operating Activities | <u>\$ 4,512</u> | <u>\$ (284)</u> | <u>\$ 7,166</u> |
| Noncash Investing, Capital, and Financing Activities: | | | |
| The following transactions occurred prior to the Statement of Net Position date: | | | |
| Installment Purchases Used to Finance Capital Assets | \$ - | \$ - | \$ - |
| Capital Asset Addition Included in Accounts Payable | 111 | - | - |
| Total Noncash, Investing, Capital, and Financing Activities | <u>\$ 111</u> | <u>\$ -</u> | <u>\$ -</u> |

| <u>Health Care</u> | <u>Fleet Management</u> | <u>Property Management</u> | <u>Risk Management</u> | <u>General Services</u> | <u>Payroll Service Bureau</u> | <u>Total</u> |
|--------------------|-------------------------|----------------------------|------------------------|-------------------------|-------------------------------|-------------------|
| \$ (56,866) | \$ 734 | \$ 5,816 | \$ (171,621) | \$ (710) | \$ (220) | \$ (222,887) |
| - | 7,438 | 2,191 | 13 | 864 | 4 | 17,040 |
| - | - | - | - | - | - | 23 |
| - | - | - | - | - | - | 80 |
| (261) | (95) | (6) | 54 | 250 | - | (685) |
| (342) | (596) | (1,277) | (9) | (93) | - | 1,116 |
| (13,647) | - | - | - | - | - | (13,685) |
| 625 | - | - | - | - | - | 625 |
| - | - | - | - | - | - | (1,995) |
| - | (1) | 44 | - | 952 | - | (419) |
| - | - | (4) | 535 | 93 | 10 | 2,417 |
| - | (19) | (180) | (57) | (145) | (122) | (1,022) |
| 9,421 | 455 | 1,659 | (683) | 1,525 | (4) | 22,148 |
| - | - | 92 | - | - | - | 92 |
| - | (5) | 82 | (13) | (156) | (2) | (94) |
| - | 2 | 7 | 6 | 7 | 1 | 48 |
| - | - | 1,403 | 3,331 | (43) | - | 129 |
| - | - | 92 | (508) | 41 | - | (784) |
| 5,381 | - | - | (8,247) | - | - | (2,866) |
| - | - | - | 192,109 | - | - | 192,109 |
| - | 2 | (37) | 7 | 14 | (9) | (668) |
| - | 119 | 1,115 | 255 | 663 | 411 | 5,735 |
| - | (101) | (1,071) | (164) | (598) | (202) | (5,354) |
| <u>\$ (55,689)</u> | <u>\$ 7,933</u> | <u>\$ 9,926</u> | <u>\$ 15,008</u> | <u>\$ 2,664</u> | <u>\$ (133)</u> | <u>\$ (8,897)</u> |
| \$ - | \$ 9,183 | \$ - | \$ - | \$ - | \$ - | \$ 9,183 |
| - | - | - | - | - | - | 111 |
| <u>\$ -</u> | <u>\$ 9,183</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,294</u> |