A Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

Ralph S. Northam
Governor

Aubrey L. Layne, Jr.
Secretary of Finance

David A. Von Moll
Comptroller

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# INTRODUCTORY SECTION

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Certificate of Achievement for Excellence in Financial Reporting
Organization of Executive Branch of Government
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# *COMMONWEALTH of VIRGINIA*

DAVID A. VON MOLL, CPA
COMPTROLLER

*Office of the Comptroller*

P. O. BOX 1971
RICHMOND, VIRGINIA 23218-1971

December 14, 2018

The Honorable Ralph S. Northam
Governor of the Commonwealth of Virginia
State Capitol
Richmond, Virginia 23219

Dear Governor Northam:

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018, in accordance with Section 2.2-813 of the *Code of Virginia*. This report consists of management's representations concerning the Commonwealth of Virginia's finances. Management assumes full responsibility for the completeness and reliability of all information presented. This report reflects my commitment to you, to the citizens of the Commonwealth, and to the financial community to maintain our financial statements in conformance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). Data presented in this report is believed to be accurate in all material respects, and all disclosures that are necessary to enable the reader to obtain a thorough understanding of the Commonwealth's financial activities have been included.

The 2018 CAFR is presented in three sections. The Introductory Section includes this transmittal letter and organization charts for state government. The Financial Section includes the State Auditor's Report, management's discussion and analysis (MD&A), audited government-wide and fund financial statements and notes thereto, required supplementary information other than MD&A, and the underlying combining and individual fund financial statements and supporting schedules. The Statistical Section sets forth selected unaudited economic, financial trend, and demographic information for the Commonwealth on a multi-year basis.

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

In accordance with Section 30-133 of the *Code of Virginia*, the Auditor of Public Accounts has audited the Commonwealth's financial statements for the year ended June 30, 2018. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. The auditor's opinion is included in the Financial Section of this report. Audit testing for compliance with the U. S. Office of Management and Budget Compliance Supplement and the related Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, is performed at the statewide level. The Commonwealth's Single Audit Report will be issued at a later date. I would like to acknowledge the Auditor of Public Accounts' staff for their many contributions to the preparation of this report.

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

## *PROFILE OF THE GOVERNMENT*

### Reporting Entity

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

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

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

### Budgetary Control

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

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

# *ECONOMIC REVIEW*

## Local Economy

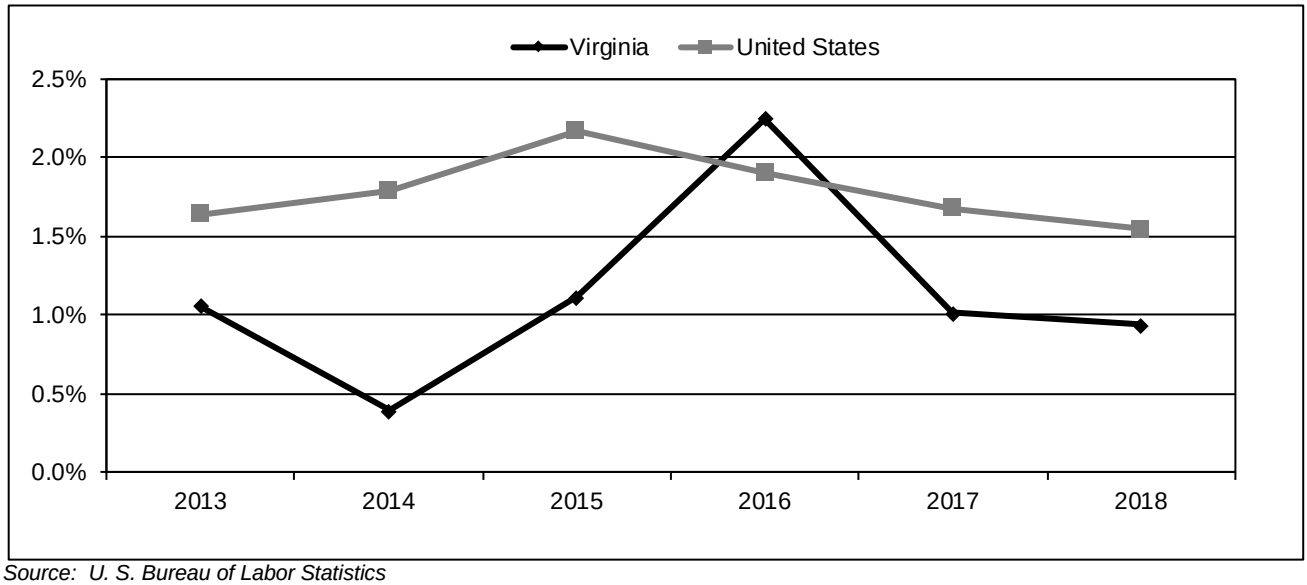
### Introduction

This overview of the economy of the Commonwealth of Virginia was prepared by the Weldon Cooper Center for Public Service at the University of Virginia. In fiscal year 2018, Virginia's economy expanded at a similar moderate pace as the previous fiscal year. Employment grew slightly below the national rate as it has throughout much of the economic recovery. The state labor market continued to tighten with unemployment rate decreases observed in every corner of the Commonwealth. Personal income and taxable sales growth rates ticked higher. Housing market indicators, however, were much more mixed with existing home sales and building permit activity slowing at the same time that home prices appreciated at the fastest rate of this economic cycle. Further economic growth is expected, even as the economic expansion reaches full maturity. Increased consumer expenditures supported by continued employment and wage growth and federal fiscal stimulus should contribute to moderate national and state economic growth into the coming fiscal year.

### Employment

Virginia employment grew again in fiscal year 2018, continuing an uninterrupted pattern of expansion since the recession (**Figure 1**). The fiscal year 2018 growth rate of 0.9 percent was only marginally lower than the previous fiscal year rate of 1.1 percent but trailed a more robust national growth rate of 1.5 percent. The Commonwealth likely received less economic lift in fiscal year 2018 than the nation because of its continued reliance on slower growing federal government expenditures and mix of less cyclically sensitive industries.

**Figure 1**
**Annual Percentage Change in Nonfarm Payroll Employment**
Fiscal Years 2013 – 2018




*Source: U. S. Bureau of Labor Statistics*

Virginia employment climbed to another record high in fiscal year 2018 with nonfarm payroll employment reaching 3,972,900. The state added an estimated 36,900 jobs during the fiscal year, which is below the recent five-year average of 43,800 jobs added per fiscal year. **Figure 2** shows changes in Virginia's nonfarm employment by industry for fiscal years 2013 through 2018 along with the employment change between fiscal years 2017 and 2018 for Virginia and the U.S. The largest employment increases occurred in professional and business services (12,600) sector, which was also the leading job-adding sector each of the previous three fiscal years. The goods producing sectors (mining and logging, construction, and manufacturing) contributed much more to the net increase than previous years, adding over 10,000 jobs. Other large contributors were education and health services (5,600), transportation and utilities (3,800) and financial activities (3,500). Four sectors experienced employment attrition. Federal government employment dropped by an estimated 1,000 jobs and state government employment decreased by 100. Retail trade (loss of 2,200 jobs) and information (decrease of 800 jobs) sector employment decreases likely reflect structural forces such as the increasing role of ecommerce and digital media in product distribution, publishing, and broadcasting.

**Figure 2**
**Nonfarm Payroll Employment in Virginia's Industries**
Fiscal Years 2013 – 2018

| | Virginia Employment (000) | | | | | | Change, FY 2017 to FY 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Virginia | | |
| Industry* | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Number (000) | Percent | U.S., Percent |
| Mining and logging | 10.4 | 9.8 | 9.3 | 8.3 | 7.9 | 8.2 | 0.3 | 3.8% | 7.9% |
| Construction | 176.8 | 177.1 | 181.0 | 187.1 | 190.9 | 197.4 | 6.5 | 3.4% | 3.6% |
| Manufacturing | 231.2 | 231.2 | 232.3 | 233.5 | 233.3 | 236.6 | 3.3 | 1.4% | 1.6% |
| Wholesale trade | 111.4 | 110.6 | 110.4 | 111.0 | 111.1 | 111.6 | 0.5 | 0.5% | 1.1% |
| Retail trade | 406.1 | 409.9 | 412.2 | 419.0 | 419.2 | 417.0 | -2.2 | -0.5% | 0.2% |
| Transportation and utilities | 116.2 | 118.0 | 123.1 | 130.1 | 132.0 | 135.8 | 3.8 | 2.9% | 2.6% |
| Information | 71.4 | 71.6 | 70.3 | 68.8 | 68.2 | 67.4 | -0.8 | -1.2% | -1.2% |
| Financial activities | 190.9 | 193.2 | 195.7 | 199.3 | 203.2 | 206.7 | 3.5 | 1.7% | 1.7% |
| Professional and business services | 682.4 | 679.4 | 689.4 | 710.9 | 722.1 | 734.7 | 12.6 | 1.7% | 2.4% |
| Education and health services | 487.3 | 494.3 | 503.7 | 522.0 | 527.7 | 533.3 | 5.6 | 1.1% | 2.1% |
| Leisure and hospitality | 362.8 | 368.8 | 376.5 | 394.8 | 402.3 | 403.4 | 1.1 | 0.3% | 2.1% |
| Other services | 193.5 | 194.8 | 196.0 | 198.9 | 201.8 | 204.6 | 2.8 | 1.4% | 1.6% |
| Federal government | 179.0 | 175.2 | 175.3 | 177.4 | 178.4 | 177.4 | -1.0 | -0.6% | -0.3% |
| State government | 159.4 | 159.8 | 161.0 | 160.5 | 159.8 | 159.7 | -0.1 | -0.1% | -0.3% |
| Local government | 375.1 | 375.1 | 374.7 | 374.7 | 378.1 | 379.1 | 1.0 | 0.3% | 0.4% |
| Total | 3,753.9 | 3,768.8 | 3,810.9 | 3,896.3 | 3,936.0 | 3,972.9 | 36.9 | 0.9% | 1.5% |

*Source: U. S. Bureau of Labor Statistics; some prior year numbers were revised to reflect the incorporation of newly available and revised source data.*
* North American Industry Classification System (NAICS)

**Figure 3** shows the annual percentage change in nonfarm employment for 10 of the 11 Metropolitan Statistical Areas (MSAs) in Virginia. The Kingston-Bristol MSA is not included in this table because most of it is located in Tennessee and data for this indicator are not reported separately for the Virginia portion of the MSA. All but two metropolitan areas in the Roanoke/New River Valley region (Blacksburg-Christiansburg-Radford and Roanoke MSAs) added jobs in fiscal year 2018. Growth rates exceeded the statewide average in Northern Virginia, the Winchester metropolitan area, and two university dominated metropolitan areas (Charlottesville and Harrisonburg MSAs). The Hampton Roads region lagged the state in employment growth for the fourth straight year.

**Figure 3**
**Annual Percentage Change in Nonfarm Payroll Employment in Virginia's MSAs**
Fiscal Years 2013 – 2018

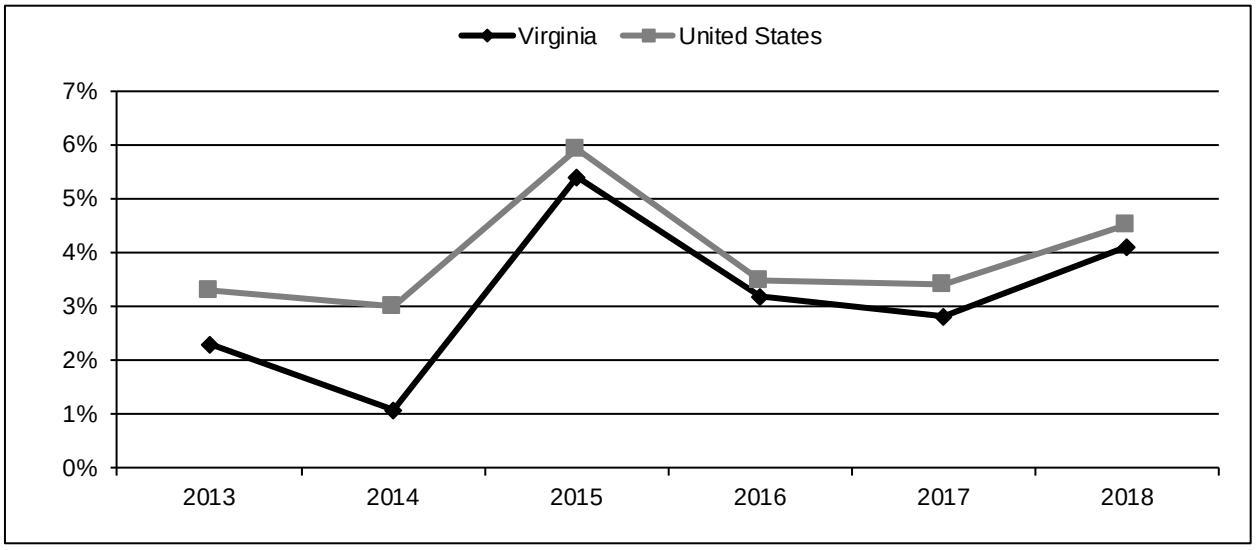
| Area | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| Virginia | 1.1% | 0.4% | 1.1% | 2.2% | 1.0% | 0.9% |
| Metropolitan areas (a) | | | | | | |
| Blacksburg-Christiansburg-Radford | 1.8% | 0.9% | 0.7% | 1.8% | -0.9% | -0.3% |
| Charlottesville | 1.1% | 1.3% | 3.6% | 2.5% | 1.9% | 2.7% |
| Harrisonburg | 0.9% | 0.4% | 0.8% | 2.5% | 1.8% | 1.1% |
| Lynchburg | 0.4% | 0.4% | 0.6% | 0.7% | -0.3% | 0.9% |
| Northern Virginia | 1.5% | -0.1% | 0.9% | 2.7% | 1.6% | 1.6% |
| Richmond | 1.9% | 1.6% | 2.0% | 3.1% | 1.2% | 0.9% |
| Roanoke | 1.0% | 0.9% | 0.3% | 0.7% | -0.3% | -0.4% |
| Staunton-Waynesboro | 0.0% | 1.1% | 1.2% | 1.6% | 0.4% | 0.3% |
| Virginia Beach-Norfolk-Newport News (b) | 1.2% | 0.7% | 0.4% | 1.3% | 0.8% | 0.5% |
| Winchester (c) | 1.9% | 2.2% | 1.4% | 2.6% | 1.8% | 2.7% |

*Source: U. S. Bureau of Labor Statistics; some prior year numbers were revised to reflect the incorporation of newly available and revised source data*
(a) Excludes Kingsport-Bristol MSA, and TN-VA, most of which is located in Tennessee
(b) Includes portion in North Carolina
(c) Includes portion in West Virginia

## Personal Income

Personal income provides the best currently available gauge of the overall health of Virginia's economy. Changes in personal income are also strongly correlated with state government revenues such as income tax and retail sales tax collections. As shown in **Figure 4**, state personal income growth in fiscal year 2018 (4.1 percent) improved over the previous two fiscal years (2.8 and 3.2 percent in fiscal years 2017 and 2016, respectively). As in the previous five fiscal years, state personal income growth slightly lagged the nation (4.5 percent). Wages and salaries, which make up over half of Virginia total personal income, grew 4.0 percent in fiscal year 2018. The next largest component is dividends, interest and rent, which expanded 4.4 percent. Among other components, transfer receipts grew 4.8 percent, supplements to wages and salaries (which includes employer contributions to employee pensions, health insurance, social security/Medicare and other benefits) increased 3.9 percent, and proprietors' income advanced 4.6 percent.

**Figure 4**
**Annual Percentage Change in Personal Income**
Fiscal Years 2013 – 2018

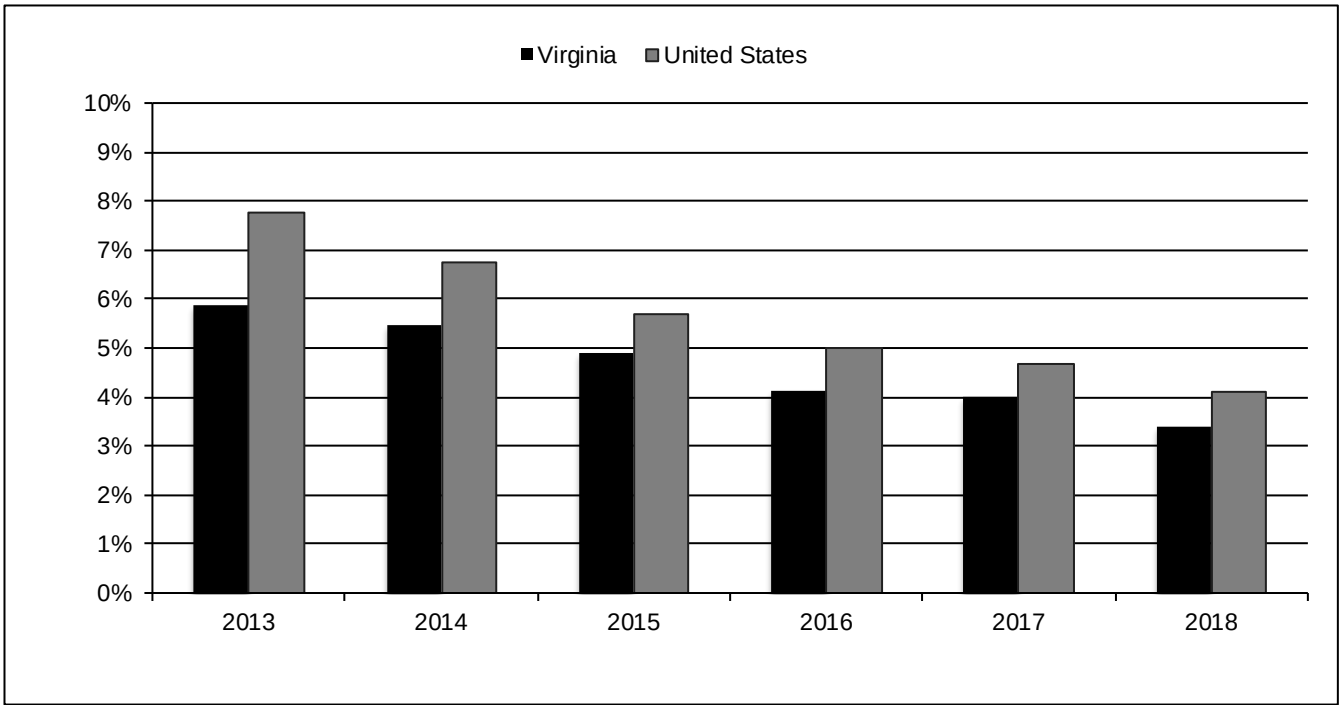



*Source: U.S. Bureau of Economic Analysis*

**Unemployment**

Continued employment growth is also reflected in a tightening state labor market. The state unemployment rate declined to pre-recessionary levels in fiscal year 2018. **Figure 5** shows that the unemployment rate in Virginia declined from 4.0 percent in fiscal year 2017 to 3.4 percent in fiscal year 2018, while the national rate fell from 4.7 percent to 4.1 percent.

**Figure 5**
**Civilian Unemployment Rate**
Fiscal Years 2013 – 2018




*Source: U.S. Bureau of Labor Statistics*

**Figure 6** shows unemployment rates for Virginia's metropolitan and non-metropolitan regions. Unemployment rates declined in fiscal year 2018 for all of Virginia's metropolitan areas. The largest improvements occurred in areas experiencing above state average unemployment rates the year before, including Blacksburg-Christiansburg-Radford, Kingsport-Bristol, and Virginia Beach-Norfolk-Newport News as well as the state's non-metropolitan areas. Unemployment rates now stand at or below 4.0 percent for all of the state's metropolitan areas for the first time since fiscal year 2000. Moreover, the gap between non-metropolitan and metropolitan unemployment rates narrowed to the smallest level (1.1 percent) in over 17 years, illustrating the geographical breadth of the labor market improvements.

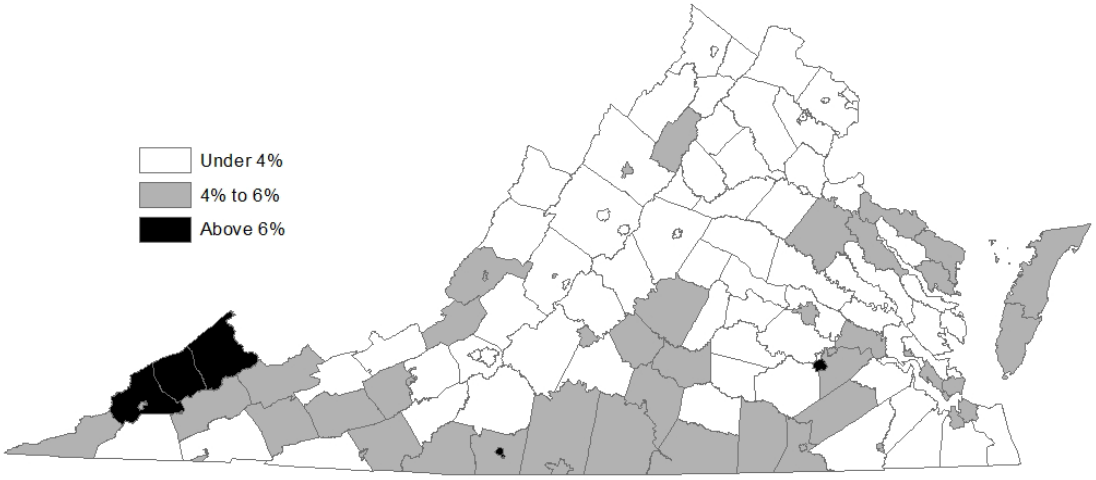
**Figure 6**
**Civilian Unemployment Rate for Virginia's MSAs**
Fiscal Years 2013 – 2018

| Area | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| Virginia | 5.9% | 5.5% | 4.9% | 4.1% | 4.0% | 3.4% |
| Metropolitan Areas | 5.6% | 5.2% | 4.7% | 3.9% | 3.9% | 3.3% |
| Blacksburg-Christiansburg-Radford | 6.5% | 5.8% | 5.2% | 4.4% | 4.8% | 3.7% |
| Charlottesville | 5.2% | 4.8% | 4.4% | 3.6% | 3.6% | 3.0% |
| Harrisonburg | 6.0% | 5.5% | 5.0% | 4.1% | 4.0% | 3.4% |
| Kingsport-Bristol | 6.8% | 6.3% | 5.5% | 4.7% | 4.6% | 3.8% |
| Lynchburg | 6.5% | 5.9% | 5.4% | 4.5% | 4.6% | 4.0% |
| Northern Virginia | 4.6% | 4.5% | 4.1% | 3.4% | 3.3% | 2.8% |
| Richmond | 6.3% | 5.8% | 5.1% | 4.3% | 4.1% | 3.6% |
| Roanoke | 6.0% | 5.5% | 4.9% | 4.0% | 4.0% | 3.5% |
| Staunton-Waynesboro | 5.8% | 5.2% | 4.7% | 3.9% | 3.8% | 3.3% |
| Virginia Beach-Norfolk-Newport News | 6.5% | 6.0% | 5.4% | 4.6% | 4.5% | 3.7% |
| Winchester | 5.7% | 5.1% | 4.5% | 3.7% | 3.6% | 3.0% |
| Non-metropolitan Areas | 8.1% | 7.4% | 6.4% | 5.5% | 5.2% | 4.4% |

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

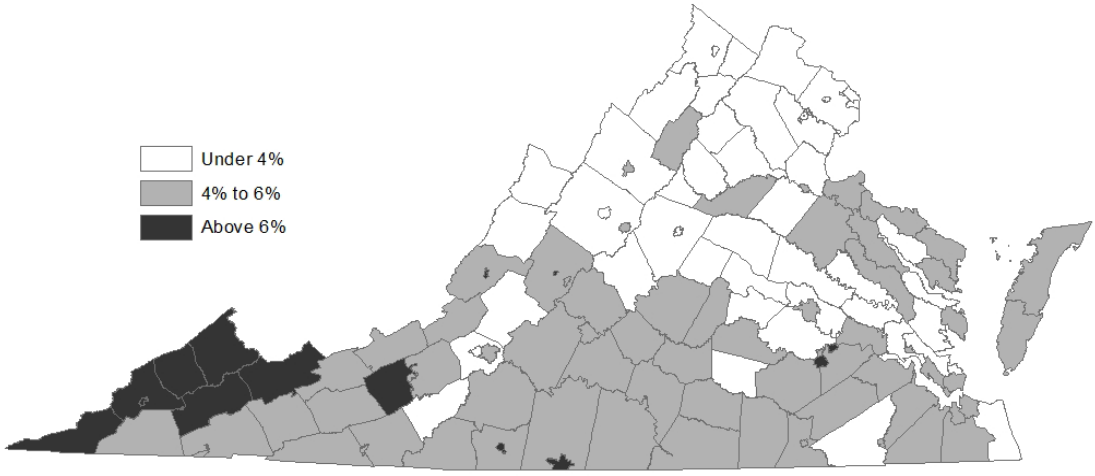
**Figures 7a** and **7b** show changes in the spatial pattern of unemployment in Virginia during the last two fiscal years using locality-level data. For fiscal year 2018, the only localities with unemployment rates above 6.0 percent were Wise, Dickenson, and Buchanan counties in Southwest and two independent cities (Petersburg and Martinsville) compared to 16 localities the fiscal year before. Regions of high (over 6.0 percent) and intermediate level unemployment (4.0 to 6.0 percent) have shrunken in size due to widespread economic improvement. Only one locality, Northampton County on the Eastern Shore, saw a year over year unemployment rate increase (0.8 percent).

**Figure 7a**
**Unemployment Rate by Locality**
Fiscal Year 2018




*Source: Virginia Employment Commission*

**Figure 7b**
**Unemployment Rate by Locality**
Fiscal Year 2017

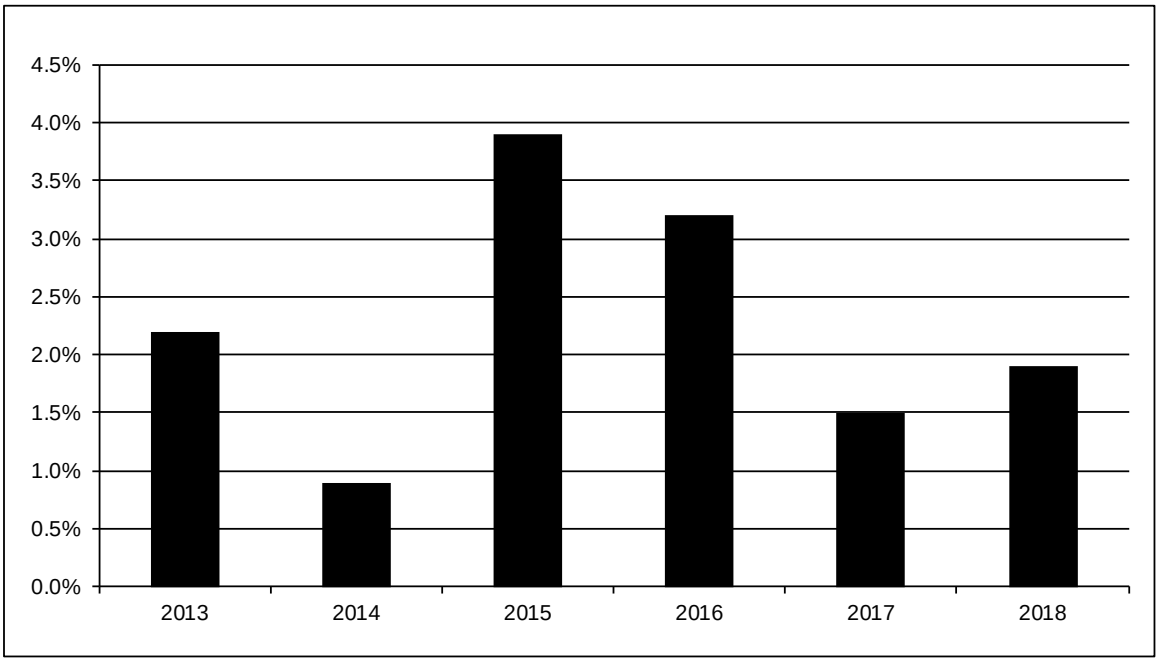



*Source: Virginia Employment Commission*

**Taxable Sales**

Changes in state retail sales are represented here using information on taxable sales. This measure is a useful proxy for retail sales, but omits some goods (e.g., motor vehicles, motor fuel sales) that appear in the comparable national measure and includes some services (e.g., restaurant sales, lodging sales) not included in that measure. **Figure 8** shows that the taxable sales growth rate increased from 1.5 percent in fiscal year 2017 to 1.9 percent in fiscal year 2018. This improvement is consistent with the increase in personal income growth described earlier.

**Figure 8**
**Annual Percentage Change in Taxable Sales in Virginia**
Fiscal Years 2013 – 2018

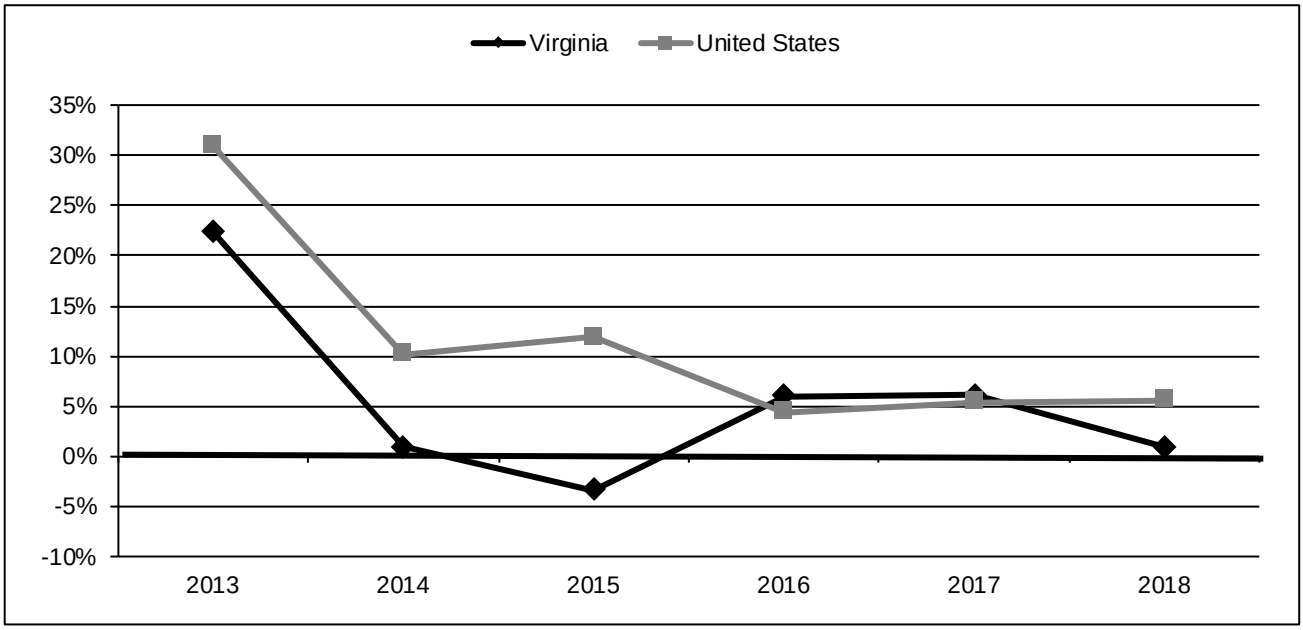



*Source: Virginia Department of Taxation.*

**Housing Market**

The Virginia housing market exhibited mixed progress during the fiscal year. Sales of existing homes and home building slowed during the year. According to data available from the Virginia Association of Realtors, sales of single-family homes, townhomes, and condominiums increased from 121,061 units in fiscal year 2017 to 122,652 units in fiscal year 2018. This represents a 1.3 percent rate of increase compared to a 7.4 percent rate of increase in fiscal year 2017. Building permit data indicate a similar slowdown. The number of new privately owned housing units authorized for construction in Virginia increased 0.9 percent in fiscal year 2018 (**Figure 9**). This is significantly lower than the year before (6.1 percent) and lags the national growth rate of 5.6 percent over the same period. For both existing home sales and building permits, growth was concentrated within the first half of the fiscal year, with declines in both permits and sales observed over the first six months of 2018 compared to the same period in 2017.

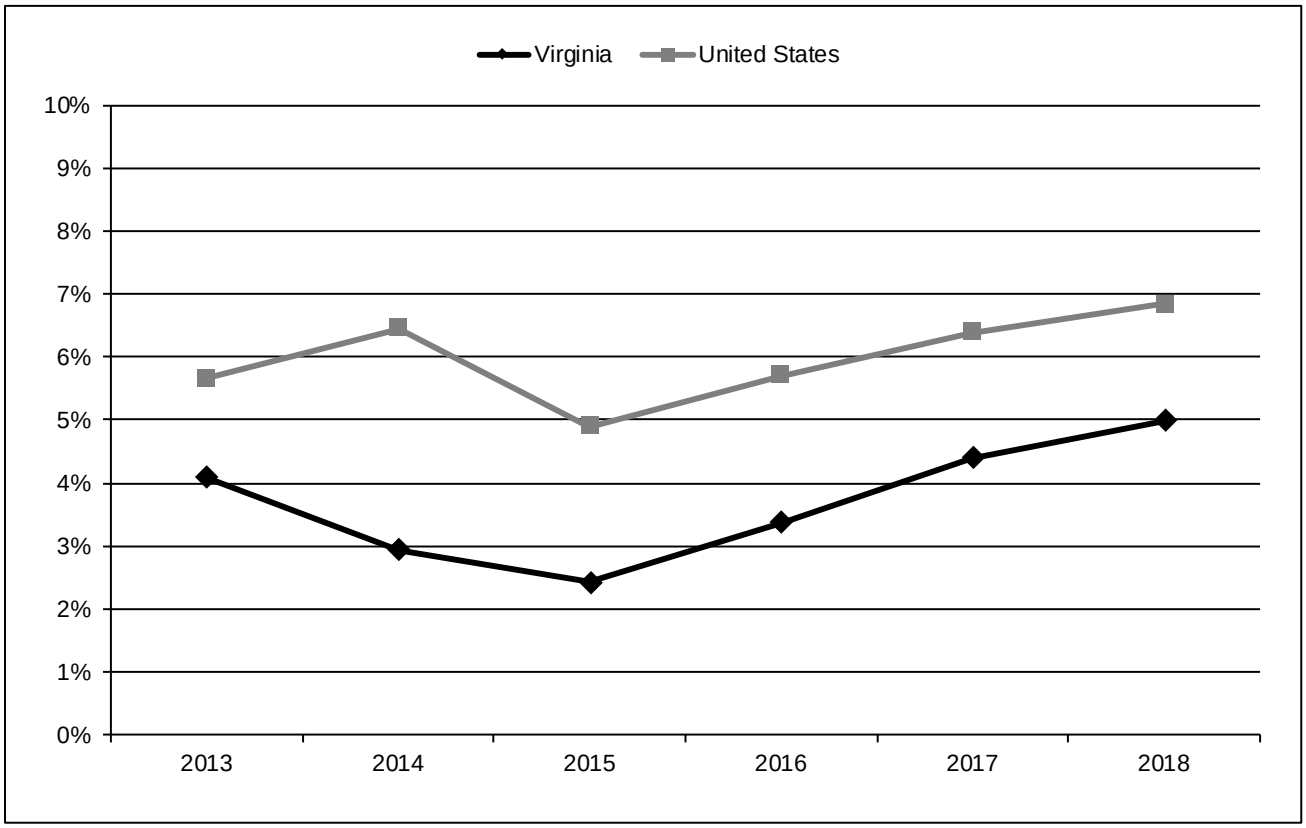
**Figure 9**
**New Privately Owned Housing Units Authorized**
**Annual Percentage Change**
Fiscal Years 2013 – 2018




*Source: U.S. Census Bureau*

Housing prices published by the Federal Housing Finance Agency indicate that the housing demand continues to improve. **Figure 10** shows the percentage change in housing prices for Virginia and the nation. Virginia housing prices increased 5.0 percent in fiscal year 2018, up from 4.4 percent in fiscal year 2017. The rate of housing price appreciation in Virginia lagged the national rate at 6.8 percent, continuing a pattern observed for the last six years. The combination of slowing existing home sales and building activity, along with accelerating housing prices might be explained by housing supply constraints (reflected in increasing costs and decreased availability of labor and materials) and more limited home inventories, which would push up prices.

**Figure 10**
**Annual Percentage Change in Housing Prices**
Fiscal Years 2013 – 2018




*Source: Federal Housing Finance Agency*

**Conclusion**

Virginia economic growth held steady in fiscal year 2018 and continued a pattern of slow to moderate growth that has characterized its performance throughout most of the economic expansion. Employment growth was similar to the year before, while the unemployment rate dropped to pre-recession levels, with labor markets tightening spreading throughout the state. Personal income and taxable sales growth picked up slightly. Virginia housing market indicators were mixed. Existing home sales and building permit issuance slowed while home prices increased at the highest rate during the economic expansion. The state continues to lag the nation in growth on most major economic metrics such as employment growth, personal income growth, and housing prices, reflecting its greater reliance on slower growing federal government employment and other less cyclically volatile industries.

By many accounts, the nation's economy is in a late stage of the business cycle. Labor markets are tight and inflationary pressures are rising. Consequently, the Federal Reserve has taken a more aggressive posture towards raising short-term interest rates, which is expected to gradually affect housing affordability, consumer credit quality and availability, and corporate investment decisions. Trade disputes with North American neighbors, China and the European Union have caused some business uncertainty. Moreover, international growth has slowed. On the other hand, recently enacted regulatory overhauls, federal tax reform, and federal spending legislation have created more favorable conditions for domestic short-term growth. Continued employment gains, improving wage growth, and healthy household balance sheets should support rising consumer expenditures in the near term. A slowing housing market suggests that residential investment is unlikely to drive future growth. Increasing federal government spending should bolster Virginia growth prospects, but state economic activity will be propelled primarily by national economic conditions, which the balance of evidence suggests will support additional moderate state economic growth.

## *MAJOR INITIATIVES*

The CAFR has received unmodified audit opinions from fiscal year 1986 through fiscal year 2017. During this period, the Commonwealth has also received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. While we are very proud of these unmodified audit opinions and awards, we must be mindful of the fact that they are not automatic. The successes of the State Comptroller's office are directly attributable to not only the professionalism, experience and integrity of the State Comptroller's technical and accounting personnel, but also to the professionalism, experience and integrity of the financial and accounting personnel throughout the Commonwealth. These major initiatives will support efforts to continue our legacy of quality financial management.

### Long-term Financial Planning

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

During fiscal year 2018, the *Code of Virginia* established the Revenue Reserve Fund to mitigate certain anticipated revenue shortfalls when appropriations based on previous revenue forecasts exceed expected revenues in subsequent forecasts. Annually, revenue collections are evaluated to determine whether deposits are required to the Fund. Withdrawals can only occur if a revised general fund revenue forecast is less than appropriated general fund revenues and the decrease is 2.0 percent or less of general fund revenues collected in the most recently ended fiscal year. Additionally, a withdrawal from the Fund may not exceed more than one-half of the Fund balance.

### Enterprise Application Project

The Cardinal Project represents a shared vision between the offices of the Secretary of Transportation, Secretary of Finance, Secretary of Administration, and the Virginia Information Technologies Agency to replace aging statewide enterprise applications. This effort began with the effort to replace the Commonwealth's financial system (CARS) and the Virginia Department of Transportation's (VDOT) financial system with a modern, enterprise-wide financial system (base financial system). The base financial system provides a solid foundation for the Commonwealth to expand system functionality and facilitates better integration of key administrative systems across the state. This foundation enables the Commonwealth to re-engineer activities to include taking advantage of shared services, increasing functionality for better fiscal management, and reducing redundant agency financial systems and related cost. This phase of the Cardinal Application Project has been completed. Effective July 1, 2016 (fiscal year 2017), Cardinal became the official general ledger accounting system for the Commonwealth, and CARS was retired.

The next phase of this project involves a partnership between the Department of Accounts (DOA) and the Department of Human Resource Management (DHRM) to replace the existing statewide payroll system (CIPPS), along with the Commonwealth's statewide Personnel Management Information System (PMIS) and Benefits Eligibility System (BES), and integrate these statewide systems into Cardinal. I, as State Comptroller, chair the Cardinal Steering Committee, and both DOA and DHRM have assigned full-time resources to this project.

## *AWARDS AND ACKNOWLEDGMENTS*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth for its CAFR for the fiscal year ended June 30, 2017. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and all applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. The Commonwealth has received a Certificate of Achievement for the last 32 consecutive years (fiscal years 1986-2017). I believe that this year's report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

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

Respectfully submitted,

David A. Von Moll
Comptroller of the Commonwealth of Virginia

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Commonwealth of Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**June 30, 2017**

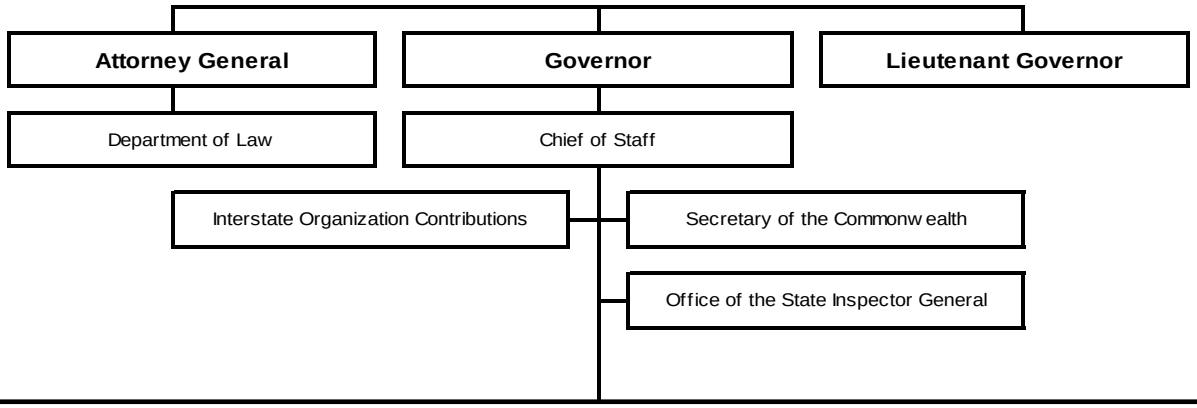
Christopher P. Morrill

Executive Director/CEO

# Organization Charts

# Organization of Executive Branch of Government

**As of June 30, 2018**




**Secretary of Administration**
Compensation Board
Department of General Services
Department of Human Resource Management
Department of Elections
Virginia Information Technologies Agency

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

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

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

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

**Secretary of Finance**
Department of Accounts
Department of Planning and Budget
Department of Taxation
Department of the Treasury
Treasury Board

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

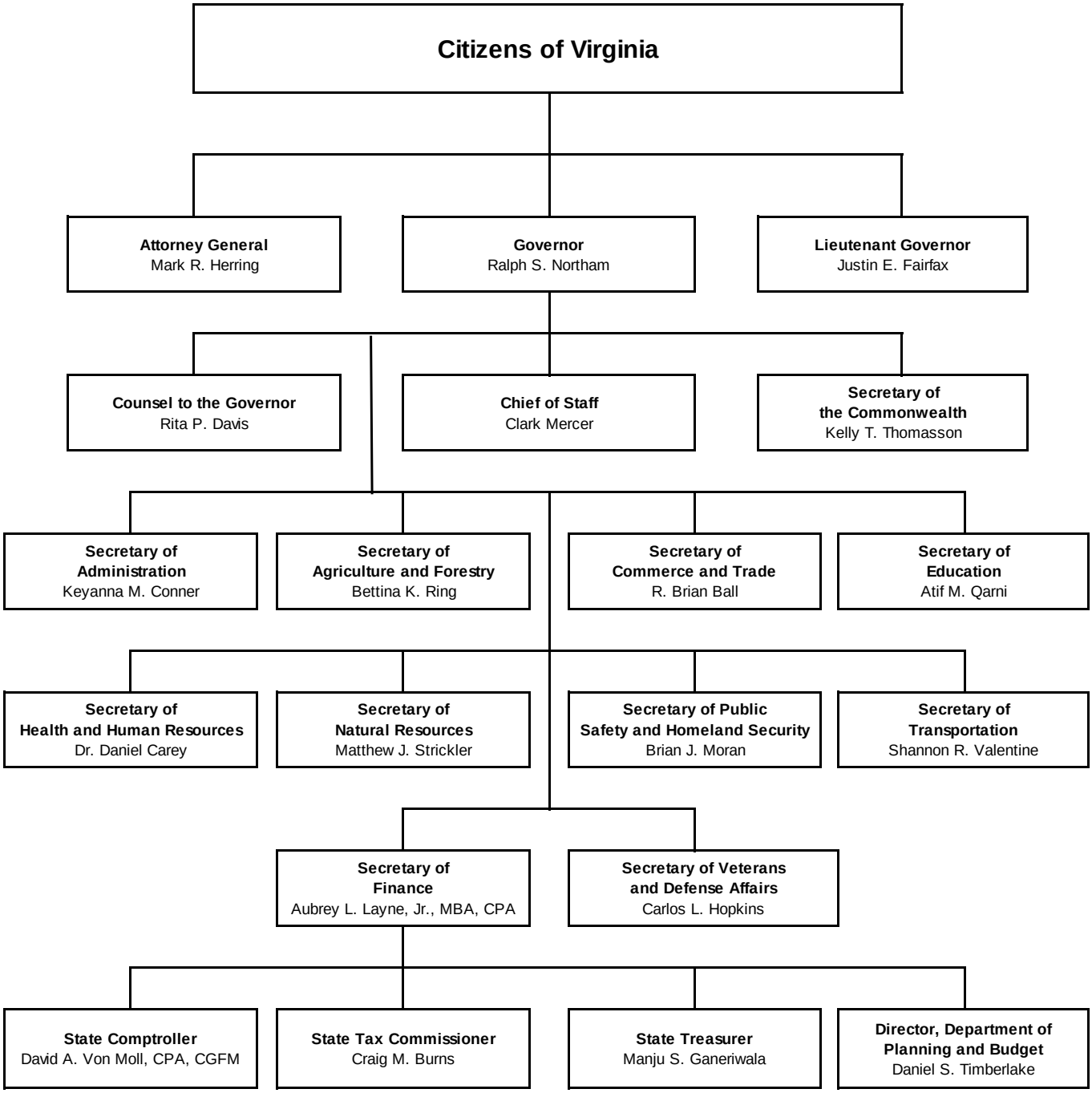
**Secretary of Public Safety and Homeland Security**
Commonwealth Attorneys' Services Council
Department of Corrections
Department of Criminal Justice Services
Department of Emergency Management
Department of Fire Programs
Department of Forensic Science
Department of Juvenile Justice
Department of Military Affairs
Department of State Police
Virginia Alcoholic Beverage Control Authority
Virginia Correctional Enterprises
Virginia Parole Board

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

**Secretary of Veterans and Defense Affairs**
Department of Veterans Services

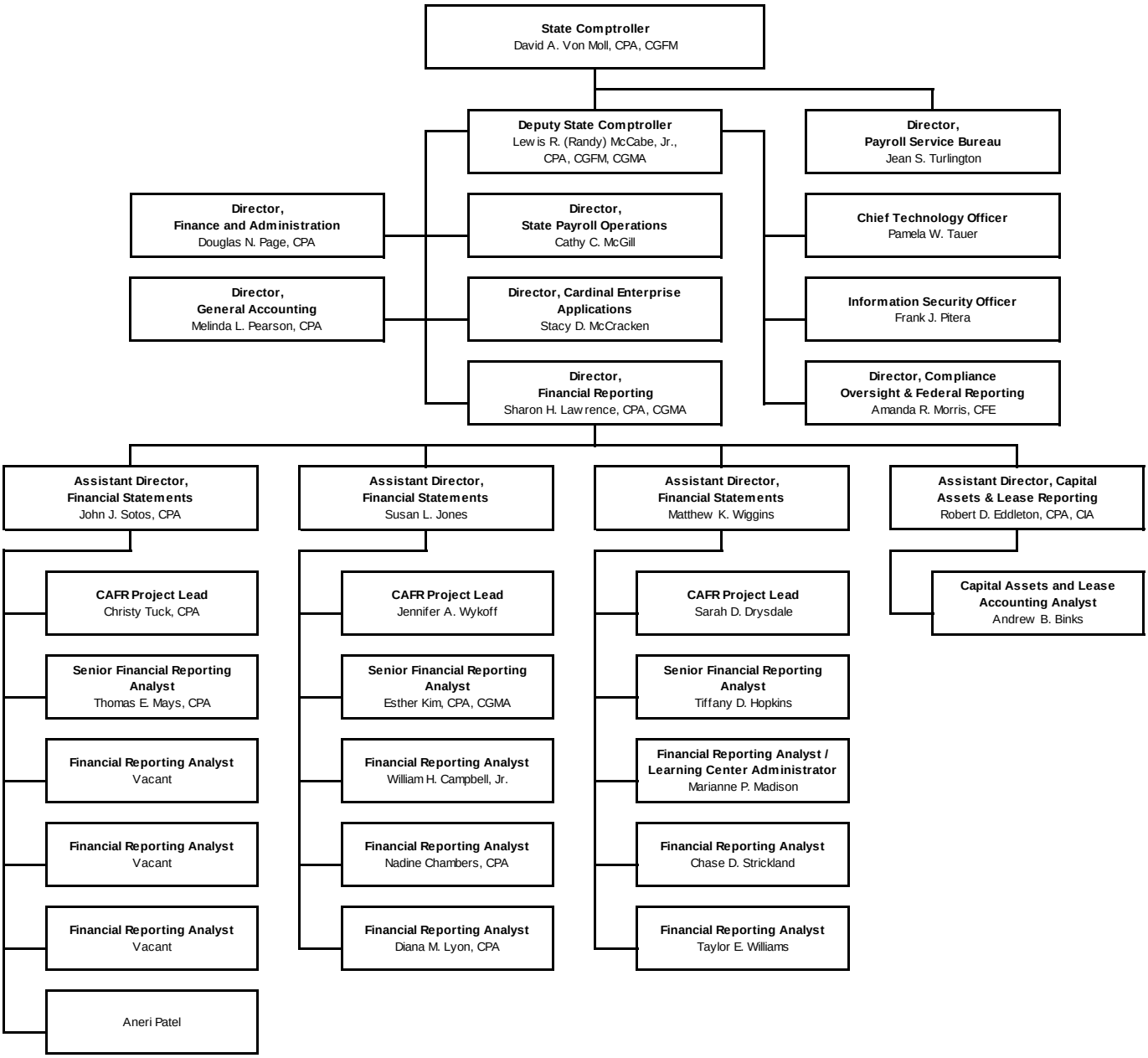
# Organization of Government
# Selected Government Officials - Executive Branch

**As of December 14, 2018**



# Organization of the Department of Accounts

**As of December 14, 2018**



# FINANCIAL SECTION

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

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 14, 2018

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission

**INDEPENDENT AUDITOR'S REPORT**

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Virginia College Savings Plan (major fund and private purpose trust fund), which is discussed on pages 53 and 264, and certain blended and discretely presented components units of the Commonwealth, which are discussed in Note 1.B. The Virginia College Savings Plan and component units account for the following percentages of total assets and deferred outflows of resources; revenues, additions, and other financing sources; and net position/fund balance of the opinion units affected.

| Opinion Unit | Total Assets and Deferred Outflows | Net Position/Fund Balance | Revenues, Additions, and Other Financing Sources |
|---|---|---|---|
| Governmental Activities | 2.41% | 4.98% | 5.29% |
| Business-type Activities | 59.97% | 37.97% | 6.72% |
| Virginia College Savings Plan Major Enterprise Fund | 100% | 100% | 100% |
| Aggregate Remaining Fund Information | 5.61% | 6.30% | 5.36% |
| Aggregate Discretely Presented Component Units | 29.17% | 24.12% | 9.27% |

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Virginia College Savings Plan and certain blended and discretely presented component units are based on the reports of the other auditors.

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

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

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

*Opinions*

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

*Emphasis of Matters*

Change in Accounting Principle

The Commonwealth of Virginia's basic financial statements for the year ended June 30, 2018, reflect the provisions of the Governmental Accounting Standards Board's (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. The Commonwealth of Virginia implemented the requirements of GASB Statement No. 75 and 85 in accordance with their required effective date. See Notes 2, 14 and 18 of the accompanying financial statements for the impact of the standards' implementation. Our opinion is not modified with respect to this matter.

Correction of 2017 Financial Statements

As discussed in Note 2 of the accompanying financial statements, the fiscal year 2017 governmental activities, the Commonwealth Transportation special revenue fund, nonmajor governmental fund, and nonmajor component units have been restated to correct misstatements. Our opinion is not modified with respect to these matters.

In addition, as discussed in Note 2, the governmental activities, nonmajor governmental fund, and investment trust fund statements have been restated due to the addition of the Hampton Roads Transportation Accountability Commission as a blended component unit of the Commonwealth. Our opinion is not modified with respect to this matter.

*Other Matters*

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, the schedule of changes in employer's net pension liability, schedule of employer contributions for pension plans, schedule of changes in employers' net other post-employment benefit liability (asset), schedule of the Commonwealth's proportionate share of the net other postemployment benefit liability, schedule of employer contributions for other post-employment benefit plans, schedule of changes in employers' total other postemployment benefit liability, and claims development information on pages 27 through 37 and 198 through 224, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, our report dated December 14, 2018, on our consideration of the Commonwealth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters is issued in the Commonwealth of Virginia Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commonwealth's internal control over financial reporting and compliance.

MARTHA S. MAVREDES
AUDITOR OF PUBLIC ACCOUNTS

# Management's Discussion and Analysis
***(Unaudited)***

The following is a discussion and analysis of the Commonwealth of Virginia's (the Commonwealth) financial performance, including an overview and analysis of the financial activities of the Commonwealth for the fiscal year ended June 30, 2018. Readers should consider this information in conjunction with the transmittal letter, which is located in the Introductory Section of this report, and the Commonwealth's financial statements, including the notes to the financial statements, which are located after this analysis.

## Financial Highlights

### Government-wide Highlights

The primary government's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2018, by $24.4 billion. Net position of governmental activities increased by $1.4 billion and net position of business-type activities increased by $147.0 million. Component units reported an increase in net position of $1.7 billion from June 30, 2017.

### Fund Highlights

At the end of the fiscal year, the Commonwealth's governmental funds reported a combined ending fund balance of $5.4 billion, an increase of $1.4 billion in comparison with the prior year. Of this total fund balance, $302.1 million represents nonspendable fund balance, $2.6 billion represents restricted fund balance, $3.1 billion represents committed fund balance, and $31.9 million represents assigned fund balance. These amounts are offset by a negative $686.0 million unassigned fund balance. The Enterprise Funds reported net position at June 30, 2018, of $2.1 billion, an increase of $148.1 million during the year which is primarily attributable to the Unemployment Compensation Fund. See page 33 for additional information.

The General Fund recognized higher fund assets and deferred outflows of resources, as well as revenues, expenditures, liabilities and deferred inflows of resources when compared to fiscal year 2017. See page 34 for additional information.

### Long-term Debt

The Commonwealth's total debt rose during the fiscal year to $47.1 billion, an increase of $1.9 billion, or 4.2 percent. During the fiscal year, the Commonwealth issued new debt in the amount of $2.7 billion for the primary government and $4.2 billion for the component units. These debt issuances increased the debt balances to $16.3 billion for the primary government and increased the debt balances to $30.8 billion for component units.

## Overview of the Financial Statements

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

### Government-wide Statements

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

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

The Statement of Activities (pages 42 through 44) presents information showing how the Commonwealth's net position changed during fiscal year 2018. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

**Discretely Presented Component Units** – account for functions of legally separate entities for which the Commonwealth is financially accountable. The Commonwealth has 24 non-higher education component units and 22 higher education institutions that are reported as discretely presented component units. Information regarding the individual financial statements of the component units is presented in the notes to the financial statements.

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

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

**Fund Financial Statements**

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

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

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

  The Commonwealth reports 15 individual governmental funds. Information is presented separately in the governmental fund statements for the General, Commonwealth Transportation, Federal Trust, and Literary funds, which are all considered major funds. Data from the other 11 governmental funds are aggregated into a single column on the fund statements. Individual fund data for these nonmajor governmental funds is provided in the combining financial statements immediately following the required supplementary information.

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

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

  The Commonwealth reports 26 individual proprietary funds. Information is presented separately in the proprietary fund statements for the Virginia Lottery, Virginia College Savings Plan, and Unemployment Compensation Funds, all of which are considered major funds. Data from the other enterprise funds are aggregated into a single column on the fund statements. All internal service funds are aggregated into a single column on the fund statements. Individual fund data for all nonmajor proprietary funds is provided in the combining financial statements immediately following the required supplementary information.

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

  The Commonwealth's fiduciary funds are the:

  - Private Purpose Trusts, which reports the activities for 6 separate funds and accounts for transactions of trust arrangements in which the principal and income benefit individuals, private organizations, or other governments;
  - Pension and Other Employee Benefit Trusts, which reports the activities of 13 separate pension and other employment retirement plans for employees;
  - Investment Trust, which accounts for the activities of the two external investment pools; and,
  - Agency, which accounts for assets held on behalf of others in 19 separate funds.

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

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

**Notes to the Financial Statements**

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

**Required Supplementary Information**

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

**Other Information**

The combining statements referred to earlier in connection with nonmajor funds and component units can be found beginning on page 225 of this report. The individual fund information is aggregated into a single total on the combining financial statements, which carries forward to the fund financial statements.

## Government-wide Financial Analysis

The primary government's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $24.4 billion during the fiscal year. The net position of the governmental activities increased $1.4 billion, or 6.9 percent, primarily due to increases in assets offset by increases in total liabilities and deferred inflows of resources. Capital assets are discussed further on page 35, the long-term liabilities are discussed further on page 36, and deferred inflows and outflows of resources are discussed in Note 14. Business-type activities had an increase of $147.0 million, or 7.7 percent, primarily due to an increase for the Unemployment Compensation Fund on page 33. As discussed in Note 2, the government-wide beginning balance was restated for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and the correction of prior year errors to arrive at a restated beginning balance of $22.8 billion.

**Figure 11**
**Net Position as of June 30, 2018 and 2017**
(Dollars in Thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 as restated | 2018 | 2017 as restated | 2018 | 2017 as restated |
| Current and other assets | $ 13,146,255 | $ 10,279,250 | $ 4,907,524 | $ 4,576,738 | $ 18,053,779 | $ 14,855,988 |
| Capital assets | 33,321,867 | 32,550,709 | 33,795 | 42,788 | 33,355,662 | 32,593,497 |
| Total Assets | 46,468,122 | 42,829,959 | 4,941,319 | 4,619,526 | 51,409,441 | 47,449,485 |
| Deferred outflows of resources | 843,832 | 988,070 | 21,071 | 28,914 | 864,903 | 1,016,984 |
| Total assets and deferred outflows of resources | 47,311,954 | 43,818,029 | 4,962,390 | 4,648,440 | 52,274,344 | 48,466,469 |
| Long-term liabilities outstanding | 13,860,886 | 13,763,434 | 2,444,995 | 2,390,427 | 16,305,881 | 16,153,861 |
| Other liabilities | 6,771,756 | 5,864,183 | 430,295 | 333,164 | 7,202,051 | 6,197,347 |
| Total Liabilities | 20,632,642 | 19,627,617 | 2,875,290 | 2,723,591 | 23,507,932 | 22,351,208 |
| Deferred inflows of resources | 4,349,086 | 3,296,041 | 20,622 | 5,417 | 4,369,708 | 3,301,458 |
| Total liabilities and deferred inflows of resources | 24,981,728 | 22,923,658 | 2,895,912 | 2,729,008 | 27,877,640 | 25,652,666 |
| Net position: | | | | | | |
| Net investment in capital assets | 25,526,904 | 25,498,219 | 33,795 | 37,764 | 25,560,699 | 25,535,983 |
| Restricted | 1,918,350 | 1,649,442 | 1,348,816 | 1,211,894 | 3,267,166 | 2,861,336 |
| Unrestricted | (5,115,028) | (6,253,290) | 683,867 | 669,774 | (4,431,161) | (5,583,516) |
| Total net position | $ 22,330,226 | $ 20,894,371 | $ 2,066,478 | $ 1,919,432 | $ 24,396,704 | $ 22,813,803 |

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

An additional portion of the primary government's net position represents restricted net position. These resources are subject to external restrictions or constitutional provisions specifying how they may be used. The remaining balance of negative $4.4 billion is unrestricted net position (**Figure 11**).

Approximately 55.3 percent of the primary government's total revenue came from taxes. While the primary government's expenses cover many services, the largest expenses are for education and individual and family services. General revenues normally fund governmental activities. For fiscal year 2018, program and general revenues exceeded governmental expenses by $609.2 million. Program revenues exceeded expenses from business-type activities by $963.1 million. The following condensed financial information (**Figure 12**) was derived from the Government-wide Statement of Activities and provides detail regarding the change in net position (see page 42).

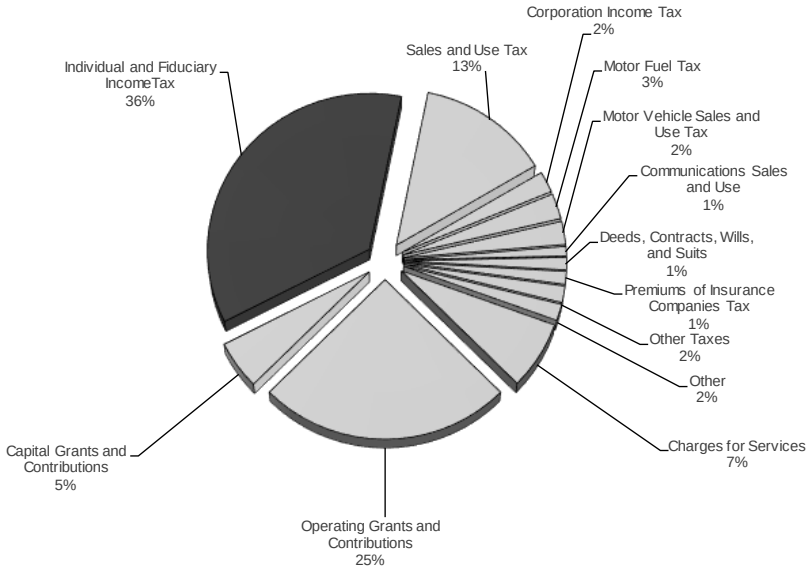
## Figure 12
## Changes in Net Position for the Fiscal Years Ended June 30, 2018 and 2017
(Dollars in Thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 as restated | 2018 | 2017 as restated | 2018 | 2017 as restated |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | $ 2,747,441 | $ 2,651,946 | $ 4,393,515 | $ 4,318,783 | $ 7,140,956 | $ 6,970,729 |
| Operating Grants and Contributions | 9,871,386 | 9,469,225 | 542 | 3,955 | 9,871,928 | 9,473,180 |
| Capital Grants and Contributions | 1,952,548 | 1,729,908 | - | - | 1,952,548 | 1,729,908 |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Individual and Fiduciary Income | 14,117,735 | 13,113,355 | - | - | 14,117,735 | 13,113,355 |
| Sales and Use | 5,266,818 | 5,104,091 | - | - | 5,266,818 | 5,104,091 |
| Corporation Income | 851,603 | 834,070 | - | - | 851,603 | 834,070 |
| Motor Fuel | 1,031,034 | 997,561 | - | - | 1,031,034 | 997,561 |
| Motor Vehicle Sales and Use | 935,101 | 947,545 | - | - | 935,101 | 947,545 |
| Communications Sales and Use | 383,221 | 396,146 | - | - | 383,221 | 396,146 |
| Deeds, Contracts, Wills, and Suits | 505,255 | 502,544 | - | - | 505,255 | 502,544 |
| Premiums of Insurance Companies | 516,743 | 479,192 | - | - | 516,743 | 479,192 |
| Alcoholic Beverage Sales | 160,910 | 154,447 | - | - | 160,910 | 154,447 |
| Tobacco Products | 161,273 | 170,215 | - | - | 161,273 | 170,215 |
| Estate | 454 | 8,089 | - | - | 454 | 8,089 |
| Public Service Corporations | 112,131 | 107,958 | - | - | 112,131 | 107,958 |
| Beer and Beverage Excise | 41,394 | 42,438 | - | - | 41,394 | 42,438 |
| Wine and Spirits/ABC Liter | 28,946 | 27,541 | - | - | 28,946 | 27,541 |
| Bank Stock | 23,870 | 22,036 | - | - | 23,870 | 22,036 |
| Other Taxes | 133,674 | 122,437 | 9,141 | 9,142 | 142,815 | 131,579 |
| Unrestricted Grants and Contributions | 60,695 | 54,738 | - | - | 60,695 | 54,738 |
| Investment Earnings | 72,286 | 65,008 | 1,151 | 932 | 73,437 | 65,940 |
| Miscellaneous | 524,761 | 466,674 | 265 | 112 | 525,026 | 466,786 |
| Total Revenues | 39,499,279 | 37,467,164 | 4,404,614 | 4,332,924 | 43,903,893 | 41,800,088 |
| Expenses: | | | | | | |
| General Government | 3,193,723 | 3,174,291 | - | - | 3,193,723 | 3,174,291 |
| Education | 10,730,895 | 10,476,894 | - | - | 10,730,895 | 10,476,894 |
| Transportation | 5,239,954 | 4,455,125 | - | - | 5,239,954 | 4,455,125 |
| Resources and Economic Development | 971,381 | 1,164,711 | - | - | 971,381 | 1,164,711 |
| Individual and Family Services | 15,598,149 | 14,800,128 | - | - | 15,598,149 | 14,800,128 |
| Administration of Justice | 2,988,859 | 3,092,308 | - | - | 2,988,859 | 3,092,308 |
| Interest and Charges on Long-term Debt | 167,111 | 222,229 | - | - | 167,111 | 222,229 |
| Virginia Lottery | - | - | 1,521,006 | 1,422,751 | 1,521,006 | 1,422,751 |
| Virginia College Savings Plan | - | - | 294,056 | 207,082 | 294,056 | 207,082 |
| Unemployment Compensation | - | - | 323,214 | 347,869 | 323,214 | 347,869 |
| Alcoholic Beverage Control | - | - | 665,811 | 644,067 | 665,811 | 644,067 |
| Risk Management | - | - | 10,461 | 9,690 | 10,461 | 9,690 |
| Local Choice Health Care | - | - | 459,616 | 447,486 | 459,616 | 447,486 |
| Line of Duty | - | - | 18,403 | - | 18,403 | - |
| Virginia Industries for the Blind | - | - | 46,397 | 55,243 | 46,397 | 55,243 |
| Consolidated Laboratory | - | - | 10,470 | 11,211 | 10,470 | 11,211 |
| eVA Procurement System | - | - | 20,079 | 20,864 | 20,079 | 20,864 |
| Department of Environmental Quality Title V | - | - | 10,156 | 11,830 | 10,156 | 11,830 |
| Wireless E-911 | - | - | 43,227 | 44,285 | 43,227 | 44,285 |
| Museum and Library Gift Shops | - | - | 7,695 | 7,141 | 7,695 | 7,141 |
| Behavioral Health Canteen and Work Activity | - | - | 329 | 383 | 329 | 383 |
| Total Expenses | 38,890,072 | 37,385,686 | 3,430,920 | 3,229,902 | 42,320,992 | 40,615,588 |
| Excess (Deficiency) before transfers | 609,207 | 81,478 | 973,694 | 1,103,022 | 1,582,901 | 1,184,500 |
| Transfers | 826,648 | 769,844 | (826,648) | (769,844) | - | - |
| Increase in net position | 1,435,855 | 851,322 | 147,046 | 333,178 | 1,582,901 | 1,184,500 |
| Net position, July 1, as restated | 20,894,371 | 20,043,049 | 1,919,432 | 1,586,254 | 22,813,803 | 21,629,303 |
| Net position, June 30 | $ 22,330,226 | $ 20,894,371 | $ 2,066,478 | $ 1,919,432 | $ 24,396,704 | $ 22,813,803 |

## Governmental Activities Revenues

**Figure 13** is a graphical representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by $2.0 billion, or 5.4 percent. The net increase is mainly attributable to increases in the General Fund, which are discussed on page 34.

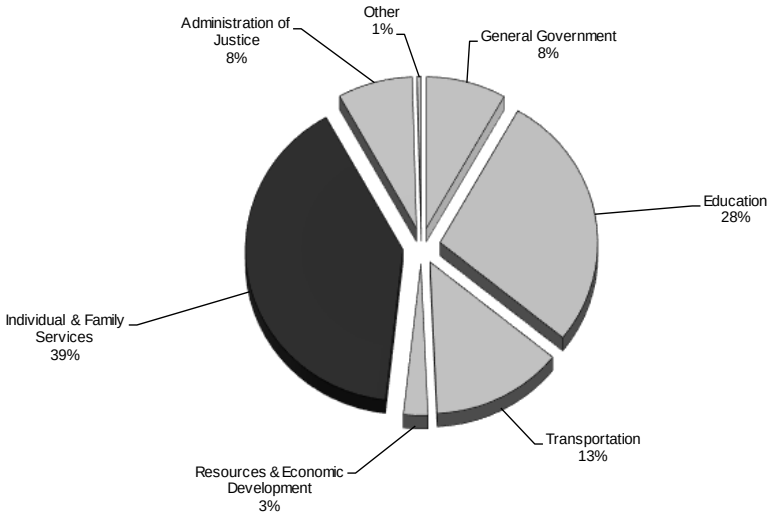
**Figure 13**
**Revenues by Source – Governmental Activities**
Fiscal Year 2018




## Governmental Activities Expenses

**Figure 14** is a graphical representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses increased by $1.5 billion, or 4.0 percent. This change is primarily attributable to increases in all expense types with the exception of resources and economic development and administration of justice. See pages 34 and 35 for additional information.

**Figure 14**
**Expenses by Type – Governmental Activities**
Fiscal Year 2018



**Net Position of Business-type Activities**

Net position of business-type activities increased by $147.0 million during the fiscal year. As shown in **Figure 15**, highlights of the changes in net position for the major enterprise funds were as follows:

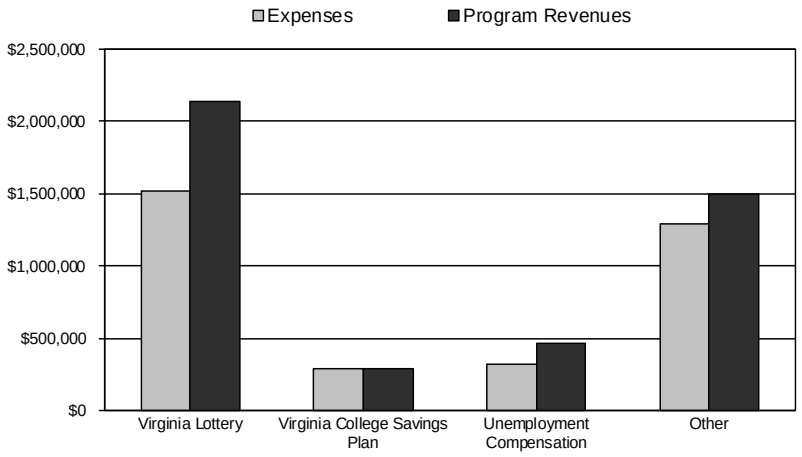
- Lottery sales were $2.1 billion, an increase of $149.9 million over the prior year. Net income was $620.2 million, an increase of $49.3 million (8.6 percent) from fiscal year 2017. Sales of scratch games increased by $66.9 million (6.0 percent) and online sales increased by $83.0 million (9.5 percent). Additionally, there is an increase of $99.8 million (7.0 percent) in total expenses, primarily attributable to the cost of prizes.

- Virginia College Savings Plan's net position increased by $724,701 (0.1 percent) during the fiscal year as a result of total revenues exceeding expenses incurred.

- Unemployment Compensation Fund net position increased by $136.8 million during fiscal year 2018, as a result of a decrease in benefit claims and operating revenue exceeding operating expenses.

  Over the one-year period from July 1, 2017, to June 30, 2018, the unemployment rate declined from 4.0 percent to 3.4 percent. Additionally, there were approximately 19,398 fewer initial unemployment claims filed than in the previous year. These declines were accompanied by an increase in the average benefit duration from 15.5 weeks to 15.6 weeks in fiscal year 2018. There was an increase in the average weekly benefit amounts from approximately $301.4 to $303.9 in fiscal year 2018. These multiple influences led to a decrease in the total benefit payments of $24.7 million over the prior year.

**Figure 15**
**Business-type Activities**
**Program Revenues and Expenses**
Fiscal Year 2018
(Dollars in Thousands)



**Fund Statements Financial Analysis**

As of the end of the fiscal year, the primary government's governmental funds reported combined ending fund balances of $5.4 billion, including a negative unassigned fund balance of $686.0 million indicating that restricted and committed amounts exceed the available modified accrual basis fund balance. The remainder of fund balance is nonspendable, restricted or committed to indicate that it is not available for new spending.

**General Fund Highlights**

At the end of the fiscal year, the General Fund reported a combined ending fund balance of $843.5 million, an increase of $345.0 million in comparison with the prior year. Of this total fund balance, $105.3 million represents nonspendable fund balance, $566.9 million represents restricted fund balance, and $759.6 million represents committed fund balance. These amounts are offset by a negative $588.3 million unassigned fund balance.

Fiscal year 2018 General Fund revenues were 6.9 percent, or $1.4 billion, higher than fiscal year 2017 revenues. This revenue change results from increases of $1.4 billion primarily attributable to individual and fiduciary income taxes ($1.1 billion), sales and use taxes ($148.0 million), corporation income taxes ($69.5 million), sales of property and commodities ($15.2 million), and interest, dividends, and rents ($11.9 million), offset by decreases of $52.8 million primarily attributable to fines, forfeitures, and penalties ($12.5 million), communication sales and use taxes ($12.4 million), tobacco product taxes ($9.0 million), receipts from cities, counties, and towns ($7.3 million) and estate taxes ($7.1 million).

Fiscal year 2018 expenditures increased by 4.0 percent, or $818.9 million, when compared to fiscal year 2017. This was primarily attributable to increases in individual and family services, education, and administration of justice expenditures of $451.4 million, $307.3 million, and $146.6 million, respectively. Net other financing sources and uses increased by $30.7 million, which is primarily due to higher transfers in from nongeneral funds and higher proceeds from the sale of capital assets.

**Budget Highlights**

The General Fund began the year with an original revenue budget that was $630.8 million, or 3.2 percent, higher than the final fiscal year 2017 revenue budget. Additionally, the final revenue budget was slightly higher ($140.1 million or 0.7 percent) than the original budget. The change between the original and final budget was primarily attributable to increases in the final budget for individual and fiduciary income taxes of $101.9 million, corporation income taxes of $33.4 million, sales of property and commodities of $14.3 million, and sales and use taxes of $12.4 million. This was offset by decreases in the final budget for communications sales and use of $10.5 million and receipts from cities, counties, and towns of $8.3 million. Total actual General Fund revenues were higher than final budgeted revenues by $688.1 million due to stronger actual than anticipated collections.

Total final budget expenditures were higher than original budget expenditures by $220.8 million, or 1.0 percent. This increase was primarily attributable to budgeted expenditures for individual and family services of $144.3 million, education of $120.3 million, and administration of justice of $106.9 million, offset by decreases in general government of $147.8 million.

The Commonwealth spent less than planned so actual expenditures were $394.8 million, or 1.8 percent, lower than final budget expenditures.

**Budget Outlook**

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

Virginia economic growth held steady in fiscal year 2018 and continued a pattern of slow to moderate growth that has characterized its performance throughout most of the economic expansion. Data regarding the primary economic indicators – jobs and new housing units saw slow to moderate growth and the state growth lagged the nation on some major economic indicators. The unemployment rate dropped to pre-recession levels while housing indicators were mixed, with home sales and building permit issuance slowing down while home prices increased at the highest rate during the economic expansion. During fiscal year 2018, the two General Fund revenue sources most closely tied to current economic activity – individual income taxes and retail sales taxes – experienced increases when compared to the 2017 collections by $1.1 billion (8.1 percent) and $104.7 million (3.1 percent), respectively. The individual income tax collections were more than the estimated revenue by $613.9 million (4.5 percent) and the retail sales taxes were more than the estimated revenue by $3.6 million (0.1 percent).

The fiscal year 2018 revenue collections exceeded fiscal year 2017 and exceeded the fiscal year 2018 collections estimate. Based on the most recent General Fund revenue estimate, the fiscal year 2019 revenue is projected to increase 1.5 percent over the fiscal year 2018 revenue collections. This planned increase is a result of continued growth in individual income taxes and retail sales taxes. The Governor will release his amendments to the 2019-2020 biennial budget on December 18, 2018.

**Major Special Revenue Fund Highlights**

The Commonwealth Transportation Fund ended the fiscal year with a fund balance of $2.3 billion. Approximately $3.5 billion is contractually committed for various highways, public transportation, and rail preservation projects; $1.3 billion for individual contracts awarded with a contract value of $1.0 million or more for operational and tolling services, facilities, and other non-highway construction-type contracts (see Note 21). Additionally, revenues increased $570.3 million, or 10.0 percent, and expenditures increased $308.5 million, or 5.3 percent. The revenue increase was primarily due to increases in tax collections of $79.1 million, or 2.2 percent, and other revenues of $601.5 million, or 186.6 percent, offset by decreases in federal income of $164.5 million, or 14.6 percent. Expenditures increased mainly for highway maintenance, acquisition, and construction.

The Federal Trust Fund balance decreased by $37.3 million, or 25.7 percent, primarily due to an increase in Federal Grants and Contracts revenue of approximately $269.3 million, or 2.9 percent, offset by a significant increase in expenditures of $436.3 million. This change in the Federal Grants and Contracts revenue was mainly attributed to an increase in Medicaid funding ($252.5 million), offset by a decrease in child and family assistance funding ($37.4 million). The remaining difference is distributed over many other federal programs. Expenditures increased primarily due to Medicaid spending. Net other financing sources and uses experienced a large increase of $25.5 million, or 62.8 percent, primarily attributable to lower transfers out to other funds.

The Literary Fund ending balance decreased by $2.7 million, or 72.5 percent. Additionally, expenditures exceeded net receipts by $181.9 million. The loans of $196.3 million owed to the Virginia Public School Authority (major component unit) decreased by $3.6 million, or 1.8 percent, which was offset by increased transfers in of $24.8 million.

**Capital Asset and Long-term Debt**

**Capital Assets.** The primary government's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to $33.4 billion (net of accumulated depreciation totaling $13.9 billion). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, construction-in-progress, and intangible assets including water rights, easements, and software. Infrastructure assets are items that are normally immovable such as roads, bridges, drainage systems, and other similar assets. As noted on page 30, increases in capital assets offset by increases in total liabilities and deferred inflows of resources resulted in an increase in net position of the governmental activities of $1.4 billion, or 6.9 percent. The increase in the primary government's net investment in capital assets was primarily attributable to increases in infrastructure of $616.4 million. These changes are primarily attributable to transportation. The primary government reports equipment with a value of $50,000 or greater and an expected useful life of two or more years. The primary government capitalizes all land, buildings, infrastructure, and intangible assets that have a cost or value greater than $100,000 and an expected useful life of two or more years. Additional information on the primary government's capital assets can be found in Note 13, Capital Assets.

**Figure 16**
**Capital Assets as of June 30, 2018**
**(Net of Depreciation)**
(Dollars in Thousands)

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| Land | $ 3,351,771 | $ 1,874 | $ 3,353,645 |
| Buildings | 2,598,246 | 9,911 | 2,608,157 |
| Equipment | 529,752 | 16,468 | 546,220 |
| Water Rights/Easements | 95,968 | - | 95,968 |
| Infrastructure | 22,178,986 | - | 22,178,986 |
| Software | 357,175 | 4,081 | 361,256 |
| Construction-in-Progress | 4,209,969 | 1,461 | 4,211,430 |
| Total | $ 33,321,867 | $ 33,795 | $ 33,355,662 |

**Long-term Debt.** The Commonwealth is prohibited from issuing general obligation bonds for operating purposes. At the end of the current fiscal year, the Commonwealth had total debt outstanding of $47.1 billion, including total tax-supported debt of $21.9 billion and total debt not supported by taxes of $25.2 billion. Bonds backed by the full faith and credit of the government and tax-supported total $1.3 billion. Debt is considered tax-supported if Commonwealth tax revenues are used or pledged for debt service payments. An additional $927.8 million is considered moral obligation debt which is not tax-supported. The Commonwealth has no direct or indirect pledge of tax revenues to fund reserve deficiencies. However, in some cases, the Commonwealth has made a moral obligation pledge to consider funding deficiencies in debt service reserves that may occur. The remainder of the Commonwealth's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

During fiscal year 2018, the Commonwealth issued $6.9 billion of new debt for various projects. Of this new debt, $2.7 billion was for the primary government and $4.2 billion for the component units. Additional information on the Commonwealth's outstanding debt can be found in Note 27, "Long-Term Liabilities," as well as in the section entitled "Debt Schedules." The Commonwealth maintains a "triple A" bond rating for general obligation debt from the three rating agencies: Moody's Investors Service; S & P Global Ratings; and Fitch Ratings.

State statutes limit the amount of general obligation debt the Commonwealth may issue for each specific type of debt. The 9(a) bonds, which may be issued to fund the defense of the Commonwealth; to meet casual deficits in revenue or in anticipation of the collection of revenues; or to redeem previous debt obligations, and are limited to 30.0 percent of 1.15 times the annual tax revenues for fiscal year 2018. The 9(b) bonds, which have been authorized by the citizens of Virginia through bond referenda to finance capital projects, are limited to 1.15 times the average of selected tax revenues for fiscal years 2016, 2017, and 2018. The 9(c) bonds, which have been issued to finance capital projects that will generate revenue upon their completion, are limited to 1.15 times the average of selected tax revenues for fiscal years 2016, 2017, and 2018. The current debt limitation for the Commonwealth is shown below for the 9(a), 9(b), and 9(c) general obligation bond issues. These limits significantly exceed the Commonwealth's outstanding general obligation debt.

**Figure 17**
**Debt Issuance Margin and Outstanding Debt as of June 30, 2018**
**General Obligation Bonds**
(Dollars in Thousands)

| | | Outstanding Debt | | | |
|---|---|---|---|---|---|
| | | Primary Government | | | |
| | Debt Issuance Margin | Governmental Activities | Business-type Activities | Total | Component Units |
| General obligation bonds | | | | | |
| 9(a) | $ 6,484,186 | $ - | $ - | $ - | $ - |
| 9(b) | 19,999,629 | 457,764 | - | 457,764 | - |
| 9(c) | 19,601,755 | 18,764 | - | 18,764 | 836,874 |
| Total | | $ 476,528 | $ - | $ 476,528 | $ 836,874 |

**Economic Factors and Review**

During fiscal year 2018, the Commonwealth's economy continued to improve at a similar pace as the prior year. The Commonwealth experienced a lower job growth rate than at the national level (0.9 percent at the state level versus 1.5 percent nationally). Personal income growth reached 4.1 percent during fiscal year 2018, compared to 2.8 percent in fiscal year 2017. However, it lagged behind the national level (4.5 percent), as it has for past several fiscal years. Unemployment in the Commonwealth and at the national level continued to improve during the fiscal year, reaching 3.4 percent and 4.1 percent, respectively. During fiscal year 2018, total taxable sales growth in the Commonwealth increased from 1.5 percent to 1.9 percent compared to fiscal year 2017. Economic indicators show that during fiscal year 2018, the housing market in the Commonwealth experienced a 1.3 percent increase compared to 7.4 percent in fiscal year 2017. Additionally, housing prices in the Commonwealth again showed a positive change for fiscal year 2018, with an increase of approximately 5.0 percent, compared to just over 6.8 percent at the national level. Many major economic indicators show that the Commonwealth's growth was moderately slow during the fiscal year as it has been during most of the economic expansion. The Commonwealth continues to fall behind the nation in most areas, which reflects its reliance on the slower growing federal employment and other less unstable industries.

**Requests for Information**

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

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

# Government-wide Financial Statements

## Statement of Net Position

June 30, 2018
(Dollars in Thousands)

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| **Assets and Deferred Outflows of Resources** | | | | |
| Cash and Cash Equivalents (Notes 1 and 7) | $ 4,711,099 | $ 1,649,621 | $ 6,360,720 | $ 2,594,556 |
| Investments (Notes 1 and 7) | 2,198,495 | 2,671,795 | 4,870,290 | 12,271,459 |
| Assets Held Pending Distribution (Note 1) | - | 116,485 | 116,485 | - |
| Receivables, Net (Notes 1 and 8) | 3,863,510 | 436,368 | 4,299,878 | 15,174,826 |
| Contributions Receivable, Net (Notes 1 and 9) | - | - | - | 430,236 |
| Internal Balances (Note 1) | 72,820 | (72,820) | - | - |
| Due from Primary Government (Note 10) | - | - | - | 31,624 |
| Due from Component Units (Note 10) | 32,076 | - | 32,076 | 104,295 |
| Due from External Parties (Fiduciary Funds) (Note 10) | 60,803 | - | 60,803 | - |
| Inventory (Note 1) | 167,827 | 95,072 | 262,899 | 149,409 |
| Prepaid Items (Note 1) | 123,232 | 6,262 | 129,494 | 147,869 |
| Other Assets (Notes 1 and 11) | 3,880 | 210 | 4,090 | 87,365 |
| Loans Receivable from Primary Government (Notes 1 and 10) | - | - | - | 196,305 |
| Loans Receivable from Component Units (Notes 1 and 10) | 22,797 | - | 22,797 | - |
| Restricted Cash and Cash Equivalents (Notes 7 and 12) | 1,442,035 | - | 1,442,035 | 2,478,483 |
| Restricted Investments (Notes 7 and 12) | 325,170 | - | 325,170 | 6,857,442 |
| Other Restricted Assets (Note 12) | 122,511 | 4,531 | 127,042 | 371,380 |
| Nondepreciable Capital Assets (Notes 1 and 13) | 8,965,928 | 3,335 | 8,969,263 | 2,763,277 |
| Depreciable Capital Assets, Net (Notes 1 and 13) | 24,355,939 | 30,460 | 24,386,399 | 18,471,041 |
| Total Assets | 46,468,122 | 4,941,319 | 51,409,441 | 62,129,567 |
| | | | | |
| **Deferred Outflows of Resources (Notes 1, 14, 15, 16, and 18)** | 843,832 | 21,071 | 864,903 | 906,000 |
| Total Assets and Deferred Outflows of Resources | 47,311,954 | 4,962,390 | 52,274,344 | 63,035,567 |
| | | | | |
| **Liabilities and Deferred Inflows of Resources** | | | | |
| Accounts Payable (Notes 1 and 25) | 1,188,803 | 102,693 | 1,291,496 | 1,220,919 |
| Amounts Due to Other Governments | 1,176,451 | 7,000 | 1,183,451 | 109,099 |
| Due to Primary Government (Note 10) | - | - | - | 32,076 |
| Due to Component Units (Note 10) | 31,624 | - | 31,624 | 104,295 |
| Due to External Parties (Fiduciary Funds) (Note 10) | 47,716 | 980 | 48,696 | 37,031 |
| Unearned Revenue (Note 1) | 340,658 | 4,510 | 345,168 | 365,162 |
| Obligations Under Securities Lending (Notes 1 and 7) | 438,939 | 61,650 | 500,589 | 55,978 |
| Due to Claimants, Participants, Escrows and Providers (Note 1) | 489,548 | 65,103 | 554,651 | - |
| Other Liabilities (Notes 1, 15, and 26) | 1,951,696 | 109,394 | 2,061,090 | 1,685,343 |
| Loans Payable to Primary Government (Notes 1 and 10) | - | - | - | 22,797 |
| Loans Payable to Component Units (Notes 1 and 10) | 196,305 | - | 196,305 | - |
| Claims Payable (Notes 1 and 24): | | | | |
| Due Within One Year | 193,409 | 52,666 | 246,075 | 173,756 |
| Due in More Than One Year | 716,607 | 26,299 | 742,906 | 31,668 |
| Long-term Liabilities (Notes 1, 22, 23, and 27): | | | | |
| Due Within One Year | 635,492 | 299,691 | 935,183 | 1,581,568 |
| Due in More Than One Year | 13,225,394 | 2,145,304 | 15,370,698 | 29,196,665 |
| Total Liabilities | 20,632,642 | 2,875,290 | 23,507,932 | 34,616,357 |
| | | | | |
| **Deferred Inflows of Resources (Notes 1, 14, 15, 16, 18, and 37)** | 4,349,086 | 20,622 | 4,369,708 | 602,418 |
| Total Liabilities and Deferred Inflows of Resources | 24,981,728 | 2,895,912 | 27,877,640 | 35,218,775 |

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

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 25,526,904 | 33,795 | 25,560,699 | 11,567,945 |
| Restricted For: | | | | |
| Nonexpendable: | | | | |
| Higher Education | - | - | - | 3,850,000 |
| Permanent Funds | 37,921 | - | 37,921 | - |
| Other | - | - | - | 169,354 |
| Expendable: | | | | |
| Agriculture and Forestry | 8,048 | - | 8,048 | - |
| Bond Indenture | - | - | - | 2,969,696 |
| Capital Projects/Construction/Capital Acquisition | 18,083 | - | 18,083 | 1,781,517 |
| Contract and Debt Administration | 857 | - | 857 | - |
| Debt Service | 115,761 | - | 115,761 | 138,972 |
| Economic and Technological Development | 41 | - | 41 | - |
| Educational and Training Programs | 3,318 | - | 3,318 | - |
| Environmental Quality and Natural Resource Preservation | 22,572 | - | 22,572 | - |
| Gifts and Grants | 94,134 | - | 94,134 | 156,135 |
| Health and Public Safety | 64,613 | - | 64,613 | - |
| Higher Education | - | - | - | 6,485,641 |
| Literary Fund | 24,137 | - | 24,137 | - |
| Lottery Proceeds Fund | 17,944 | - | 17,944 | - |
| Net Other Postemployment Benefit - Virginia Sickness and Disability Program | 103,741 | 3,801 | 107,542 | 66,268 |
| Permanent Funds | 1,740 | - | 1,740 | - |
| Revenue Stabilization Fund | 546,216 | - | 546,216 | - |
| Transportation Activities | 853,317 | - | 853,317 | - |
| Unemployment Compensation Trust Fund | - | 1,345,015 | 1,345,015 | - |
| Virginia Pooled Investment Program | - | - | - | 7,798 |
| Virginia Water Supply Assistance Grant Fund | 2,972 | - | 2,972 | - |
| Other | 2,935 | - | 2,935 | 20,403 |
| Unrestricted | (5,115,028) | 683,867 | (4,431,161) | 603,063 |
| Total Net Position | $ 22,330,226 | $ 2,066,478 | $ 24,396,704 | $ 27,816,792 |

## Statement of Activities

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Primary Government** | | | | |
| Governmental Activities | | | | |
| General Government | $ 3,193,723 | $ 322,501 | $ 161,694 | $ 21,113 |
| Education | 10,730,895 | 649,492 | 734,330 | 8,788 |
| Transportation | 5,239,954 | 755,720 | 65,954 | 1,908,306 |
| Resources and Economic Development | 971,381 | 386,389 | 171,782 | 14,038 |
| Individual and Family Services | 15,598,149 | 350,310 | 8,657,277 | 303 |
| Administration of Justice | 2,988,859 | 283,029 | 80,349 | - |
| Interest and Charges on Long-term Debt | 167,111 | - | - | - |
| Total Governmental Activities | 38,890,072 | 2,747,441 | 9,871,386 | 1,952,548 |
| | | | | |
| Business-type Activities | | | | |
| Virginia Lottery | 1,521,006 | 2,139,888 | - | - |
| Virginia College Savings Plan | 294,056 | 295,448 | - | - |
| Unemployment Compensation | 323,214 | 461,185 | - | - |
| Alcoholic Beverage Control | 665,811 | 844,932 | 542 | - |
| Risk Management | 10,461 | 13,244 | - | - |
| Local Choice Health Care | 459,616 | 462,784 | - | - |
| Line of Duty | 18,403 | 19,920 | - | - |
| Virginia Industries for the Blind | 46,397 | 44,269 | - | - |
| Consolidated Laboratory | 10,470 | 11,997 | - | - |
| eVA Procurement System | 20,079 | 20,846 | - | - |
| Department of Environmental Quality Title V | 10,156 | 9,118 | - | - |
| Wireless E-911 | 43,227 | 61,182 | - | - |
| Museum and Library Gift Shops | 7,695 | 8,370 | - | - |
| Behavioral Health Canteen and Work Activity | 329 | 332 | - | - |
| Total Business-type Activities | 3,430,920 | 4,393,515 | 542 | - |
| | | | | |
| Total Primary Government | $ 42,320,992 | $ 7,140,956 | $ 9,871,928 | $ 1,952,548 |
| | | | | |
| **Component Units** | | | | |
| Virginia Housing Development Authority | $ 386,058 | $ 381,639 | $ 123,779 | $ - |
| Virginia Public School Authority | 132,515 | 128,033 | 8,469 | - |
| Virginia Resources Authority | 144,158 | 139,712 | - | 52,291 |
| Virginia College Building Authority | 650,739 | 65,251 | 43,782 | 6,428 |
| Nonmajor | 16,086,081 | 11,049,799 | 2,992,879 | 519,105 |
| Total Component Units | $ 17,399,551 | $ 11,764,434 | $ 3,168,909 | $ 577,824 |

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

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| $ (2,688,415) | $ - | $ (2,688,415) | $ - |
| (9,338,285) | - | (9,338,285) | - |
| (2,509,974) | - | (2,509,974) | - |
| (399,172) | - | (399,172) | - |
| (6,590,259) | - | (6,590,259) | - |
| (2,625,481) | - | (2,625,481) | - |
| (167,111) | - | (167,111) | - |
| (24,318,697) | - | (24,318,697) | - |
| | | | |
| - | 618,882 | 618,882 | - |
| - | 1,392 | 1,392 | - |
| - | 137,971 | 137,971 | - |
| - | 179,663 | 179,663 | - |
| - | 2,783 | 2,783 | - |
| - | 3,168 | 3,168 | - |
| - | 1,517 | 1,517 | - |
| - | (2,128) | (2,128) | - |
| - | 1,527 | 1,527 | - |
| - | 767 | 767 | - |
| - | (1,038) | (1,038) | - |
| - | 17,955 | 17,955 | - |
| - | 675 | 675 | - |
| - | 3 | 3 | - |
| - | 963,137 | 963,137 | - |
| | | | |
| (24,318,697) | 963,137 | (23,355,560) | - |
| | | | |
| | | | |
| - | - | - | 119,360 |
| - | - | - | 3,987 |
| - | - | - | 47,845 |
| - | - | - | (535,278) |
| - | - | - | (1,524,298) |
| - | - | - | (1,888,384) |

*Continued on next page*

**Statement of Activities** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|---|
| | Primary Government | | | |
| | Governmental Activities | Business-type Activities | Total | Component Units |
| General Revenues | | | | |
| Taxes | | | | |
| Individual and Fiduciary Income | 14,117,735 | - | 14,117,735 | - |
| Sales and Use | 5,266,818 | - | 5,266,818 | - |
| Corporation Income | 851,603 | - | 851,603 | - |
| Motor Fuel | 1,031,034 | - | 1,031,034 | - |
| Motor Vehicle Sales and Use | 935,101 | - | 935,101 | - |
| Communications Sales and Use | 383,221 | - | 383,221 | - |
| Deeds, Contracts, Wills, and Suits | 505,255 | - | 505,255 | - |
| Premiums of Insurance Companies | 516,743 | - | 516,743 | - |
| Alcoholic Beverage Sales | 160,910 | - | 160,910 | - |
| Tobacco Products | 161,273 | - | 161,273 | - |
| Estate | 454 | - | 454 | - |
| Public Service Corporations | 112,131 | - | 112,131 | - |
| Beer and Beverage Excise | 41,394 | - | 41,394 | - |
| Wine and Spirits/ABC Liter | 28,946 | - | 28,946 | - |
| Bank Stock | 23,870 | - | 23,870 | - |
| Other Taxes | 133,674 | 9,141 | 142,815 | - |
| Operating Appropriations from Primary Government | - | - | - | 2,432,007 |
| Unrestricted Grants and Contributions | 60,695 | - | 60,695 | 97,827 |
| Investment Earnings | 72,286 | 1,151 | 73,437 | 768,642 |
| Miscellaneous | 524,761 | 265 | 525,026 | 88,070 |
| Transfers | 826,648 | (826,648) | - | - |
| Contributions to Permanent and Term Endowments | - | - | - | 234,144 |
| Total General Revenues, Transfers, and Contributions | 25,754,552 | (816,091) | 24,938,461 | 3,620,690 |
| Change in Net Position | 1,435,855 | 147,046 | 1,582,901 | 1,732,306 |
| Net Position, July 1, as restated (Note 2) | 20,894,371 | 1,919,432 | 22,813,803 | 26,084,486 |
| Net Position, June 30 | $ 22,330,226 | $ 2,066,478 | $ 24,396,704 | $ 27,816,792 |

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

# Governmental Funds

**General Fund**

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

**Special Revenue Funds**

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

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

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

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

**Nonmajor Governmental Funds** include those Special Revenue, Debt Service, Capital Projects, and Permanent Funds listed on page 227 in the Combining and Individual Fund Statements and Schedules section of this report.

## Balance Sheet – Governmental Funds

June 30, 2018
(Dollars in Thousands)

| | General | Special Revenue: Commonwealth Transportation | Special Revenue: Federal Trust | Special Revenue: Literary |
|---|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | | |
| Cash and Cash Equivalents (Notes 1 and 7) | $ 196,728 | $ 2,836,182 | $ 197,521 | $ 89,289 |
| Investments (Notes 1 and 7) | 1,881,746 | - | - | - |
| Receivables, Net (Notes 1 and 8) | 1,966,883 | 490,745 | 1,097,235 | 131,783 |
| Due from Other Funds (Note 10) | 25,254 | 26,841 | 50 | 7,010 |
| Due from External Parties (Fiduciary Funds) (Note 10) | 16 | - | 21,076 | - |
| Interfund Receivable (Note 10) | - | - | - | - |
| Inventory (Note 1) | 30,183 | 90,739 | 23,813 | - |
| Prepaid Items (Note 1) | 75,163 | 14,524 | 2,633 | - |
| Other Assets (Notes 1 and 11) | 1,405 | 282 | 1,582 | - |
| Loans Receivable from Component Units (Notes 1 and 10) | - | - | - | - |
| Restricted Cash and Cash Equivalents (Notes 7 and 12) | - | 411,155 | - | - |
| Total Assets | 4,177,378 | 3,870,468 | 1,343,910 | 228,082 |
| **Deferred Outflows of Resources (Notes 1 and 14)** | - | - | - | - |
| Total Assets and Deferred Outflows of Resources | $ 4,177,378 | $ 3,870,468 | $ 1,343,910 | $ 228,082 |
| **Liabilities, Deferred Inflows of Resources, and Fund Balances** | | | | |
| Accounts Payable (Notes 1 and 25) | $ 326,201 | $ 482,437 | $ 78,717 | $ 10 |
| Amounts Due to Other Governments | 437,310 | 50,346 | 334,687 | 1 |
| Due to Other Funds (Note 10) | 33,564 | 38,516 | 10,785 | - |
| Due to Component Units (Note 10) | 262 | - | 3,598 | - |
| Due to External Parties (Fiduciary Funds) (Note 10) | 32,120 | 9,740 | 2,649 | - |
| Interfund Payable (Note 10) | 6,892 | 3,400 | 27,480 | - |
| Unearned Revenue (Note 1) | - | 148,293 | 57,689 | - |
| Obligations Under Securities Lending Program (Notes 1 and 7) | 194,386 | 171,393 | 3,011 | 7,628 |
| Due to Claimants, Participants, Escrows and Providers (Note 1) | - | - | 338 | - |
| Other Liabilities (Notes 1 and 26) | 1,240,763 | 2,277 | 624,306 | - |
| Loans Payable to Component Units (Notes 1 and 10) | - | - | - | 196,305 |
| Long-term Liabilities Due Within One Year (Notes 1, 22, and 27) | 1,898 | 263 | 154 | - |
| Total Liabilities | 2,273,396 | 906,665 | 1,143,414 | 203,944 |
| **Deferred Inflows of Resources (Notes 1, 14, and 37)** | 1,060,528 | 636,525 | 92,963 | 23,103 |
| Total Liabilities and Deferred Inflows of Resources | 3,333,924 | 1,543,190 | 1,236,377 | 227,047 |
| Fund Balances (Note 3): | | | | |
| Nonspendable | 105,346 | 105,263 | 26,446 | - |
| Restricted | 566,903 | 481,900 | 81,087 | 1,035 |
| Committed | 759,576 | 1,740,115 | - | - |
| Assigned | - | - | - | - |
| Unassigned | (588,371) | - | - | - |
| Total Fund Balances | 843,454 | 2,327,278 | 107,533 | 1,035 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | $ 4,177,378 | $ 3,870,468 | $ 1,343,910 | $ 228,082 |

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

| Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|
| $ 1,727,062 | $ 5,046,782 |
| 641,919 | 2,523,665 |
| 84,377 | 3,771,023 |
| 31,503 | 90,658 |
| 39,479 | 60,571 |
| 214,426 | 214,426 |
| 6,626 | 151,361 |
| 20,496 | 112,816 |
| 611 | 3,880 |
| 22,797 | 22,797 |
| - | 411,155 |
| 2,789,296 | 12,409,134 |
| | |
| - | - |
| $ 2,789,296 | $ 12,409,134 |
| | |
| $ 52,626 | $ 939,991 |
| 2,124 | 824,468 |
| 32,022 | 114,887 |
| 17,872 | 21,732 |
| 2,752 | 47,261 |
| - | 37,772 |
| 23,054 | 229,036 |
| 20,068 | 396,486 |
| 489,210 | 489,548 |
| 8,075 | 1,875,421 |
| - | 196,305 |
| 222 | 2,537 |
| 648,025 | 5,175,444 |
| | |
| 40,830 | 1,853,949 |
| 688,855 | 7,029,393 |
| | |
| 64,999 | 302,054 |
| 1,451,245 | 2,582,170 |
| 649,965 | 3,149,656 |
| 31,902 | 31,902 |
| (97,670) | (686,041) |
| 2,100,441 | 5,379,741 |
| $ 2,789,296 | $ 12,409,134 |

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

June 30, 2018
(Dollars in Thousands)

| | | |
|---|---|---|
| **Total fund balances - governmental funds (see Balance Sheet - Governmental Funds)** | $ | 5,379,741 |
| When the amount employers have paid into an other post-employment benefit (OPEB) plan combined with the plan's assets exceeds the amount that is required to pay the actuarially determined future benefits, the cost of employer contributions are reported as expenditures in the governmental funds. However, the Statement of Net Position includes the Net OPEB asset among the assets of the primary government as a whole. | | 120,292 |
| When capital assets (land, buildings, equipment, construction-in-progress, intangible assets, and/or infrastructure) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the primary government as a whole. | | |
| Nondepreciable Capital Assets | | 8,934,092 |
| Depreciable Capital Assets | | 24,212,281 |
| Assets to be received for Long-term Debt Service requirements are not reported in the fund statements. | | 70,127 |
| Deferred outflows associated with pension and other postemployment benefit related costs are long-term in nature and therefore not reported in the funds. | | 672,957 |
| Deferred outflows associated with loss on debt refundings are long-term in nature and therefore not reported in the funds. | | 160,184 |
| Long-term liabilities applicable to the primary government's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position. | | |
| Pension Liability | | (4,019,177) |
| Net OPEB Liability | | (765,408) |
| Total OPEB Liability | | (724,776) |
| Capital Leases | | (20,580) |
| Installment Purchases | | (68,022) |
| Compensated Absences | | (299,437) |
| Uninsured Employer's Fund | | (23,339) |
| Bonds | | (7,751,490) |
| Accrued Interest Payable | | (73,623) |
| Other Obligations | | (38,393) |
| Pollution Remediation Liability | | (6,963) |
| Internal service funds are used by the primary government to charge costs to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position. | | (427,121) |
| Other long-term payables are not due and payable in the current period and, therefore, are not reported in the funds. | | (517,466) |
| Deferred inflows are not available to pay for current period expenditures and, therefore, are not reported in the funds. | | 1,282,748 |
| Deferred inflows associated with Service Concession Arrangements are long-term in nature and therefore not reported in the funds. | | (2,984,023) |
| Deferred inflows associated with pension and other postemployment benefit related costs are long-term in nature and therefore not reported in the funds. | | (782,351) |
| Deferred inflows associated with gain on debt refundings are long-term in nature and therefore not reported in the funds. | | (27) |
| **Net position of governmental activities (see Government-wide Statement of Net Position)** | $ | 22,330,226 |

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

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

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | | Special Revenue | | |
|---|---|---|---|---|
| | General | Commonwealth Transportation | Federal Trust | Literary |
| **Revenues** | | | | |
| Taxes | $ 20,528,317 | $ 3,704,984 | $ - | $ - |
| Rights and Privileges | 90,345 | 654,607 | 91 | 637 |
| Institutional Revenue | 37,114 | - | 5 | - |
| Interest, Dividends, Rents, and Other Investment Income | 46,564 | 45,263 | 527 | 13,647 |
| Federal Grants and Contracts | 7,186 | 958,641 | 9,455,698 | - |
| Other (Note 28) | 654,884 | 923,873 | 234,539 | 54,267 |
| Total Revenues | 21,364,410 | 6,287,368 | 9,690,860 | 68,551 |
| **Expenditures** | | | | |
| Current: | | | | |
| General Government | 2,409,523 | 63,744 | 133,185 | 135 |
| Education | 8,759,129 | 2,341 | 1,087,211 | 250,275 |
| Transportation | 202 | 5,985,146 | 22,030 | - |
| Resources and Economic Development | 400,736 | 15,463 | 148,635 | - |
| Individual and Family Services | 7,018,110 | - | 8,209,706 | - |
| Administration of Justice | 2,879,925 | 9,884 | 80,856 | - |
| Capital Outlay | 4,572 | 70,101 | 31,390 | - |
| Debt Service: | | | | |
| Principal Retirement | - | - | - | - |
| Interest and Charges | - | - | - | - |
| Total Expenditures | 21,472,197 | 6,146,679 | 9,713,013 | 250,410 |
| Revenues Over (Under) Expenditures | (107,787) | 140,689 | (22,153) | (181,859) |
| **Other Financing Sources (Uses)** | | | | |
| Transfers In (Note 33) | 867,334 | 17,986 | 2,293 | 179,131 |
| Transfers Out (Note 33) | (444,678) | (404,215) | (17,526) | - |
| Notes Issued | 12,623 | - | - | - |
| Insurance Recoveries | 78 | 105 | 134 | - |
| Capital Leases Issued | - | 101 | - | - |
| Bonds Issued | - | 601,500 | - | - |
| Premium on Debt Issuance | - | 70,300 | - | - |
| Refunding Bonds Issued | - | - | - | - |
| Sale of Capital Assets | 17,453 | 2,144 | - | - |
| Payment to Refunded Bond Escrow Agents | - | - | - | - |
| Total Other Financing Sources (Uses) | 452,810 | 287,921 | (15,099) | 179,131 |
| Net Change in Fund Balances | 345,023 | 428,610 | (37,252) | (2,728) |
| Fund Balance, July 1, as restated (Note 2) | 498,431 | 1,898,668 | 144,785 | 3,763 |
| Fund Balance, June 30 | $ 843,454 | $ 2,327,278 | $ 107,533 | $ 1,035 |

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

| Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|
| $ 85,512 | $ 24,318,813 |
| 335,767 | 1,081,447 |
| 196,350 | 233,469 |
| 53,175 | 159,176 |
| 115,347 | 10,536,872 |
| 527,768 | 2,395,331 |
| 1,313,919 | 38,725,108 |
| | |
| | |
| 85,106 | 2,691,693 |
| 30,434 | 10,129,390 |
| 7,325 | 6,014,703 |
| 361,628 | 926,462 |
| 413,057 | 15,640,873 |
| 73,155 | 3,043,820 |
| 397,908 | 503,971 |
| | |
| 432,985 | 432,985 |
| 295,009 | 295,009 |
| 2,096,607 | 39,678,906 |
| (782,688) | (953,798) |
| | |
| | |
| 846,837 | 1,913,581 |
| (219,261) | (1,085,680) |
| 2,813 | 15,436 |
| 4,034 | 4,351 |
| 538 | 639 |
| 678,005 | 1,279,505 |
| 296,358 | 366,658 |
| 1,062,155 | 1,062,155 |
| 2,016 | 21,613 |
| (1,271,459) | (1,271,459) |
| 1,402,036 | 2,306,799 |
| | |
| 619,348 | 1,353,001 |
| 1,481,093 | 4,026,740 |
| $ 2,100,441 | $ 5,379,741 |

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

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | | |
|---|---|---|
| **Net Change in fund balances - total government funds (See Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds)** | $ | 1,353,001 |
| When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year. | | |
| Nondepreciable Capital Assets Constructed/Acquired | | 2,051,995 |
| Nondepreciable Capital Assets Disposed | | (136,389) |
| Depreciable Capital Assets Acquired | | 298,677 |
| Depreciable Capital Assets Disposed | | (218,966) |
| Depreciation Expense | | (1,221,400) |
| Debt proceeds provide current financial resources to governmental funds by issuing debt, which increases long-term debt in the Statement of Net Position. | | |
| Debt Issuance | | (1,279,505) |
| Capital Lease Proceeds | | (639) |
| Bond Premiums | | (366,658) |
| Refunding Bonds Issued | | (1,062,155) |
| Installment Purchase Proceeds | | (15,436) |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position. | | 432,985 |
| Payment to Refunded Bond Escrow Agent is an expenditure in the governmental funds, but the refunding reduces long-term debt in the Statement of Net Position. | | 1,271,459 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | (22,345) |
| Increases/decreases of expenses reported in the Statement of Activities that do not require the use of, or provide, current financial resources and, therefore, are not reported in the governmental funds. | | |
| Increase in Net OPEB Asset | | 5,253 |
| Decrease in Net Pension Liability | | 154,249 |
| Decrease in Net OPEB Liability | | 6,433 |
| Increase in Total OPEB Liability | | (37,539) |
| Increase in Other Long-term Liabilities | | (5,227) |
| Increase in Compensated Absences | | (6,868) |
| Decrease in Interest Expense, Amortization of Long-term Debt premium and discounts, and Accrued Interest Liability | | 157,123 |
| Decrease in Other Liabilities | | 23,944 |
| Net increase in Due to Component Units for capital and other projects resulting from appropriation reductions or amounts which are not reported as expenditures in the fund statements. | | (120,464) |
| Net revenue (expenses) of certain activities of internal service funds is reported within governmental activities. | | 129,196 |
| Deferred inflows and outflows associated with pension and OPEB costs are not included in the funds. | | (1,226) |
| Amortization of deferred inflows and/or outflows associated with Service Concession Arrangements are not included in the funds. | | 46,357 |
| **Change in net position of governmental activities (See Government-wide Statement of Activities)** | $ | 1,435,855 |

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

# Proprietary Funds

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

**Major Enterprise Funds**

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

**The Virginia College Savings Plan (The Plan)** administers the Prepaid529 Program, which is a defined benefit program that offers contracts, for actuarially determined amounts, that provide for full future tuition and mandatory fee payments at Virginia's higher education institutions and differing payouts at private or out-of-state institutions. The fund accounts for the actuarially determined contributions and payments for approved expenses. EideBailly, LLC audits the Plan, and a separate report is issued.

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

**Nonmajor Enterprise Funds** include those operations of state agencies which are listed on page 239 in the Combining and Individual Fund Statements and Schedules section of this report.

**Internal Service Funds** include those operations of state agencies which are listed on page 255 in the Combining and Individual Fund Statements and Schedules section of this report.

## Statement of Fund Net Position – Proprietary Funds

June 30, 2018
(Dollars in Thousands)

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Virginia Lottery | Virginia College Savings Plan | Unemployment Compensation | Nonmajor |
| **Assets and Deferred Outflows of Resources** | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents (Notes 1 and 7) | $ 62,786 | $ 71,651 | $ 1,325,536 | $ 189,648 |
| Assets Held Pending Distribution (Note 1) | 10,550 | - | - | - |
| Receivables, Net (Notes 1 and 8) | 69,084 | 81,594 | 86,280 | 52,842 |
| Due from Other Funds (Note 10) | - | - | 949 | 776 |
| Due from External Parties (Fiduciary Funds) (Note 10) | - | - | - | - |
| Due from Component Units (Note 10) | - | - | - | - |
| Inventory (Note 1) | 10,146 | - | - | 84,926 |
| Prepaid Items (Note 1) | 1,231 | 1,322 | - | 3,709 |
| Other Assets (Notes 1 and 11) | 1 | - | - | 209 |
| Total Current Assets | 153,798 | 154,567 | 1,412,765 | 332,110 |
| Noncurrent Assets: | | | | |
| Investments (Notes 1 and 7) | - | 2,671,795 | - | - |
| Assets Held Pending Distribution (Note 1) | 105,935 | - | - | - |
| Receivables, Net (Notes 1 and 8) | - | 146,568 | - | - |
| Other Assets (Notes 1 and 11) | 943 | 393 | - | 3,195 |
| Nondepreciable Capital Assets (Notes 1 and 13) | - | - | - | 3,335 |
| Depreciable Capital Assets, Net (Notes 1 and 13) | 12,942 | 763 | - | 16,755 |
| Total Noncurrent Assets | 119,820 | 2,819,519 | - | 23,285 |
| Total Assets | 273,618 | 2,974,086 | 1,412,765 | 355,395 |
| **Deferred Outflows of Resources (Notes 1, 14, 15, 16, and 18)** | 3,852 | 1,889 | - | 15,330 |
| Total Assets and Deferred Outflows of Resources | 277,470 | 2,975,975 | 1,412,765 | 370,725 |
| **Liabilities and Deferred Inflows of Resources** | | | | |
| Current Liabilities: | | | | |
| Accounts Payable (Notes 1 and 25) | 12,081 | 2,681 | 71 | 87,860 |
| Amounts Due to Other Governments | - | - | 4,568 | 2,432 |
| Due to Other Funds (Note 10) | 16,770 | 104 | 151 | 16,927 |
| Due to External Parties (Fiduciary Funds) (Note 10) | 189 | 79 | - | 712 |
| Interfund Payable (Note 10) | - | - | - | 40,535 |
| Unearned Revenue (Note 1) | 1,541 | - | - | 2,969 |
| Due to Claimants, Participants, Escrows and Providers (Note 1) | - | 2,143 | 62,960 | - |
| Obligations Under Securities Lending Program (Notes 1 and 7) | 49,580 | 368 | - | 11,702 |
| Other Liabilities (Notes 1 and 26) | 74,067 | 35,091 | - | 236 |
| Claims Payable Due Within One Year (Notes 1 and 24) | - | - | - | 52,666 |
| Long-term Liabilities Due Within One Year (Notes 1, 22, and 27) | 11,970 | 282,092 | - | 5,629 |
| Total Current Liabilities | 166,198 | 322,558 | 67,750 | 221,668 |
| Noncurrent Liabilities: | | | | |
| Interfund Payable (Note 10) | - | - | - | - |
| Claims Payable Due in More Than One Year (Notes 1 and 24) | - | - | - | 26,299 |
| Long-term Liabilities Due in More Than One Year (Notes 1, 22, and 27) | 141,715 | 1,867,556 | - | 136,033 |
| Total Noncurrent Liabilities | 141,715 | 1,867,556 | - | 162,332 |
| Total Liabilities | 307,913 | 2,190,114 | 67,750 | 384,000 |
| **Deferred Inflows of Resources (Notes 1, 14, 15, 16, and 18)** | 3,605 | 1,292 | - | 15,725 |
| Total Liabilities and Deferred Inflows of Resources | 311,518 | 2,191,406 | 67,750 | 399,725 |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 12,942 | 763 | - | 20,090 |
| Restricted for Net Other Postemployment Benefit - Virginia Sickness and Disability Program | 808 | 329 | - | 2,664 |
| Restricted for Unemployment Compensation | - | - | 1,345,015 | - |
| Unrestricted | (47,798) | 783,477 | - | (51,754) |
| Total Net Position (Deficit) (Note 4) | $ (34,048) | $ 784,569 | $ 1,345,015 | $ (29,000) |

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

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

| | Total | Governmental Activities<br>Internal Service Funds |
|---|---|---|
| | | |
| | $ 1,649,621 | $ 695,197 |
| | 10,550 | - |
| | 289,800 | 22,360 |
| | 1,725 | 58,286 |
| | - | 232 |
| | - | 31,235 |
| | 95,072 | 16,466 |
| | 6,262 | 10,416 |
| | 210 | 14,224 |
| | 2,053,240 | 848,416 |
| | | |
| | 2,671,795 | - |
| | 105,935 | - |
| | 146,568 | - |
| | 4,531 | 2,219 |
| | 3,335 | 31,836 |
| | 30,460 | 143,658 |
| | 2,962,624 | 177,713 |
| | 5,015,864 | 1,026,129 |
| | 21,071 | 10,691 |
| | 5,036,935 | 1,036,820 |
| | | |
| | | |
| | 102,693 | 107,867 |
| | 7,000 | 129 |
| | 33,952 | 1,830 |
| | 980 | 455 |
| | 40,535 | 41,112 |
| | 4,510 | 112,101 |
| | 65,103 | - |
| | 61,650 | 42,453 |
| | 109,394 | 1,046 |
| | 52,666 | 193,409 |
| | 299,691 | 8,816 |
| | 778,174 | 509,218 |
| | | |
| | - | 95,007 |
| | 26,299 | 716,607 |
| | 2,145,304 | 131,683 |
| | 2,171,603 | 943,297 |
| | 2,949,777 | 1,452,515 |
| | 20,622 | 11,484 |
| | 2,970,399 | 1,463,999 |
| | | |
| | | |
| | 33,795 | 136,400 |
| | 3,801 | 1,840 |
| | 1,345,015 | - |
| | 683,925 | (565,419) |
| | $ 2,066,536 | $ (427,179) |
| | | |
| | (58) | |
| | $ 2,066,478 | |

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

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Virginia Lottery | Virginia College Savings Plan | Unemployment Compensation | Nonmajor |
| **Operating Revenues** | | | | |
| Charges for Sales and Services | $ 2,139,820 | $ 160,173 | $ 434,333 | $ 1,474,321 |
| Interest, Dividends, Rents, and Other Investment Income | - | 135,246 | 26,659 | - |
| Other (Note 28) | - | 27 | 193 | 20,867 |
| Total Operating Revenues | 2,139,820 | 295,446 | 461,185 | 1,495,188 |
| **Operating Expenses** | | | | |
| Cost of Sales and Services | 155,264 | - | - | 504,444 |
| Prizes and Claims (Note 30) | 1,293,568 | - | 323,214 | 459,493 |
| Tuition Benefits Expense | - | 266,024 | - | - |
| Personal Services | 30,529 | 12,076 | - | 147,340 |
| Contractual Services | 34,925 | 10,109 | - | 82,424 |
| Supplies and Materials | 463 | 51 | - | 12,764 |
| Depreciation | 3,397 | 511 | - | 3,261 |
| Rent, Insurance, and Other Related Charges | 2,398 | 255 | - | 36,880 |
| Interest Expense | - | - | - | - |
| Non-recurring Cost Estimate Payments to Providers | - | - | - | 41,076 |
| Other (Note 31) | - | 2,339 | - | 3,748 |
| Total Operating Expenses | 1,520,544 | 291,365 | 323,214 | 1,291,430 |
| Operating Income | 619,276 | 4,081 | 137,971 | 203,758 |
| **Nonoperating Revenues (Expenses)** | | | | |
| Interest, Dividends, Rents, and Other Investment Income | 1,219 | 2 | - | 2,106 |
| Other (Note 32) | (269) | (2,712) | - | 9,294 |
| Total Nonoperating Revenues (Expenses) | 950 | (2,710) | - | 11,400 |
| Income Before Transfers | 620,226 | 1,371 | 137,971 | 215,158 |
| Transfers In (Note 33) | - | - | 167 | 280 |
| Transfers Out (Note 33) | (620,353) | (646) | (1,371) | (204,725) |
| Change in Net Position | (127) | 725 | 136,767 | 10,713 |
| Total Net Position (Deficit), July 1, as restated (Note 2) | (33,921) | 783,844 | 1,208,248 | (39,713) |
| Total Net Position (Deficit), June 30 (Note 4) | $ (34,048) | $ 784,569 | $ 1,345,015 | $ (29,000) |

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

Change in Net Position of business-type activities

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

| | Governmental Activities |
|---|---|
| Total | Internal Service Funds |
| $ 4,208,647 | $ 2,288,421 |
| 161,905 | - |
| 21,087 | - |
| 4,391,639 | 2,288,421 |
| | |
| 659,708 | 57,087 |
| 2,076,275 | 1,422,178 |
| 266,024 | - |
| 189,945 | 60,058 |
| 127,458 | 494,821 |
| 13,278 | 8,819 |
| 7,169 | 26,215 |
| 39,533 | 84,619 |
| - | 20 |
| 41,076 | - |
| 6,087 | 9,998 |
| 3,426,553 | 2,163,815 |
| 965,086 | 124,606 |
| | |
| 3,327 | 7,251 |
| 6,313 | (2,440) |
| 9,640 | 4,811 |
| 974,726 | 129,417 |
| 447 | 406 |
| (827,095) | (1,659) |
| 148,078 | 128,164 |
| 1,918,458 | (555,343) |
| $ 2,066,536 | $ (427,179) |

| |
|---|
| (1,032) |
| $ 147,046 |

## Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Virginia Lottery | Virginia College Savings Plan | Unemployment Compensation | Nonmajor |
| **Cash Flows from Operating Activities** | | | | |
| Receipts for Sales and Services | $ 2,139,912 | $ 156,742 | $ 455,649 | $ 1,480,425 |
| Receipts from Investments | - | - | 26,676 | - |
| Internal Activity-Receipts from Other Funds | - | - | 1,991 | 9,851 |
| Internal Activity-Payments to Other Funds | - | (286) | - | (3,035) |
| Payments to Suppliers for Goods and Services | (158,746) | (1,541) | - | (559,047) |
| Payments for Contractual Services | (30,675) | (10,786) | - | (85,722) |
| Payments for Prizes, Claims, and Loss Control (Note 35) | (1,318,959) | - | (324,886) | (446,730) |
| Payments for Tuition Benefits | - | (179,804) | - | - |
| Payments to Employees | (30,680) | (11,796) | - | (148,544) |
| Payments to Providers for Non-recurring Cost Estimates | - | - | - | (40,770) |
| Other Operating Revenue (Note 35) | - | 27 | 234 | 4,323 |
| Other Operating Expense (Note 35) | - | (2,084) | - | (2,509) |
| Net Cash Provided by (Used for) Operating Activities | 600,852 | (49,528) | 159,664 | 208,242 |
| **Cash Flows from Noncapital Financing Activities** | | | | |
| Transfers In from Other Funds | - | - | - | 280 |
| Transfers Out to Other Funds | (622,609) | (646) | (2,464) | (440,876) |
| Other Noncapital Financing Receipt Activities (Note 35) | 151 | - | 6 | 284,810 |
| Other Noncapital Financing Disbursement Activities (Note 35) | - | - | - | (34,160) |
| Net Cash Used for Noncapital Financing Activities | (622,458) | (646) | (2,458) | (189,946) |
| **Cash Flows from Capital and Related Financing Activities** | | | | |
| Acquisition of Capital Assets | (3,635) | (114) | - | (2,526) |
| Payment of Principal and Interest on Bonds and Notes | - | (589) | - | - |
| Proceeds from Sale of Capital Assets | 514 | - | - | 1 |
| Other Capital and Related Financing Receipt Activities (Note 35) | - | - | - | 335 |
| Other Capital and Related Financing Disbursement Activities (Note 35) | (466) | - | - | - |
| Net Cash Used for Capital and Related Financing Activities | (3,587) | (703) | - | (2,190) |
| **Cash Flows from Investing Activities** | | | | |
| Purchase of Investments | (205) | (801,160) | - | - |
| Proceeds from Sales or Maturities of Investments | 11,050 | 777,218 | - | - |
| Investment Income on Cash, Cash Equivalents, and Investments | 1,265 | 67,442 | - | 1,656 |
| Net Cash Provided by Investing Activities | 12,110 | 43,500 | - | 1,656 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (13,083) | (7,377) | 157,206 | 17,762 |
| **Cash and Cash Equivalents, July 1** | 26,290 | 78,660 | 1,168,330 | 160,392 |
| **Cash and Cash Equivalents, June 30** | $ 13,207 | $ 71,283 | $ 1,325,536 | $ 178,154 |
| **Reconciliation of Cash and Cash Equivalents** | | | | |
| Per the Statement of Net Position: | | | | |
| Cash and Cash Equivalents | $ 62,786 | $ 71,651 | $ 1,325,536 | $ 189,648 |
| Cash and Travel Advances | 1 | - | - | 209 |
| Less: | | | | |
| Securities Lending Cash Equivalents | (49,580) | (368) | - | (11,703) |
| Cash and Cash Equivalents per the Statement of Cash Flows | $ 13,207 | $ 71,283 | $ 1,325,536 | $ 178,154 |

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

| | Governmental Activities |
|---|---|
| Total | Internal Service Funds |
| $ 4,232,728 | $ 842,869 |
| 26,676 | - |
| 11,842 | 1,411,643 |
| (3,321) | (11,597) |
| (719,334) | (143,811) |
| (127,183) | (500,438) |
| (2,090,575) | (1,398,120) |
| (179,804) | - |
| (191,020) | (58,307) |
| (40,770) | - |
| 4,584 | 58 |
| (4,593) | (8,179) |
| 919,230 | 134,118 |
| | |
| 280 | 406 |
| (1,066,595) | (1,659) |
| 284,967 | 93,534 |
| (34,160) | (54,798) |
| | |
| (815,508) | 37,483 |
| | |
| (6,275) | (24,318) |
| (589) | (12,691) |
| 515 | 1,849 |
| 335 | 1,785 |
| (466) | (397) |
| | |
| (6,480) | (33,772) |
| | |
| (801,365) | - |
| 788,268 | - |
| 70,363 | 6,879 |
| 57,266 | 6,879 |
| 154,508 | 144,708 |
| 1,433,672 | 508,036 |
| $ 1,588,180 | $ 652,744 |
| | |
| | |
| | |
| $ 1,649,621 | $ 695,197 |
| 210 | - |
| | |
| (61,651) | (42,453) |
| $ 1,588,180 | $ 652,744 |

*Continued on next page*

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

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Virginia Lottery | Virginia College Savings Plan | Unemployment Compensation | Nonmajor |
| **Reconciliation of Operating Income** | | | | |
| **To Net Cash Provided by (Used for)** | | | | |
| **Operating Activities:** | | | | |
| Operating Income (Loss) | $ 619,276 | $ 4,081 | $ 137,971 | $ 203,758 |
| **Adjustments to Reconcile Operating** | | | | |
| **Income to Net Cash Provided by (Used for)** | | | | |
| **Operating Activities:** | | | | |
| Depreciation | 3,397 | 511 | - | 3,261 |
| Interest, Dividends, Rents, and Other Investment Income | (5,321) | (135,247) | - | - |
| Miscellaneous Nonoperating Income | - | - | - | - |
| Other | - | 13 | - | (236) |
| Change in Assets, Deferred Outflows of Resources, Liabilities, and | | | | |
| Deferred Inflows of Resources | | | | |
| (Increase) Decrease in Accounts Receivable | 312 | (3,433) | 5,519 | (3,049) |
| (Increase) Decrease in Due from Other Funds | - | - | 238 | (149) |
| (Increase) Decrease in Due from External Parties (Fiduciary Funds) | - | - | - | - |
| (Increase) Decrease in Due from Component Units | - | - | - | - |
| Increase (Decrease) in Other Assets: Due Within One Year | - | - | - | - |
| Increase (Decrease) in Other Assets: Due in More Than One Year | (943) | (393) | - | (3,195) |
| (Increase) Decrease in Inventory | (3,482) | - | - | (9,481) |
| (Increase) Decrease in Prepaid Items | (553) | (922) | - | 257 |
| (Increase) Decrease in Deferred Outflows of Resources | 2,273 | 726 | - | 3,805 |
| Increase (Decrease) in Accounts Payable | (10,193) | (683) | (17) | 6,553 |
| Increase (Decrease) in Amounts Due to Other Governments | - | - | 22 | 35 |
| Increase (Decrease) in Due to Other Funds | 3,596 | - | 15 | (855) |
| Increase (Decrease) in Due to External Parties (Fiduciary Funds) | - | 2 | - | (18) |
| Increase (Decrease) in Interfund Payables: Due Within One Year | - | - | - | 5,866 |
| Increase (Decrease) in Unearned Revenue | (219) | - | - | (1,034) |
| Increase (Decrease) in Due to Claimants, Participants, Escrows and Providers | - | (832) | 15,916 | - |
| Increase (Decrease) in Other Liabilities | (415) | - | - | (19) |
| Increase (Decrease) in Claims Payable: Due Within One Year | - | - | - | 4,135 |
| Increase (Decrease) in Claims Payable: Due in More Than One Year | - | - | - | (784) |
| Increase (Decrease) in Long-term Liabilities: Due Within One Year | (355) | 18,147 | - | 1,435 |
| Increase (Decrease) in Long-term Liabilities: Due in More Than One Year | (9,292) | 67,528 | - | (13,504) |
| Increase (Decrease) in Deferred Inflows of Resources | 2,771 | 974 | - | 11,461 |
| Net Cash Provided by (Used for) Operating Activities | $ 600,852 | $ (49,528) | $ 159,664 | $ 208,242 |
| | | | | |
| **Noncash Investing, Capital, and Financing Activities:** | | | | |
| The following transactions occurred prior to the Statement of Net Position date: | | | | |
| Capital Leases Used to Finance Capital Assets | $ - | $ (4,704) | $ - | $ - |
| Installment Purchases Used to Finance Capital Assets | - | - | - | - |
| Change in Fair Value of Investments | - | (11,782) | - | - |
| Accounts Payable Increase (Decrease) related to Capital Assets | - | - | - | - |
| Total Noncash, Investing, Capital, and Financing Activities | $ - | $ (16,486) | $ - | $ - |

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

| | Governmental Activities |
|---|---|
| Total | Internal Service Funds |
| | |
| | |
| $ 965,086 | $ 124,606 |
| | |
| | |
| 7,169 | 26,215 |
| (140,568) | - |
| - | 35 |
| (223) | 5,261 |
| | |
| | |
| (651) | 569 |
| 89 | (6,080) |
| - | (22) |
| - | (8,134) |
| - | (852) |
| (4,531) | (2,218) |
| (12,963) | (1,236) |
| (1,218) | (2,840) |
| 6,804 | 1,027 |
| (4,340) | 11,050 |
| 57 | 59 |
| 2,756 | (63) |
| (16) | 21 |
| 5,866 | - |
| (1,253) | (19,303) |
| 15,084 | - |
| (434) | 80 |
| 4,135 | 4,758 |
| (784) | (4,408) |
| 19,227 | 3,327 |
| 44,732 | (2,560) |
| 15,206 | 4,826 |
| $ 919,230 | $ 134,118 |
| | |
| | |
| $ (4,704) | $ - |
| - | 7,317 |
| (11,782) | - |
| - | (1,095) |
| $ (16,486) | $ 6,222 |

# Fiduciary Funds

**Private Purpose Trust Funds**

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

**Pension and Other Employee Benefit Trust Funds**

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

**Investment Trust Funds**

*Investment Trust Funds reflect the external portion of the Local Government Investment Pool and Local Government Investment Pool Extended Maturity sponsored by the Commonwealth.*

**Agency Funds**

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

A listing of all Fiduciary Funds is located on pages 264-265 in the Combining and Individual Fund Statements and Schedules section of this report. Combining financial statements for all Fiduciary Funds begin on page 266.

## Statement of Fiduciary Net Position – Fiduciary Funds

June 30, 2018
(Dollars in Thousands)

| | Private Purpose Trust Funds | Pension and Other Employee Benefit Trust Funds | Investment Trust Funds | Agency Funds |
|---|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | | |
| Cash and Cash Equivalents (Notes 1 and 7) | $ 139,752 | $ 213,118 | $ 1,782,404 | $ 332,935 |
| Investments (Notes 1 and 7): | | | | |
| Bonds and Mortgage Securities | 118,601 | 21,781,510 | 228,886 | - |
| Stocks | 81,228 | 24,459,961 | - | - |
| Fixed Income Commingled Funds | 765,643 | 1,360,209 | - | - |
| Index and Pooled Funds | 1,684,478 | 10,502,999 | - | - |
| Real Estate | 104,875 | 9,242,121 | - | - |
| Private Equity | - | 12,919,297 | - | - |
| Mutual and Money Market Funds | 647,484 | - | - | - |
| Short-term Investments | - | 84,056 | 2,064,764 | - |
| Hybrid Defined Contribution Investments | - | 329,256 | - | - |
| Other | 989,143 | 4,500,263 | - | - |
| Total Investments | 4,391,452 | 85,179,672 | 2,293,650 | - |
| Assets Held Pending Distribution (Note 1) | 10,505 | - | - | 457,387 |
| Receivables, Net (Notes 1 and 8): | | | | |
| Accounts | 328 | - | - | 63,156 |
| Contributions | - | 250,487 | - | - |
| Interest and Dividends | 4,411 | 257,942 | 5,125 | - |
| Security Transactions | - | 1,185,602 | - | - |
| Other Receivables | 832 | 108,583 | - | - |
| Total Receivables | 5,571 | 1,802,614 | 5,125 | 63,156 |
| Due from Other Funds (Note 10) | - | 3,904 | - | - |
| Due from Internal Parties (Governmental Funds and Business-type Activities) (Note 10) | - | 31,964 | - | 16,732 |
| Due from Component Units (Note 10) | - | 37,031 | - | - |
| Other Assets (Notes 1 and 11) | 3 | - | - | 23 |
| Furniture and Equipment (Note 1) | - | 40,877 | - | - |
| Total Assets | 4,547,283 | 87,309,180 | 4,081,179 | 870,233 |
| **Deferred Outflows of Resources (Notes 1, 14, 15, 16, and 18)** | 10 | - | - | - |
| Total Assets and Deferred Outflows of Resources | 4,547,293 | 87,309,180 | 4,081,179 | 870,233 |
| | | | | |
| **Liabilities and Deferred Inflows of Resources** | | | | |
| Accounts Payable (Notes 1 and 25) | 339 | 46,256 | - | 8,974 |
| Amounts Due to Other Governments | - | - | - | 277,245 |
| Due to Other Funds (Note 10) | 1 | 3,903 | - | - |
| Due to Internal Parties (Governmental Funds and Business-type Activities) (Note 10) | - | 60,624 | 16 | 163 |
| Obligations Under Securities Lending (Notes 1 and 7) | 357 | 4,500,262 | - | 1,973 |
| Due to Claimants, Participants, Escrows and Providers (Note 1) | 7,436 | - | - | 50,175 |
| Other Liabilities (Notes 1 and 26) | - | 64,393 | - | 531,575 |
| Retirement Benefits Payable | - | 62,795 | - | - |
| Refunds Payable | - | 4,208 | - | - |
| Compensated Absences Payable (Notes 1 and 22) | 3 | 2,681 | - | - |
| Insurance Premiums and Claims Payable | - | 65,168 | - | 128 |
| Payable for Security Transactions | 1,603 | 3,294,019 | - | - |
| Net Pension Liability | 67 | - | - | - |
| Net Other Postemployment Benefit Liability | 12 | - | - | - |
| Total Other Postemployment Benefit Liability | 9 | - | - | - |
| Total Liabilities | 9,827 | 8,104,309 | 16 | 870,233 |
| **Deferred Inflows of Resources (Notes 1, 14, 15, 16, and 18)** | 10 | - | - | - |
| Total Liabilities and Deferred Inflows of Resources | 9,837 | 8,104,309 | 16 | 870,233 |
| | | | | |
| Net Position Restricted for Pensions/ Other Employment Benefits, Pool Participants, and Other Purposes | $ 4,537,456 | $ 79,204,871 | $ 4,081,163 | $ - |

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

## Statement of Changes in Fiduciary Net Position – Fiduciary Funds

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Private Purpose Trust Funds | Pension and Other Employee Benefit Trust Funds | Investment Trust Funds |
|---|---|---|---|
| **Additions:** | | | |
| Investment Income: | | | |
| Interest, Dividends, and Other Investment Income | $ 244,072 | $ 6,029,225 | $ 43,866 |
| Distributions to Shareholders from Net Investment Income | - | - | (43,866) |
| Total Investment Income | 244,072 | 6,029,225 | - |
| Less Investment Expenses | 4,278 | 517,060 | - |
| Net Investment Income | 239,794 | 5,512,165 | - |
| Contributions: | | | |
| Participants | 667,161 | - | - |
| Member | - | 1,089,910 | - |
| Employer | - | 2,847,871 | - |
| Total Contributions | 667,161 | 3,937,781 | - |
| Shares Sold | - | - | 7,554,494 |
| Reinvested Distributions | - | - | 43,880 |
| Other Revenue (Note 28) | 2 | 3,626 | - |
| Total Additions | 906,957 | 9,453,572 | 7,598,374 |
| **Deductions:** | | | |
| Loan Servicing Payments | 30 | - | - |
| Educational Expense Benefits | 295,549 | - | - |
| Retirement Benefits | - | 4,755,425 | - |
| Refunds to Former Members | - | 123,075 | - |
| Retiree Health Insurance Credits | - | 163,938 | - |
| Insurance Premiums and Claims | 1 | 212,683 | - |
| Trust Payments | 6,503 | - | - |
| Administrative Expenses | 1,421 | 49,029 | - |
| Other Expenses (Note 31) | - | 10,868 | - |
| Shares Redeemed | 32,266 | - | 7,144,950 |
| Long-term Disability Benefits | - | 39,799 | - |
| Total Deductions | 335,770 | 5,354,817 | 7,144,950 |
| Net Increase | 571,187 | 4,098,755 | 453,424 |
| Net Position Restricted for Pensions/ Other Employment Benefits, Pool Participants, and Other Purposes | | | |
| **July 1, as restated (Note 2)** | 3,966,269 | 75,106,116 | 3,627,739 |
| **June 30** | $ 4,537,456 | $ 79,204,871 | $ 4,081,163 |

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

# Component Units

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

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

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

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

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

**Nonmajor Component Units** include those listed on pages 288-289 in the Combining and Individual Fund Statements and Schedules section of this report.

## Statement of Net Position – Component Units

June 30, 2018
(Dollars in Thousands)

| | Virginia Housing Development Authority | Virginia Public School Authority | Virginia Resources Authority |
|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | |
| Cash and Cash Equivalents (Notes 1 and 7) | $ 7,719 | $ 25,175 | $ 8,146 |
| Investments (Notes 1 and 7) | 3,558 | - | 18,307 |
| Receivables, Net (Notes 1 and 8) | 5,740,302 | 3,433,205 | 4,433,480 |
| Contributions Receivable, Net (Notes 1 and 9) | - | - | - |
| Due from Primary Government (Note 10) | - | - | - |
| Due from Component Units (Note 10) | - | - | - |
| Inventory (Note 1) | - | - | - |
| Prepaid Items (Note 1) | 1,964 | - | 38 |
| Other Assets (Notes 1 and 11) | 39,871 | - | - |
| Loans Receivable from Primary Government (Notes 1 and 10) | - | 196,305 | - |
| Restricted Cash and Cash Equivalents (Notes 7 and 12) | 867,629 | 140,803 | 230,883 |
| Restricted Investments (Notes 7 and 12) | 592,495 | 73,246 | 547,221 |
| Other Restricted Assets (Note 12) | 14,230 | - | 404 |
| Nondepreciable Capital Assets (Notes 1 and 13) | 3,012 | - | - |
| Depreciable Capital Assets, Net (Notes 1 and 13) | 19,591 | - | 63 |
| Total Assets | 7,290,371 | 3,868,734 | 5,238,542 |
| **Deferred Outflows of Resources (Notes 1, 14, 15, 16, and 18)** | 2,574 | 120,594 | 73,042 |
| Total Assets and Deferred Outflows of Resources | 7,292,945 | 3,989,328 | 5,311,584 |
| | | | |
| **Liabilities and Deferred Inflows of Resources** | | | |
| Accounts Payable (Notes 1 and 25) | 18,833 | 14 | 78 |
| Amounts Due to Other Governments | - | 104,631 | - |
| Due to Primary Government (Note 10) | - | - | - |
| Due to Component Units (Note 10) | - | - | - |
| Due to External Parties (Fiduciary Funds) (Note 10) | - | - | - |
| Unearned Revenue (Note 1) | - | - | - |
| Obligations Under Securities Lending Program (Notes 1 and 7) | - | - | - |
| Other Liabilities (Notes 1, 15 and 26) | 477,291 | 57,035 | 31,008 |
| Loans Payable to Primary Government (Notes 1 and 10) | - | - | - |
| Claims Payable (Notes 1 and 24): | | | |
| Due Within One Year | - | - | - |
| Due in More Than One Year | - | - | - |
| Long-term Liabilities (Notes 1, 22, and 27): | | | |
| Due Within One Year | 164,746 | 312,240 | 182,249 |
| Due in More Than One Year | 3,346,601 | 3,525,467 | 3,448,099 |
| Total Liabilities | 4,007,471 | 3,999,387 | 3,661,434 |
| **Deferred Inflows of Resources (Notes 1, 14, 15, 16, 18, and 37)** | 1,937 | - | 34,982 |
| Total Liabilities and Deferred Inflows of Resources | 4,009,408 | 3,999,387 | 3,696,416 |
| | | | |
| **Net Position** | | | |
| Net Investment in Capital Assets | 12,236 | - | 63 |
| Restricted For: | | | |
| Nonexpendable: | | | |
| Higher Education | - | - | - |
| Other | - | - | - |
| Expendable: | | | |
| Bond Indenture | 2,969,696 | - | - |
| Capital Projects/Construction/Capital Acquisition | - | - | 1,588,501 |
| Debt Service | - | - | - |
| Gifts and Grants | - | - | - |
| Higher Education | - | - | - |
| Net Other Postemployment Benefit - Virginia Sickness and Disability Program | - | - | - |
| Virginia Pooled Investment Program | - | - | 7,798 |
| Other | - | - | - |
| Unrestricted | 301,605 | (10,059) | 18,806 |
| Total Net Position (Deficit) (Note 4) | $ 3,283,537 | $ (10,059) | $ 1,615,168 |

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

| Virginia College Building Authority | Nonmajor Component Units | Total |
|---|---|---|
| $ 153 | $ 2,553,363 | $ 2,594,556 |
| - | 12,249,594 | 12,271,459 |
| 22,439 | 1,545,400 | 15,174,826 |
| - | 430,236 | 430,236 |
| 3,598 | 28,026 | 31,624 |
| - | 104,295 | 104,295 |
| - | 149,409 | 149,409 |
| - | 145,867 | 147,869 |
| - | 47,494 | 87,365 |
| - | - | 196,305 |
| 367,444 | 871,724 | 2,478,483 |
| - | 5,644,480 | 6,857,442 |
| - | 356,746 | 371,380 |
| - | 2,760,265 | 2,763,277 |
| - | 18,451,387 | 18,471,041 |
| 393,634 | 45,338,286 | 62,129,567 |
| 34,045 | 675,745 | 906,000 |
| 427,679 | 46,014,031 | 63,035,567 |
| | | |
| | | |
| 77 | 1,201,917 | 1,220,919 |
| - | 4,468 | 109,099 |
| - | 32,076 | 32,076 |
| 101,197 | 3,098 | 104,295 |
| - | 37,031 | 37,031 |
| - | 365,162 | 365,162 |
| - | 55,978 | 55,978 |
| 92,477 | 1,027,532 | 1,685,343 |
| - | 22,797 | 22,797 |
| | | |
| - | 173,756 | 173,756 |
| - | 31,668 | 31,668 |
| | | |
| 273,705 | 648,628 | 1,581,568 |
| 4,031,429 | 14,845,069 | 29,196,665 |
| 4,498,885 | 18,449,180 | 34,616,357 |
| - | 565,499 | 602,418 |
| 4,498,885 | 19,014,679 | 35,218,775 |
| | | |
| | | |
| - | 11,555,646 | 11,567,945 |
| | | |
| | | |
| - | 3,850,000 | 3,850,000 |
| - | 169,354 | 169,354 |
| | | |
| - | - | 2,969,696 |
| - | 193,016 | 1,781,517 |
| - | 138,972 | 138,972 |
| - | 156,135 | 156,135 |
| 265,480 | 6,220,161 | 6,485,641 |
| - | 66,268 | 66,268 |
| - | - | 7,798 |
| - | 20,403 | 20,403 |
| (4,336,686) | 4,629,397 | 603,063 |
| $ (4,071,206) | $ 26,999,352 | $ 27,816,792 |

## Statement of Activities – Component Units

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | | Program Revenues | | | |
|---|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions (Note 1) | Capital Grants and Contributions | Net (Expenses) Revenue |
| Virginia Housing Development Authority | $ 386,058 | $ 381,639 | $ 123,779 | $ - | $ 119,360 |
| Virginia Public School Authority | 132,515 | 128,033 | 8,469 | - | 3,987 |
| Virginia Resources Authority | 144,158 | 139,712 | - | 52,291 | 47,845 |
| Virginia College Building Authority | 650,739 | 65,251 | 43,782 | 6,428 | (535,278) |
| Total Major Component Units | 1,313,470 | 714,635 | 176,030 | 58,719 | (364,086) |
| Nonmajor Component Units: | | | | | |
| Higher Education | 15,030,626 | 10,196,257 | 2,931,413 | 455,400 | (1,447,556) |
| Other | 1,055,455 | 853,542 | 61,466 | 63,705 | (76,742) |
| Total Nonmajor Component Units | 16,086,081 | 11,049,799 | 2,992,879 | 519,105 | (1,524,298) |
| Total Component Units | $ 17,399,551 | $ 11,764,434 | $ 3,168,909 | $ 577,824 | $ (1,888,384) |

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

| General Revenues | | | | | | | |
|---|---|---|---|---|---|---|---|
| Operating Appropriations from Primary Government | Unrestricted Grants and Contributions | Investment Earnings | Miscellaneous | Contributions to Permanent and Term Endowments | Change in Net Position | Net Position (Deficit) July 1 as restated (Note 2) | Net Position (Deficit) June 30 (Note 4) |
| $ - | $ - | $ 12,910 | $ - | $ - | $ 132,270 | $ 3,151,267 | $ 3,283,537 |
| - | - | 821 | 48 | - | 4,856 | (14,915) | (10,059) |
| - | - | - | - | - | 47,845 | 1,567,323 | 1,615,168 |
| 389,134 | - | 37 | 313 | - | (145,794) | (3,925,412) | (4,071,206) |
| 389,134 | - | 13,768 | 361 | - | 39,177 | 778,263 | 817,440 |
| | | | | | | | |
| 1,902,048 | 75,653 | 734,944 | 80,728 | 226,472 | 1,572,289 | 23,087,361 | 24,659,650 |
| 140,825 | 22,174 | 19,930 | 6,981 | 7,672 | 120,840 | 2,218,862 | 2,339,702 |
| 2,042,873 | 97,827 | 754,874 | 87,709 | 234,144 | 1,693,129 | 25,306,223 | 26,999,352 |
| $ 2,432,007 | $ 97,827 | $ 768,642 | $ 88,070 | $ 234,144 | $ 1,732,306 | $ 26,084,486 | $ 27,816,792 |

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June 30, 2018

## 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 or for which the resources of the component unit primarily benefit the primary government (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** (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.

**Hampton Roads Transportation Accountability Commission** (nonmajor governmental fund) – The Commission is a political subdivision of the Commonwealth of Virginia, created by the Hampton Roads Transportation Accountability Commission Act. The Commission has a 23-member board comprised primarily of representatives from participating localities in Planning District 23. Its primary function is determining how the Hampton Roads Transportation Fund regional sales and use tax and fuel tax monies will be invested in new construction projects to provide the greatest impact on reducing congestion for the greatest number of citizens residing within Planning District 23. Based on the projects that the Commission is presently funding, all capital assets constructed by the Commission are reported as Commonwealth assets by the Virginia Department of Transportation (VDOT) (part of primary government). Accordingly, while the Commonwealth is not obligated to pay the Commission's debt, it would be misleading to exclude the Commission from the Commonwealth's financial statements. The administrative offices of the Commission are located at 723 Woodlake Drive, Chesapeake, VA 23320. The Commission is audited by PB Mares LLP.

**Virginia Alcoholic Beverage Control Authority** (nonmajor enterprise fund) – The Authority was created as an independent political subdivision of the Commonwealth, exclusive of the legislative, executive, or judicial

branches of state government. A government instrumentality, the Authority controls the possession, sale, transportation, distribution, and delivery of alcoholic beverages in the Commonwealth. The Governor appoints the 5-member board, and the primary government is able to impose its will on the Authority. Additionally, the Commonwealth receives all net profits. The administrative offices of the Authority are located at 2901 Hermitage Road, Richmond, VA 23220. The Auditor of Public Accounts audits the Authority and a separate report is issued.

**(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** (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** (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** (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 Authority. The administrative offices of the Authority are located at 1111 East Main Street, Suite 1920, Richmond, Virginia 23219. Clifton Larson Allen, LLP audits the Authority, and a separate report is issued.

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

Only the activity of the Authority that relates to the financing of capital projects and equipment purchases by state-supported colleges and universities is included in the accompanying financial statements. The state-supported colleges and universities reported revenue from the Authority of $361.9 million as Program Revenue Capital Grants and Contributions for

the 21st Century Program and $75.2 million as Program Revenue Operating Grants and Contributions for equipment. The Authority reported Operating Appropriations from Primary Government of approximately $389.1 million. In addition, the Authority reported approximately $31.5 million in payments from the state-supported colleges and universities for 21st Century and Equipment Program debt service costs and approximately $11.5 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 $700.3 million, is not included in the accompanying financial statements.

**Higher Education Institutions** (nonmajor) – The Commonwealth's higher education institutions are granted broad corporate powers by state statutes. The Governor appoints the members of each institution's board of trustees. In addition to the annual appropriations to support the institutions' operations, the Commonwealth provides funding for, and construction of, major academic plant facilities for the institutions. Institutions reported Operating Appropriations from Primary Government of approximately $1.9 billion. Institutions reverted approximately $94.7 million in General Fund appropriations that were restored from bond proceeds as required by Chapter 836, 2017 Acts of Assembly. 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' separately issued 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** (nonmajor) – The Authority is granted corporate powers by the *Code of Virginia*. The Authority serves to facilitate the marketing, organization, and development of scientific research and technology by the state's institutions of higher education and private industry in the Commonwealth. In addition, the Authority serves to promote the economic development of the Commonwealth by attracting and retaining high technology jobs and businesses in Virginia. The Governor and General Assembly appoint the 17-member board, and there is a financial benefit/burden to the primary government. The Authority's combined financial statements include the accounts of the Center for Innovative Technology (CIT) and subsidiaries after elimination of all significant intercompany balances and transactions. CIT is a non-stock, not-for-profit corporation, which acts as the operating arm of the Authority. The address for the administrative offices of the Authority is CIT Building, Suite 600, 2214 Rock Hill Road, Herndon, Virginia 20170-4228. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

**Virginia Economic Development Partnership** (nonmajor) – The Partnership was created as a body corporate and operates to encourage, stimulate, and support the development and expansion of both domestic and international commerce in the Commonwealth. The Governor appoints the 17-member board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East Cary Street, Suite 900, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Partnership, and a separate report is issued.

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

**Virginia Port Authority** (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 14-member board, and the primary government is able to impose its will on the Authority. There is also a financial benefit/burden to the primary government. The administrative offices of the Authority are located at 701 Town Center Drive, Suite 900, Newport News, Virginia 23606. PBMares, LLP, audits the Authority, and a separate report is issued.

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

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

**Tobacco Region Revitalization Commission** (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 18 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 Series 2002 and Series 2013 revenue bonds for specific customers. The Series 2002 revenue bonds were for a facility built specifically for the United Network for Organ Sharing. The Series 2013 revenue bonds were to assist the Institute for Transfusion Medicine (ITxM). The bonds are secured by a letter of credit and are payable

solely from the payments made by the borrower under the loan agreement. None of these bonds constitutes a debt or pledge of the Authority or the Commonwealth. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**Virginia Small Business Financing Authority** (nonmajor) – Section 2.2-2280 of the *Code of Virginia* established the Authority as a public body corporate and a political subdivision of the Commonwealth. The Governor appoints the 11-member board, and the primary government is able to impose its will on the Authority. The Authority was created to assist small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses. The Authority can provide financial assistance to small businesses by providing loans, guarantees, insurance, and other assistance, thereby encouraging the investment of private capital in small businesses in the Commonwealth. The Authority can loan money to local governments as defined by the *Code of Virginia* for economic development purposes. The Authority also guarantees loans made to small businesses by banks. The administrative offices of the Authority are located at 101 North 14th Street, 11th Floor, Richmond, Virginia 23218-0446. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

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

**Virginia School for the Deaf and Blind Foundation** (nonmajor) – The Foundation operates as a nonprofit educational and fundraising organization solely in connection with, and exclusively for the benefit of, the Virginia School for the Deaf and Blind (part of primary government). The Foundation uses a December 31 calendar year-end. The administrative offices are located at Post Office Box 2070, Staunton, Virginia 24403.

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

**Virginia Commercial Space Flight Authority** (nonmajor) – The Authority is a legally separate political subdivision of the Commonwealth created by the General Assembly to facilitate and coordinate scientific and technological research and development and to promote the industrial and economic development of the Commonwealth. The Governor appoints the 9-member board, and there is a potential financial benefit/burden to the primary government. The Commonwealth approved the conversion of a $5.0 million interest-free note to repair Pad 0A into a grant in March 2015. During the fiscal year 2018, the Authority received $20.0 million appropriated by the Commonwealth for the construction of Mid-Atlantic Regional Spaceport Facilities. The Commonwealth plans to transfer $15.8 million to the Authority annually through fiscal year 2024. The administrative offices of the Authority are located at 4111 Monarch Way, Suite 303, Norfolk, Virginia 23508. Dixon Hughes Goodman, LLP, audits the Authority, and a separate report is issued.

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

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

audits the Foundation, and a separate report is issued.

**A. L. Philpott Manufacturing Extension Partnership** (nonmajor) – The Partnership has the mission to foster economic growth by enhancing the competitiveness of Virginia's manufacturers. The Partnership provides manufacturing firms with fee-based technology consulting services, access to business modernization resources, and support for interfirm collaboration. Further, the Partnership provides direct assistance to increase sales, decrease costs, and improve quality, productivity, and competitiveness. The Partnership has a 23-member board of trustees currently serving. 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; and 15 citizen members, representing manufacturing industries, appointed by the Governor. There is also a financial benefit/burden to the primary government. The administrative office is located at 32 Bridge Street South, Suite 200B, Martinsville, VA 24112-6216. The Auditor of Public Accounts audits the Partnership, and a separate report is issued.

**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 14-member board, and there is a potential financial benefit/burden to the primary government. The administrative offices of the Authority are located at 20 Ingalls Road, Fort Monroe, Virginia 23651. Brown Edwards audits the Authority, and a separate report is issued.

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

**Virginia Land Conservation Foundation** (nonmajor) – The Foundation was created as a body politic and corporate to serve the Department of Conservation and Recreation (DCR) (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 19-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 DCR 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 600 E. Main Street, Suite 330, Richmond, VA 23219. The Auditor of Public Accounts audits the Foundation as part of the Virginia Commission for the Arts.

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

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

Accounts audits the Authority, and a separate report is issued.

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

**Tobacco Settlement Financing Corporation** – The Corporation was created by the Tobacco Settlement Financing Corporation Act, Chapters 482 and 488 of the Acts of the General Assembly during the 2002 General Assembly Session. The Corporation is a public body corporate entity and an independent instrumentality of the Commonwealth, managed by a 6-member board, including the State Treasurer. The Corporation purchased all of the future tobacco settlement revenue allocated to the Tobacco Region Revitalization Commission (nonmajor component unit). Neither the Commonwealth's nor the Virginia Foundation for Healthy Youth's (nonmajor component unit) tobacco revenue was securitized. The administrative offices of the Corporation are located at 101 North 14th Street, 3rd Floor, Post Office Box 1879, Richmond, Virginia 23218-1879. Clifton Larson Allen, 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 13-members of the board of directors to serve alongside two members of the Senate and four members of the House of Delegates. 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 Educational Trust** – The Trust was created as a nonprofit corporation by the *Code of Virginia* to assist the Jamestown-Yorktown Foundation (Foundation). The Trust board consists of six members selected from the Foundation's board of trustees. Several Commonwealth officials serve as ex-officio members of the Foundation's board, and the Governor appoints 12 members. The Trust operates the Jamestown Settlement and Yorktown Victory Centers' gift shops and café. The address for the administrative offices of the Trust is Post Office Box 3605, Williamsburg, Virginia 23187. Keiter Certified Public Accountants audits the Trust, and a separate report is issued.

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

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

## C. Government-wide and Fund Financial Statements

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

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

Fund equity is restricted when constraints are placed on them that are imposed by external parties or constitutional provisions. When both restricted and unrestricted resources are available for use, the Commonwealth's policy is to use the restricted resources first. Some component units 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, the Grant Anticipation Revenue Notes and Build America Bond Subsidies reported in the Debt Service Fund, and component units.

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

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

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

Foundations' (component units) financial statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. The financial statements are prepared under FASB rather than GASB standards. In some instances, activities of the foundations (component units) are reported separately within the footnotes because of the different reporting standards. Also, some foundations (component units) have a

December 31st or March 31st year-end rather than a fiscal year-end. Foundations (component units) with different year-ends are included in these financial statements for the year ending December 31, 2017, or March 31, 2018. 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 $284,876
  - institution revenue of $9.3 million
  - foundation assets of $1.3 million
  - foundation liabilities of $652,950
  - foundation expenses of $8.5 million

- Old Dominion University (nonmajor component unit):
  - institution liabilities of $53.2 million
  - foundation assets of $44.9 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 Prepaid529 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. Additionally, this fund includes the activity of the Hampton Roads Transportation Accountability Commission (blended component unit).

**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 with the exception of certain VPBA disbursements. 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. Additionally, this fund includes the activity of the Hampton Roads Transportation Accountability Commission (blended component unit) for construction projects related to new or existing highways, bridges or tunnels in the localities comprising Planning District 23.

**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 the Commonwealth-sponsored educational savings plan and other purposes.

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

**Investment Trust Funds** – Account for the external portion of the Local Government Investment Pool (LGIP) and the LGIP Extended Maturity 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 (major special revenue) and Unclaimed Property (nonmajor special revenue) Funds. Formal budgetary integration is not employed for the Capital Projects (nonmajor governmental), Debt Service (nonmajor governmental), Permanent (nonmajor governmental), Literary (major special revenue) and Unclaimed Property (nonmajor 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, 2018, the General Fund had a negative cash balance of $5.3 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 7).

### 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.

The primary government’s policy for managing interest rate risk, with the exception of the Virginia College Savings Plan (Virginia529) and the Virginia Retirement System (the System), uses the segmented time distribution method.

Virginia529, for its investment portfolio reported as Prepaid529 (major enterprise fund) and Invest529 (private purpose trust fund), and the System, for its investment portfolio reported as Pension and Other Employee Benefit Trust Funds, manage the interest rate risk using the effective duration methodology. To be consistent with management practices for each portfolio, the Commonwealth has elected to disclose the interest rate risk exposures, using the segmented time distribution for the primary government (excluding Prepaid529, Invest529, and pension and other employee benefit trust funds) and the effective duration method for Prepaid529, Invest529, and the Pension and Other Employee Benefit Trust Funds. The Commonwealth discloses the component unit's interest rate risk using the segmented time distribution method (see Note 7).

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, including investments in the Commonwealth sponsored Extended Maturity portfolio, are reported at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended by GASB Statement No. 72, *Fair Value Measurement and Application.* GASB Statement No. 72 provides guidance for determining fair value measurements using the level of fair value hierarchy and valuation techniques (see Note 7).

Investments administered by the System are reported at fair value, except for certain cash equivalents and other short-term, highly liquid investments are reported at amortized cost. 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.

**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 15).

**G. Assets Held Pending Distribution**

Assets held pending distribution include various assets that have been placed in safekeeping until final disposition has been determined.

**H. Receivables**

Receivables in the governmental funds consist primarily of the accrual of taxes, as well as receivables of the primary government's Medicaid program. Additionally, receivables include amounts to be received for debt service payments related to certain bonds. Receivables in the proprietary funds consist primarily of tuition contribution receivables and unemployment compensation. Receivables of fiduciary funds are primarily the accrual of security transactions in the Pension and Other Employee Benefit Trust Funds. Receivables of the component units consist primarily of mortgage receivables, loans receivable, local school bonds receivable, patient receivables, and student receivables. Receivables are recorded net of allowances for doubtful accounts (see Note 8).

**I. Contributions Receivable, Net**

Contributions Receivable reported by the foundations (component units) represents pledges or unconditional promises to give that have been discounted (see Note 9).

**J. 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 10).

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

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

In addition to inventories maintained as stated above, the following agencies reported donated inventory balances on hand as of June 30, 2018:

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

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 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 Alcoholic Beverage Control (nonmajor enterprise fund) are stated at average cost using the weighted average method.

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

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

**L. Prepaid Items**

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

**M. Loans Receivable/Payable**

Loans Receivable/Payable represents working capital advances between the primary government and component units (see Note 10).

**N. Other Assets**

Other Assets include those balances of a miscellaneous nature that are not specifically classified elsewhere. Additionally, it includes the Virginia Sickness and Disability Program Net Other Postemployment Benefit Plan Asset applicable to the proprietary and private purpose funds (see Note 11).

**O. 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 13).

Capital assets are stated at historical cost or, in some instances, estimated historical cost. Assets received pursuant to service concession arrangements and donated capital assets from entities external to the reporting entity are stated at acquisition value when they are placed in service or at the time of donation, respectively. 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 $2.6 million. None of the interest cost incurred this fiscal year was capitalized.

Expenditures are classified as construction-in-progress if:

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

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

The estimated lives of capital assets are as follows:

| | 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.

**P. 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 14, 15, 16, and 18).

## Q. Accounts Payable

Accounts payable represent amounts, including salaries and wages, owed for goods and services received prior to year-end. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, accounts payable also includes payments for nonexchange transactions that met eligibility requirements prior to fiscal year-end (see Note 25).

## R. Unearned Revenue

Unearned revenue represents monies received or revenues accrued but not earned as of June 30, 2018. The majority of unearned revenue is reported by higher education institutions (nonmajor component units), where it is primarily composed of revenue for student tuition accrued in advance of the semester and advance payments on grants and contracts.

In the special revenue funds, unearned revenue is composed primarily of prepaid toll revenue, contributions from localities and private sectors for highway construction projects, multi-year vehicle registrations recorded in the Commonwealth Transportation Fund (major), and multi-year motor vehicle safety inspections, emission inspections, mining permits, and hunting, fishing, and trapping licenses recorded in the Other and Health and Social Services Funds (nonmajor).

In the enterprise funds, a majority of unearned revenue represents online ticket monies received by the Virginia Lottery (major) for which corresponding drawings have not been held and test kits and certifications from Consolidated Labs (nonmajor) which are paid for prior to shipping and certification being performed.

Unearned revenue in the internal service funds primarily represents unearned premiums in the Risk Management Fund; advanced customer receipts in the Virginia Information Technologies Agency Fund; and prepaid rent and work orders in the Property Management Fund.

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

## S. Unearned Taxes

Unearned taxes represent income taxes related to the period January through June 2018. 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 $911.2 million and estimated underpayments total $925.7 million. When underpayments exceed overpayments, revenue on the fund statements is only recognized to the extent of estimated overpayments. Since underpayments exceed overpayments for the individual income taxes, the unearned tax amount is zero for the fiscal year.

Corporate income tax estimated overpayments total $40.4 million and estimated underpayments total $60.9 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.

## T. 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.

## U. Due to Claimants, Participants, Escrows and Providers

Due to claimants, participants, escrows and providers represent monies that the Commonwealth is holding on behalf of third parties as of June 30, 2018. In governmental funds, the majority of the amount represents estimated unclaimed and escheat property that the Commonwealth is holding until claimed by the rightful owner.

In the enterprise funds, the amounts represent payments due to benefit claimants and employers for tax overpayments in the Unemployment Compensation Fund (major) and to participants of the Prepaid529 Program in the Virginia College Savings Plan (major).

In the private purpose trust funds, the amounts represent payments due to participants in the Invest529 Program offered by the Virginia College Savings Plan.

In the agency funds, these amounts represent funds used for employee benefits and child support enforcement, as well as accounts of inmates, residents, and patients of the Commonwealth's correctional, juvenile, veterans, and behavioral health facilities.

**V. 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 26).

**W. Claims Payable**

Claims payable, reported in the proprietary funds of the primary government, represent both health and liability insurance claims payable as of June 30, 2018. 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, the Local Choice Health Care – nonmajor enterprise fund and Line of Duty – internal service fund and nonmajor enterprise fund. (see Notes 24.A. and 24.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.

**X. 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 27).

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 the 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 27).

**Y. 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 14, 15, 16, 18, and 37).

**Z. 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.

**AA. 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.

**BB. Committed Fund Balances**

Committed fund balance includes amounts that must be spent for specific purposes that have been legislatively mandated by the Governor and General Assembly. Further action by the Governor and the General Assembly would be required to modify these commitments.

**CC. 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.

**DD. 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. The General Fund is the only fund that could potentially report a positive unassigned fund balance amount. Additionally, accrued liabilities exceed accrued assets on the modified accrual basis for the Unclaimed Property Fund (nonmajor special revenue) by $97.7 million. As there are no assigned balances in the fund to offset the negative fund balance restricted for specific purposes, the amount is reported as Unassigned Fund Balance.

### EE. Cash Management Improvement Act

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

### FF. 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.

### GG. 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.

### HH. 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 Commonwealth implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the fiscal year ended June 30, 2018. This implementation resulted in restatements for other postemployment benefits totaling $719.4 million.

- Capital Asset balances were restated by $40.9 million primarily due to errors resulting in the overstatement of prior year balances by the Virginia Department of Transportation (VDOT).

- The Commonwealth Transportation Fund (major special revenue) has been restated by $90.0 million resulting from VDOT previously understating both receivables and payables of $10.0 million and $100.0 million, respectively.

- The Debt Service Fund (nonmajor) has been restated by $77.5 million to include a loan receivable related to selected debt service payments previously omitted by VDOT.

- The Capital Projects Fund (nonmajor) has been restated by $518.4 million to include the Hampton Roads Transportation Accountability Commission (Commission) as a blended component unit of the Commonwealth. While the Commission is legally separate from the Commonwealth, all existing capital assets are recorded as governmental assets. Additionally, debt was issued during fiscal year 2018 by the Commission that will be used for transportation assets that either are, or will be, recorded as governmental assets based on the Commission's current project schedule. Accordingly, it would be misleading to exclude the Commission from the Commonwealth's reporting entity.

**Business-type Activities**

- As a result of the implementation of GASB Statement No. 75 discussed previously, Virginia Lottery (major), Virginia College Savings Plan (major), and numerous nonmajor enterprise funds have restated beginning balances by $2.5 million, $682,170, and $15.8 million, respectively.

**Fund Statements**

- The Commonwealth Transportation Fund (major special revenue) has been restated by $88.4 million as previously stated.

- The Debt Service Fund (nonmajor governmental) has been restated by $6.4 million as previously discussed.

- The Capital Projects Fund (nonmajor governmental) has been restated by $518.3 million as previously stated.

- As a result of the implementation of GASB Statement No. 75 discussed previously, the following funds have been restated:

  - Virginia Lottery (major), Virginia College Savings Plan (major), and numerous nonmajor enterprise funds have restated beginning balances by $2.5 million, $682,170, and $15.8 million, respectively.

  - Internal Service funds have been restated by $6.9 million.

  - The Private Purpose Trust Funds have been restated by $3,000.

- The Investment Trust Funds have been restated by $171.4 million for the Hampton Roads Transportation Accountability Commission previously discussed.

**Component Units**

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

- As a result of the implementation of GASB Statement No. 75 discussed previously, the Virginia Resources Authority (major) and numerous nonmajor component units have been restated by $120,774 and $308.7 million, respectively.

- The Commonwealth implemented GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for the fiscal year ended June 30, 2018. This implementation resulted in the University of Virginia (nonmajor) restating beginning balance by $35.5 million.

- The University of Virginia (nonmajor) has also restated the beginning balance by $21.5 million to recognize revenue that was unearned in prior years.

**Beginning Balance Restatement**

*(Dollars in Thousands)*

| | Balance as of June 30, 2017 | GASBS No. 75 Other Postemployment Benefits | GASBS No. 81 Irrevocable Split-Interest Agreements | Correction of Prior Year Errors | Balance June 30, 2017, as restated |
|---|---|---|---|---|---|
| **Government-wide Activities:** | | | | | |
| Primary Government: | | | | | |
| Governmental Activities | $ 21,148,750 | $ (719,352) | $ - | $ 464,973 | $ 20,894,371 |
| Business-type Activities | 1,938,415 | (18,983) | - | - | 1,919,432 |
| Total Primary Government | $ 23,087,165 | $ (738,335) | $ - | $ 464,973 | $ 22,813,803 |
| Component Units | $ 26,407,311 | $ (308,811) | $ (35,499) | $ 21,485 | $ 26,084,486 |
| **Fund Statements:** | | | | | |
| **Governmental Funds** | | | | | |
| Major Governmental Funds: | | | | | |
| General | $ 498,431 | $ - | $ - | $ - | $ 498,431 |
| Special Revenue Funds: | | | | | |
| Commonwealth Transportation | 1,987,080 | - | - | (88,412) | 1,898,668 |
| Federal Trust | 144,785 | - | - | - | 144,785 |
| Literary | 3,763 | - | - | - | 3,763 |
| Nonmajor Governmental Funds | 956,389 | - | - | 524,704 | 1,481,093 |
| Total Governmental Funds | $ 3,590,448 | $ - | $ - | $ 436,292 | $ 4,026,740 |
| **Proprietary Funds** | | | | | |
| Major Enterprise Funds: | | | | | |
| Virginia Lottery | $ (31,376) | $ (2,545) | $ - | $ - | $ (33,921) |
| Virginia College Savings Plan | 784,526 | (682) | - | - | 783,844 |
| Unemployment Compensation | 1,208,248 | - | - | - | 1,208,248 |
| Nonmajor Enterprise Funds | (23,957) | (15,756) | - | - | (39,713) |
| **Total Enterprise Funds** | $ 1,937,441 | $ (18,983) | $ - | $ - | $ 1,918,458 |
| Internal Service | $ (548,487) | $ (6,856) | $ - | $ - | $ (555,343) |
| **Fiduciary Funds** | | | | | |
| Private Purpose Trust Funds | $ 3,966,272 | $ (3) | $ - | $ - | $ 3,966,269 |
| Pension and Other Employee Benefit Trust Funds | $ 75,106,116 | $ - | $ - | $ - | $ 75,106,116 |
| Investment Trust Funds | $ 3,799,159 | $ - | $ - | $ (171,420) | $ 3,627,739 |
| **Component Units:** | | | | | |
| Virginia Housing Development Authority | $ 3,151,267 | $ - | $ - | $ - | $ 3,151,267 |
| Virginia Public School Authority | (14,915) | - | - | - | (14,915) |
| Virginia Resources Authority | 1,567,444 | (121) | - | - | 1,567,323 |
| Virginia College Building Authority | (3,925,412) | - | - | - | (3,925,412) |
| Nonmajor Component Units | 25,628,927 | (308,690) | (35,499) | 21,485 | 25,306,223 |
| Total Component Units | $ 26,407,311 | $ (308,811) | $ (35,499) | $ 21,485 | $ 26,084,486 |

## 3. NET POSITION/FUND BALANCE CLASSIFICATIONS

### Fund Balance

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

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

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

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

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

Unassigned fund balance for the General Fund (major) is the residual classification. The General Fund is the only fund that could potentially report a positive unassigned fund balance amount. Additionally, a negative amount indicates that restricted and committed amounts exceed the available modified accrual basis fund balance. Unassigned fund balance for the Unclaimed Property Fund (nonmajor special revenue) indicates that the amount restricted for specific purposes exceeds the modified accrual basis fund balance available for these specific purposes.

The governmental fund balance classifications and amounts as of June 30, 2018, 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 | $ 30,183 | $ 90,739 | $ 23,813 | $ - | $ 6,582 | $ 151,317 |
| Prepaid Items | 75,163 | 14,524 | 2,633 | - | 20,496 | 112,816 |
| Permanent Funds | - | - | - | - | 37,921 | 37,921 |
| Total Nonspendable | 105,346 | 105,263 | 26,446 | - | 64,999 | 302,054 |
| **Restricted** | | | | | | |
| Agriculture and Forestry | - | - | - | - | 8,249 | 8,249 |
| Capital Projects/Construction/Capital Acquisition | - | - | - | - | 1,292,381 | 1,292,381 |
| Contract and Debt Administration | - | - | - | - | 857 | 857 |
| Debt Service | - | - | - | - | 41,824 | 41,824 |
| Economic and Technological Development | - | - | - | - | 41 | 41 |
| Educational and Training Programs | - | - | - | - | 3,960 | 3,960 |
| Environmental Quality and Natural Resource Preservation | - | - | - | - | 22,572 | 22,572 |
| Gifts and Grants | - | 10 | 81,087 | - | 2,412 | 83,509 |
| Government Operations: | | | | | | |
| Administrative Services | - | - | - | - | 2,935 | 2,935 |
| Health and Public Safety | - | - | - | - | 76,014 | 76,014 |
| Literary Fund | - | - | - | 1,035 | - | 1,035 |
| Lottery Proceeds Fund | 17,715 | - | - | - | - | 17,715 |
| Revenue Stabilization Fund | 546,216 | - | - | - | - | 546,216 |
| Transportation Activities | - | 481,890 | - | - | - | 481,890 |
| Virginia Water Supply Assistance Grant Fund | 2,972 | - | - | - | - | 2,972 |
| Total Restricted | 566,903 | 481,900 | 81,087 | 1,035 | 1,451,245 | 2,582,170 |
| **Committed** | | | | | | |
| Agriculture and Forestry | 18 | - | - | - | 20,928 | 20,946 |
| Amount Required for Mandatory Reappropriation | 76,959 | - | - | - | - | 76,959 |
| Amount Required for Reappropriation of 2018 Unexpended Balances for Capital Outlay and Restoration Projects | 7,274 | - | - | - | - | 7,274 |
| Capital Projects/Construction/Capital Acquisition | 1,812 | - | - | - | 677 | 2,489 |
| Central Capital Planning Fund | 2,773 | - | - | - | - | 2,773 |
| Commonwealth's Development Opportunity Fund | 27,383 | - | - | - | - | 27,383 |
| Communications Sales and Use Tax | 3,341 | - | - | - | - | 3,341 |
| Contract and Debt Administration | - | 10,521 | - | - | 667 | 11,188 |
| Economic and Technological Development | 72,048 | - | - | - | 49,848 | 121,896 |
| Educational and Training Programs | 1,038 | 1,348 | - | - | 7,973 | 10,359 |
| Environmental Quality and Natural Resource Preservation | 8,171 | - | - | - | 111,393 | 119,564 |
| Government Operations: | | | | | | |
| Administrative Services | 58 | - | - | - | 81,207 | 81,265 |
| Legislative Services | - | - | - | - | 201 | 201 |
| Health and Public Safety | 23,321 | 3,740 | - | - | 236,130 | 263,191 |
| Local Government Fiscal Distress | 500 | - | - | - | - | 500 |
| Natural Disaster Sum Sufficient | 17,070 | - | - | - | - | 17,070 |
| Nonrecurring Expenditures | 836 | - | - | - | - | 836 |
| Regulatory Oversight | - | - | - | - | 139,435 | 139,435 |
| Revenue Reserve Fund | 390,831 | - | - | - | - | 390,831 |
| Transportation Activities | - | 1,724,506 | - | - | 1,506 | 1,726,012 |
| Transportation Trust Fund | 1,671 | - | - | - | - | 1,671 |
| Virginia Health Care Fund | 31,468 | - | - | - | - | 31,468 |
| Virginia Water Quality Improvement Fund | 19,246 | - | - | - | - | 19,246 |
| Virginia Water Quality Improvement Fund - Part A | 55,259 | - | - | - | - | 55,259 |
| Virginia Water Quality Improvement Fund - Part B | 18,499 | - | - | - | - | 18,499 |
| Total Committed | 759,576 | 1,740,115 | - | - | 649,965 | 3,149,656 |
| **Assigned** | | | | | | |
| Agriculture and Forestry | - | - | - | - | 2 | 2 |
| Economic and Technological Development | - | - | - | - | 1,796 | 1,796 |
| Educational and Training Programs | - | - | - | - | 8,057 | 8,057 |
| Environmental Quality and Natural Resource Preservation | - | - | - | - | 7,083 | 7,083 |
| Government Operations: | | | | | | |
| Administrative Services | - | - | - | - | 477 | 477 |
| Health and Public Safety | - | - | - | - | 14,485 | 14,485 |
| Regulatory Oversight | - | - | - | - | 2 | 2 |
| Total Assigned | - | - | - | - | 31,902 | 31,902 |
| **Unassigned** | (588,371) | - | - | - | (97,670) | (686,041) |
| Total Fund Balance | $ 843,454 | $ 2,327,278 | $ 107,533 | $ 1,035 | $ 2,100,441 | $ 5,379,741 |

## 4. DEFICIT FUND BALANCES/NET POSITION

The Unclaimed Property (nonmajor special revenue fund) ended the year with a deficit net position balance of $96.1 million. This deficit was a result of the accrued liabilities estimated to be paid to claimants exceeding the assets remaining in the fund as of June 30.

The Virginia Lottery (major enterprise fund), Alcoholic Beverage Control (nonmajor enterprise fund), the Department of General Services' Consolidated Laboratory Services Fund (nonmajor enterprise fund), the Virginia Museum of Fine Arts Gift Shop (nonmajor enterprise fund), the Enterprise Application Fund (internal service fund), the Personnel Management Information System Fund (internal service fund), and the Payroll Service Bureau (internal service fund) ended the year with deficit net positions of $34.0 million, $96.0 million, $4.6 million, $371,646, $2.9 million, $846,662, and $1.8 million, respectively. This was solely attributable to the net pension liability resulting from GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and the other postemployment benefits (OPEB) obligation resulting from GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

The Risk Management Fund (nonmajor enterprise fund) ended the year with a deficit net position balance of $13.1 million. The deficit was a result of previous increases in claims liability for constitutional officers' programs exceeding premiums collected. Further, there are noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Department of Environmental Quality's Title V Air Pollution Permit Fund (nonmajor enterprise fund) ended the year with a deficit net position balance of $12.0 million. The deficit was a result of decreasing revenues for Title V permits. Further, there are noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Virginia Information Technologies Agency (internal service fund) ended the year with a deficit net position balance of $71.2 million. The deficit was a result of accumulated deficits from prior years, additional expenses for the transition from Northrup Grumman to multiple suppliers, and noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Property Management Fund (internal service fund) ended the year with a deficit net position balance of $20.3 million. This deficit was the result of the purchase of a leasehold interest in a state-owned building in fiscal year 2006. Also, the Property Management Fund incurred additional capital lease liabilities due to transfers of leases from other state agencies in fiscal year 2009. Additionally, in fiscal year 2012, the Property Management Fund entered into three energy leases where the asset is reported in the governmental fund and the liability is recorded in the internal service fund. In fiscal year 2018, the Property Management Fund entered into a new energy performance contract where the asset is reported in the governmental fund and the liability is recorded in the internal service fund. Further, there are noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Risk Management Fund (internal service fund) ended the year with a deficit net position balance of $627.2 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. Further, there are noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Virginia Public School Authority (VPSA) (major component unit) ended the year with a deficit net position balance of $10.1 million. This deficit is the result of VPSA immediately passing along savings to localities from debt refunding that will be realized from future debt service payments subsequent to June 30.

The Virginia College Building Authority (major component unit) ended the year with a deficit net position balance of $4.1 billion. This deficit occurs because the Authority issued bonds for the 21st Century College and Equipment programs subject to future appropriations from the General Fund of the Commonwealth without any other security. These future appropriations are not included as assets of the Authority.

The Southern Virginia Higher Education Center (nonmajor component unit) ended the year with a deficit net position balance of $985,055. This was solely attributable to the net pension liability resulting from GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and the other postemployment benefits (OPEB) obligation resulting from GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

The Virginia Economic Development Partnership (nonmajor component unit) ended the year with a deficit net position balance of $9.0 million. This deficit occurs because the partnership's Statement of Net Position reflects $15.2 million in non-current liabilities related to compensated absences, net pension liabilities, and other postemployment benefit obligation. The Partnership is funded mainly by state appropriations, which show current funding only.

The Virginia Tourism Authority (nonmajor component unit) ended the year with a deficit net position balance of $2.1 million. This deficit occurs because the Authority's Statement of Net Position reflects $8.8 million in non-current liabilities related to compensated absences, pension liabilities, and other postemployment benefit obligation.

## 5. REVENUE STABILIZATION FUND

In accordance with Article X, Section 8 of the *Constitution of Virginia*, the amount estimated as required for deposit to the Revenue Stabilization Fund must be appropriated for that purpose by the General Assembly. During fiscal year 2018, in accordance with the provisions of Article X, Section 8 of the *Constitution of Virginia* and Section 2.2-1830 of the *Code of Virginia,* a withdrawal of $272.5 million was made from the fund.

Under the provisions of Article X, Section 8 of the *Constitution of Virginia*, a deposit of $262.9 million is required during fiscal year 2020 based on fiscal year 2018 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 2018.

The Revenue Stabilization Fund has principal and interest on deposit of $283.3 million restricted as a part of the 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, 2018, the Constitutional maximum is $2.7 billion.

## 6. REVENUE RESERVE FUND

Section 2.2-1831.2 of the *Code of Virginia* established the Revenue Reserve Fund. As of June 30, 2018, the fund has principal and interest on deposit of $156.4 million committed as a part of the General Fund balance.

This fund was established to mitigate certain anticipated revenue shortfalls when appropriations based on previous revenue forecasts exceed expected revenues in subsequent forecasts. Pursuant to Chapter 1, 2018 Acts of Assembly Special Session 1 Enactment Clause 7, the Department of Planning and Budget has identified a deposit of $234.4 million to be made during fiscal year 2019. This amount represents the fiscal year 2018 revenue collections in excess of the official estimate reduced by the fiscal year 2020 mandatory deposit to the Revenue Stabilization Fund and statutory deposit to the Water Quality Fund for excess revenues. This amount is also reported as a part of committed fund balance in the General Fund.

Pursuant to Section 2.2-1831.3 of the *Code of Virginia*, the amount on deposit cannot exceed 1.0 percent of the total general fund revenues for the prior fiscal year. Additionally, the total amount in the Revenue Reserve Fund cannot exceed 2.0 percent of the total general fund revenues for the prior fiscal year. As of June 30, 2018, no maximum amount has been calculated.

## 7. CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of June 30, 2018, the carrying amount of cash for the primary government (including pension and other employee benefit trust funds) was $4.8 billion and the bank balance was $397.3 million. The carrying amount of cash for component units was $2.2 billion and the bank balance was $1.2 billion. Cash equivalents are investments with an original maturity of 90 days or less. Cash and cash equivalents for foundations (component units) totaled $427.7 million as of year-end. A portion of this amount and some balances during the year exceeded Federal Deposit Insurance Corporation (FDIC) insurance coverage. Foundation investments are disclosed in the Interest Rate Risk section of this note. Note 7 includes investment derivatives for the primary government and excludes derivatives for the component units. For additional information concerning derivative instruments, see Note 15.

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.FF, unrealized gains or losses for the State Treasurer's Portfolio are recorded in the General Fund. Public Depositors are required to secure their deposits pursuant to several applicable provisions of the law.

The Local Government Investment Pool Act, Section 2.2-4600 of the *Code of Virginia*, created the Local Government Investment Pool (Pool) program for the benefit of public entities of the Commonwealth. The Treasury Board of Virginia is granted administration of the Local Government Investment Pool (LGIP) and Local Government Investment Pool – Extended Maturity (LGIP EM) on behalf of the participating public entities of the Commonwealth. Both LGIP and LGIP EM offer two professionally managed investment portfolios in accordance with the Investment of Public Funds Act. The LGIP portfolio is a diversified portfolio structured to provide public entities an investment alternative that seeks to minimize the risk of principal loss while offering daily liquidity, a stable Net Asset Value (NAV), and a competitive rate of return. The LGIP is not registered with the Securities Exchange Commission (SEC) as an investment company. The LGIP EM portfolio is a diversified portfolio with fluctuating NAV structured to provide an investment alternative to public entities who wish to invest monies not needed for daily liquidity. The fair value of the Commonwealth's position in the Pool is the same as the value of the Pool shares for all except for the LGIP EM whose shares fluctuate with changes in the market value of the portfolio.

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

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

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

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

As of June 30, 2018, the State Treasurer held no security that was in default as to principal or interest and had no securities that were out of compliance with guidelines.

Public funds held by the Commonwealth, public officers, municipal corporations, political subdivisions, and any other public body of the Commonwealth shall be held in trust for the citizens of the Commonwealth. Any investment of such funds 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 component units are established by the entity's governing boards.

The information presented for the external investment pools was obtained from audited financial statements.

Copies of the LGIP and LGIP EM report may be obtained from the Department of the Treasury website at www.trs.virginia.gov. Participation in this pool is voluntary.

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 interests of members, retirees, and beneficiaries. It also requires the Board 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's investment portfolio is intended to be managed through diversification and prudent judgment, rather than through specific policy restrictions.

**Custodial Credit 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, 2018, the primary government (excluding pension and other employee benefit trust funds) had $1.2 million in cash balances that were uninsured and uncollateralized, and $11.5 million in cash balances that were uninsured and collateralized with securities held by the pledging financial institution. The primary government (excluding pension and other employee benefit trust funds) had no cash equivalents and investments that were exposed to custodial risk.

As of June 30, 2018, investment securities for the System (excluding cash equivalents and repurchase agreements held as securities lending collateral) were registered and held in the name of the System for the benefit of the System's trust funds and were not exposed to custodial credit risk. It is the standard practice and policy of the System, through the relevant provisions in its contracts and agreements with third parties, to minimize all known custodial credit risks.

As of June 30, 2018, component units had $84.2 million in cash balances that were uninsured and uncollateralized, and $11.3 million in cash balances that were uninsured and collateralized with securities held by the pledging financial institution. In addition, the component units held $1.1 million in cash equivalents and investments 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. As discussed in Note 1.F., the Commonwealth has elected to disclose the risk for its debt investments using the segmented time distribution method for the primary government (excluding the Virginia College Savings Plan's Prepaid529 and Invest529 programs, and pension and other employee benefit trust funds) and component units, and the effective duration method for Virginia College Savings Plan (Prepaid529 and Invest529 programs) and the System (pension and other employee benefit trust funds).

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 Virginia College Savings Plan (Virginia529) manages the risk for fixed income investment securities held in Prepaid529 and Invest529 programs using the effective duration methodology. Virginia529's Statements of Investment Policy and Guidelines do not limit investment maturities as a mean of managing its exposure to fair value losses arising from increasing interest rates. Although not an explicit requirement, duration of fixed income portfolios, if applicable, is expected to be within 20.0 percent of each portfolio's designated benchmark.

The System also manages the risk within its portfolio using the effective duration 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 on the degree of change in rates and the slope of the yield curve. All of the System's fixed-income portfolios are managed in accordance with the System's investment guidelines, most of which are specific as to the degree of interest rate risk that can be taken.

As of June 30, 2018, the System's investments included $2.0 billion, primarily in corporate bonds and notes, U.S. Treasury and agency securities, supranational and non-U.S. Government bonds and notes, municipal securities, and collateralized mortgage obligations, which are highly sensitive to interest rate fluctuations in that they are subject to early repayment in a period of declining interest rates and/or because they have an option adjusted duration of greater than ten years. The resulting reduction in expected total cash flows affects the fair value of these securities.

As of June 30, 2018, the Commonwealth's investments subject to interest rate risk had the following maturities and weighted average effective durations.

**Primary Government Investments**

(Excluding Virginia College Savings Plan and Pension and Other Employee Benefit Trust Funds)

*(Dollars in Thousands)*

| Investment Type | June 30, 2018 | Investment Maturities (in years) Less Than 1 | 1-5 | 6-10 | More Than 10 |
|---|---|---|---|---|---|
| Debt Securities | | | | | |
| U. S. Treasury and Agency Securities | $ 838,401 | $ 271,014 | $ 392,944 | $ 111,892 | $ 62,551 |
| Corporate Bonds and Notes | 489,890 | 68,291 | 267,074 | 103,656 | 50,869 |
| Supranational and Non-U.S. Government Bonds and Notes | 149,804 | 149,804 | - | - | - |
| Commercial Paper | 3,526,312 | 3,526,312 | - | - | - |
| Negotiable Certificates of Deposit | 4,171,013 | 4,171,013 | - | - | - |
| Repurchase Agreements | 1,559,312 | 1,559,312 | - | - | - |
| Municipal Securities | 17,338 | 1,057 | 5,649 | - | 10,632 |
| Asset-Backed Securities | 168,378 | - | 85,965 | 22,953 | 59,460 |
| Agency Mortgage-Backed Securities | 227,800 | 1,312 | 54,072 | 18,151 | 154,265 |
| Agency Unsecured Bonds and Notes | 2,219,202 | 1,253,145 | 960,319 | 3,377 | 2,361 |
| Mutual and Money Market Funds (Includes SNAP) | 1,246,475 | 1,246,475 | - | - | - |
| Fixed Income and Commingled Funds | 6,926 | - | 6,926 | - | - |
| Investments held by broker-dealers under securities loans | | | | | |
| U. S. Government and Agency Securities | 202 | - | - | 202 | - |
| Corporate Bonds and Notes | 1,285 | - | 396 | 889 | - |
| Total | $ 14,622,338 | $ 12,247,735 | $ 1,773,345 | $ 261,120 | $ 340,138 |

**Primary Government - Virginia College Savings Plan Investments**

*(Dollars in Thousands)*

| Investment Type | Prepaid529 (Major Enterprise Fund) June 30, 2018 | Prepaid529 Weighted Avg. Effective Duration (in years) | Invest529 (Private Purpose Trust Fund) June 30, 2018 | Invest529 Weighted Avg. Effective Duration (in years) |
|---|---|---|---|---|
| Debt Securities | | | | |
| U. S. Treasury and Agency Securities | $ 408 | 7.3 | $ - | - |
| Corporate Bonds and Notes | 482,372 | 1.4 | 112,968 | 2.7 |
| Asset Backed Securities | 63,101 | 1.3 | 5,634 | 0.1 |
| Agency Mortgage Backed Securities | 31,713 | 4.1 | - | - |
| Mutual and Money Market Funds | 141,622 | 3.1 | 269,297 | 5.1 |
| Guaranteed Investment Contracts | 134,488 | 3.3 | 989,143 | 3.5 |
| Fixed Income and Commingled Funds* | 475,463 | 5.0 | 765,643 | 6.4 |
| Other* | 113,352 | 3.0 | - | - |
| Total | $ 1,442,519 | 3.1 | $ 2,142,685 | 4.7 |

*Effective duration is calculated using a methodology that takes into account the duration impact of equity warrants and rate-sensitive instruments.

**Primary Government - Virginia Retirement System Investments**

(Pension and Other Employee Benefit Trust Funds)

*(Dollars in Thousands)*

| Investment Type | June 30, 2018 | Weighted Avg. Effective Duration (in years) |
|---|---|---|
| Debt Securities | | |
| U. S. Treasury and Agency Securities | $ 3,941,422 | 6.1 |
| Corporate Bonds and Notes | 9,955,756 | 3.1 |
| Collateralized Mortgage Obligations | 225,136 | 2.5 |
| Commercial Mortgages | 333,072 | 4.3 |
| Supranational and Non-U.S. Government Bonds and Notes | 2,112,151 | 5.5 |
| Mutual and Money Market Funds | 165,340 | 5.9 |
| Commercial Paper | 2,057,534 | 0.2 |
| Negotiable Certificates of Deposit | 1,079,512 | 0.2 |
| Repurchase Agreements | 66,394 | < 0.1 |
| Municipal Securities | 128,429 | 6.8 |
| Asset Backed Securities | 683,742 | 1.8 |
| Agencies | 3,800,874 | 4.5 |
| Fixed Income and Commingled Funds | 1,362,992 | 5.5 |
| Fixed Income Derivatives | 856 | 2.3 |
| Time Deposits | 119,790 | < 0.1 |
| Debt Securities - No Effective Duration | | |
| Corporate Bonds and Notes | 98,279 | N/A |
| Collateralized Mortgage Obligations | 3,042 | N/A |
| Commercial Mortgages | 1,950 | N/A |
| Mutual and Money Market Funds | 14,630 | N/A |
| Commercial Paper | 69,000 | N/A |
| Asset Backed Securities | 3,200 | N/A |
| Fixed Income Derivatives | 1,808 | N/A |
| Total | $ 26,224,909 | 3.3 |

**Component Unit Investments**

*(Dollars in Thousands)*

| Investment Type | June 30, 2018 | Investment Maturities (in years) | | | |
|---|---|---|---|---|---|
| | | Less Than 1 | 1-5 | 6-10 | More Than 10 |
| Debt Securities | | | | | |
| U. S. Treasury and Agency Securities | $ 814,305 | $ 161,400 | $ 322,625 | $ 145,657 | $ 184,623 |
| Supranational and Non-U.S. Government Bonds and Notes | 9,215 | - | 9,215 | - | - |
| Corporate Bonds and Notes | 568,264 | 232,121 | 312,647 | 19,189 | 4,307 |
| Commercial Paper | 294,397 | 294,397 | - | - | - |
| Negotiable Certificates of Deposit | 58,235 | 42,344 | 15,891 | - | - |
| Repurchase Agreements | 394,357 | 394,357 | - | - | - |
| Municipal Securities | 203,602 | 9,283 | 79,348 | 82,289 | 32,682 |
| Asset-Backed Securities | 264,918 | 24,661 | 220,943 | 3,080 | 16,234 |
| Agency Unsecured Bonds and Notes | 443,973 | 392,790 | 51,183 | - | - |
| Agency Mortgage-Backed Securities | 733,457 | 12,023 | 55,179 | 17,503 | 648,752 |
| Mutual and Money Market Funds (Includes SNAP) | 541,417 | 536,675 | 1,435 | 3,307 | - |
| Guaranteed Investment Contracts | 38,482 | 2,356 | 15,812 | 14,523 | 5,791 |
| Fixed Income and Commingled Funds | 113,825 | 7,241 | 63,096 | - | 43,488 |
| Other | 104,891 | 104,826 | 65 | - | - |
| Total | $ 4,583,338 | $ 2,214,474 | $ 1,147,439 | $ 285,548 | $ 935,877 |

**Foundation Investments**

*(Dollars in Thousands)*

| Investment Type | Fair Value |
|---|---|
| U.S. Treasury and Agency Securities | $ 973,384 |
| Common & Preferred Stocks | 1,005,817 |
| Corporate Bonds and Notes | 305,089 |
| Negotiable Certificates of Deposit | 13,038 |
| Municipal Securities | 2,110 |
| Repurchase Agreements | 102,430 |
| Asset Backed Securities | 9,034 |
| Agency Mortgage Backed | 12,786 |
| Mutual and Money Market Funds | 704,868 |
| Bankers' Acceptance | 90,509 |
| Real Estate | 474,226 |
| Index Funds | 237,764 |
| Hedge Funds | 2,327,579 |
| Partnerships | 2,090,098 |
| Venture Capital | 1,172,646 |
| Other | 5,110,355 |
| Total | $ 14,631,733 |

Note: Foundations represent FASB reporting entities defined in Note 1.B. A portion of these amounts is 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 System's policy for credit risk is based on the concept of a risk budget rather than specific limitations related to the rating of an individual security. The System's risk budget is allocated among the different investment strategies.

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 15.

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

The following tables present the credit ratings for the investments of the primary government (excluding pension and other employee benefit trust funds), the System (pension and other employee benefit trust funds), and component units as of June 30, 2018. The ratings presented are using Moody's, S&P, and Fitch rating scales. They are displayed from short-term to long-term.

## **Primary Government** (Excluding Pension and Other Employee Benefit Trust Funds)

*(Dollars in Thousands)*

| Investment Type (1) | P-1 / A-1 / F1 | Percent of Portfolio | P-2 / A-2 | Percent of Portfolio | Aaa / AAA | Percent of Portfolio | Aa / AA |
|---|---|---|---|---|---|---|---|
| Agency Mortgage Backed Securities | $ - | 0.0% | $ - | 0.0% | $ 605 | 0.0% | $ 246,234 |
| Agency Unsecured Bonds and Notes | 421,087 | 2.5% | - | 0.0% | 9,886 | 0.1% | 1,788,145 |
| Asset Backed Securities | - | 0.0% | - | 0.0% | 178,875 | 1.0% | 16,515 |
| Commercial Paper | 3,526,312 | 20.4% | - | 0.0% | - | 0.0% | - |
| Corporate Bonds and Notes | - | 0.0% | - | 0.0% | 14,574 | 0.1% | 80,096 |
| Fixed Income and Commingled Funds | - | 0.0% | - | 0.0% | - | 0.0% | - |
| Guaranteed Investment Contracts | - | 0.0% | - | 0.0% | - | 0.0% | - |
| Investments held by broker-dealers under securities loans (Corporate Bonds and Notes) | - | 0.0% | - | 0.0% | - | 0.0% | 343 |
| Investments held by broker-dealers under securities loans (U.S. Government and Agency Securities) | - | 0.0% | - | 0.0% | 202 | 0.0% | - |
| Municipal Securities | 667 | 0.0% | - | 0.0% | 568 | 0.0% | 8,506 |
| Mutual and Money Market Funds (Includes SNAP) | - | 0.0% | - | 0.0% | 1,336,066 | 7.7% | - |
| Negotiable Certificates of Deposit | 4,075,108 | 23.6% | 83,057 | 0.5% | - | 0.0% | 12,848 |
| Other Debt Securities | - | 0.0% | - | 0.0% | - | 0.0% | - |
| Repurchase Agreements | 210,000 | 1.2% | 207,500 | 1.2% | 200,000 | 1.2% | 690,004 |
| Supranational and Non-U.S. Government Bonds and Notes | - | 0.0% | - | 0.0% | 149,804 | 0.9% | - |
| Total | $ 8,233,174 | 47.7% | $ 290,557 | 1.7% | $ 1,890,580 | 11.0% | $ 2,842,691 |

## **Primary Government – Virginia Retirement System** (Pension and Other Employee Benefit Trust Funds)

*(Dollars in Thousands)*

| Investment Type (1) | P-1 / A-1 / F1 | Percent of Portfolio | P-2 / A-2 / F2 | Percent of Portfolio | Aaa / AAA | Percent of Portfolio | Aa / AA |
|---|---|---|---|---|---|---|---|
| Corporate Bonds and Notes | $ 366,984 | 1.6% | $ - | 0.0% | $ 61,466 | 0.3% | $ 1,120,954 |
| Collateralized Mortgage Obligations | - | 0.0% | - | 0.0% | 7,570 | 0.0% | 94,389 |
| Commercial Mortgages | - | 0.0% | - | 0.0% | 283,134 | 1.3% | 2,882 |
| Supranational and Non-U.S. Government Bonds and Notes | - | 0.0% | - | 0.0% | 136,419 | 0.6% | 71,992 |
| Mutual and Money Market Funds | - | 0.0% | - | 0.0% | - | 0.0% | - |
| Commercial Paper | 1,355,942 | 6.1% | 659,244 | 3.0% | - | 0.0% | - |
| Negotiable Certificates of Deposit | 144,511 | 0.6% | - | 0.0% | - | 0.0% | 57,798 |
| Repurchase Agreements | - | 0.0% | - | 0.0% | - | 0.0% | - |
| Municipal Securities | - | 0.0% | - | 0.0% | 10,649 | 0.0% | 117,780 |
| Asset Backed Securities | - | 0.0% | - | 0.0% | 350,883 | 1.6% | 22,988 |
| Agencies | - | 0.0% | - | 0.0% | 16,394 | 0.1% | 1,804,569 |
| Fixed Income and Commingled Funds | - | 0.0% | - | 0.0% | - | 0.0% | 1,722 |
| Fixed Income Derivatives | - | 0.0% | - | 0.0% | - | 0.0% | - |
| Time Deposits | 13,790 | 0.1% | - | 0.0% | - | 0.0% | - |
| Total | $ 1,881,227 | 8.4% | $ 659,244 | 3.0% | $ 866,515 | 3.9% | $ 3,295,074 |

## **Component Units**

*(Dollars in Thousands)*

| Investment Type (1) | P-1 / A-1 / F1 | Percent of Portfolio | Aaa / AAA | Percent of Portfolio | Aa / AA | Percent of Portfolio | A |
|---|---|---|---|---|---|---|---|
| Agency Mortgage Backed Securities | $ - | 0.0% | $ 639,048 | 17.1% | $ 51,552 | 1.4% | $ - |
| Agency Unsecured Bonds and Notes | - | 0.0% | 406,483 | 10.9% | 26,918 | 0.7% | - |
| Asset Backed Securities | - | 0.0% | 236,594 | 6.3% | 13,647 | 0.4% | 1,511 |
| Commercial Paper | 205,440 | 5.5% | 20,921 | 0.6% | - | 0.0% | - |
| Corporate Bonds and Notes | 1,894 | 0.1% | 22,822 | 0.6% | 144,738 | 3.9% | 321,581 |
| Fixed Income and Commingled Funds | - | 0.0% | - | 0.0% | 6,583 | 0.2% | - |
| Municipal Securities | 8,821 | 0.2% | 34,833 | 0.9% | 106,204 | 2.8% | 50,274 |
| Mutual and Money Market Funds (Includes SNAP) | 7,218 | 0.2% | 438,880 | 11.8% | - | 0.0% | - |
| Negotiable Certificates of Deposit | 6,870 | 0.2% | - | 0.0% | 14,749 | 0.4% | - |
| Other Debt Securities | - | 0.0% | 23,120 | 0.6% | 24 | 0.0% | 66 |
| Repurchase Agreements | - | 0.0% | - | 0.0% | - | 0.0% | - |
| Supranational and Non-U.S. Government Bonds and Notes | - | 0.0% | 9,215 | 0.3% | - | 0.0% | - |
| Total | $ 230,243 | 6.2% | $ 1,831,916 | 49.1% | $ 364,415 | 9.8% | $ 373,432 |

(1) Excludes investments of $948.8 million for primary government (excluding pension and other employee benefit trust funds), $3.9 billion for the System (pension and other employee benefit trust funds), and $852.8 million for component units because obligations of the U. S. Government or obligations explicitly guaranteed by the U. S. Government are not considered to have credit risk.

**Amount by Credit Rating - Moody's / S&P / Fitch**

| Percent of Portfolio | A | Percent of Portfolio | Baa / BBB | Percent of Portfolio | Less Than Investment Grade | Percent of Portfolio | Unrated | Percent of Portfolio | Grand Total |
|---|---|---|---|---|---|---|---|---|---|
| 1.4% | $ - | 0.0% | $ 1,020 | 0.0% | $ - | 0.0% | $ 11,654 | 0.1% | $ 259,513 |
| 10.3% | - | 0.0% | - | 0.0% | 14 | 0.0% | 70 | 0.0% | 2,219,202 |
| 0.1% | 19,772 | 0.1% | 8,437 | 0.1% | 6,263 | 0.0% | 7,251 | 0.1% | 237,113 |
| 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 3,526,312 |
| 0.5% | 264,266 | 1.5% | 155,504 | 0.9% | 534,142 | 3.1% | 36,648 | 0.2% | 1,085,230 |
| 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 1,248,032 | 7.2% | 1,248,032 |
| 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 1,123,631 | 6.5% | 1,123,631 |
| 0.0% | 942 | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 1,285 |
| 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 202 |
| 0.1% | 4,816 | 0.0% | - | 0.0% | - | 0.0% | 2,781 | 0.0% | 17,338 |
| 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 321,328 | 1.9% | 1,657,394 |
| 0.1% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 4,171,013 |
| 0.0% | 27,819 | 0.2% | 24,324 | 0.1% | 4,700 | 0.0% | 56,509 | 0.3% | 113,352 |
| 4.0% | - | 0.0% | - | 0.0% | - | 0.0% | 141,808 | 0.8% | 1,449,312 |
| 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 149,804 |
| 16.5% | $ 317,615 | 1.8% | $ 189,285 | 1.1% | $ 545,119 | 3.1% | $ 2,949,712 | 17.1% | $ 17,258,733 |

**Amount by Credit Rating - Moody's / S&P / Fitch**

| Percent of Portfolio | A | Percent of Portfolio | Baa / BBB | Percent of Portfolio | Less Than Investment Grade | Percent of Portfolio | Unrated | Percent of Portfolio | Grand Total |
|---|---|---|---|---|---|---|---|---|---|
| 5.0% | $ 3,039,107 | 13.6% | $ 2,306,589 | 10.3% | $ 1,549,401 | 7.0% | $ 1,609,534 | 7.2% | $ 10,054,035 |
| 0.4% | 2,047 | 0.0% | - | 0.0% | 66,847 | 0.3% | 57,325 | 0.3% | 228,178 |
| 0.0% | - | 0.0% | 11,231 | 0.1% | 32,224 | 0.1% | 5,551 | 0.0% | 335,022 |
| 0.3% | 232,777 | 1.1% | 525,182 | 2.3% | 1,082,499 | 4.9% | 63,282 | 0.3% | 2,112,151 |
| 0.0% | - | 0.0% | - | 0.0% | 70,191 | 0.3% | 109,779 | 0.5% | 179,970 |
| 0.0% | 109,752 | 0.5% | - | 0.0% | - | 0.0% | 1,596 | 0.0% | 2,126,534 |
| 0.3% | 30,000 | 0.1% | - | 0.0% | - | 0.0% | 847,203 | 3.8% | 1,079,512 |
| 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 66,394 | 0.3% | 66,394 |
| 0.6% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 128,429 |
| 0.1% | 90,676 | 0.4% | 16,929 | 0.1% | 180,588 | 0.8% | 24,878 | 0.1% | 686,942 |
| 8.1% | - | 0.0% | - | 0.0% | - | 0.0% | 1,979,911 | 8.9% | 3,800,874 |
| 0.0% | - | 0.0% | - | 0.0% | 1,061 | 0.0% | 1,360,209 | 6.1% | 1,362,992 |
| 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 2,664 | 0.0% | 2,664 |
| 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 106,000 | 0.5% | 119,790 |
| 14.8% | $ 3,504,359 | 15.7% | $ 2,859,931 | 12.8% | $ 2,982,811 | 13.4% | $ 6,234,326 | 28.0% | $ 22,283,487 |

**Amount by Credit Rating - Moody's / S&P / Fitch**

| Percent of Portfolio | Baa / BBB | Percent of Portfolio | Less Than Investment Grade | Percent of Portfolio | Unrated | Percent of Portfolio | Grand Total |
|---|---|---|---|---|---|---|---|
| 0.0% | $ - | 0.0% | $ - | 0.0% | $ 42,857 | 1.1% | $ 733,457 |
| 0.0% | - | 0.0% | - | 0.0% | 10,572 | 0.3% | 443,973 |
| 0.0% | 193 | 0.0% | 3,005 | 0.1% | 9,968 | 0.3% | 264,918 |
| 0.0% | - | 0.0% | - | 0.0% | 68,036 | 1.8% | 294,397 |
| 8.6% | 51,732 | 1.4% | 278 | 0.0% | 25,219 | 0.7% | 568,264 |
| 0.0% | - | 0.0% | - | 0.0% | 107,242 | 2.9% | 113,825 |
| 1.4% | 1,130 | 0.0% | 2,260 | 0.0% | 80 | 0.0% | 203,602 |
| 0.0% | - | 0.0% | - | 0.0% | 95,319 | 2.5% | 541,417 |
| 0.0% | - | 0.0% | - | 0.0% | 36,616 | 1.0% | 58,235 |
| 0.0% | - | 0.0% | - | 0.0% | 81,681 | 2.2% | 104,891 |
| 0.0% | 360,000 | 9.7% | - | 0.0% | 34,357 | 0.9% | 394,357 |
| 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 9,215 |
| 10.0% | $ 413,055 | 11.1% | $ 5,543 | 0.1% | $ 511,947 | 13.7% | $ 3,730,551 |

### 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 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. As of June 30, 2018, more than 4.0 percent of the Commonwealth's governmental fund investments were in the Federal Home Loan Bank and Federal Home Loan Mortgage Corporation, totaling $873.5 million and $445.9 million, respectively. Since these securities are exempted from the State Treasury investment policies, all investments are compliant with investment policies.

The System's 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. The System has no investments in any commercial or industrial organization whose fair value equals 5.0 percent or more of the System's fiduciary net position.

### Foreign Currency Risk

#### Primary Government

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. All primary government investments exposed to foreign currency risk were part of the System, the Virginia College Savings Plan's (Virginia529) Prepaid529 program (major enterprise fund), and the Unclaimed Property portfolios as of June 30, 2018. There is no investment policy related to foreign currency risk for the Unclaimed Property portfolio. Virginia529 has direct exposure to foreign currency risk through investments managed by Advent Capital Management, LLC, which uses currency forward contracts to hedge risks associated with currency fluctuations pursuant to a formal exception to Virginia529's investment policy.

The System's foreign currency risk exposures, or exchange rate risk, primarily exist in the international and global equity investment holdings. Exposure to foreign currency risk is highlighted in the following tables.

#### Component Units

All nonmajor component unit investments exposed to foreign currency risk were part of the College of William and Mary, James Madison University, and the Virginia Economic Development Partnership as of June 30, 2018. None of these entities have investment policies related to foreign currency risk.

**Foreign Currency Exposures by Asset Class - Primary Government**
(Excluding Pension and Other Employee Benefit Trust Funds)
*(Dollars in Thousands)*

| Currency | Cash & Cash Equivalents | Equity | Private Equity | Corporate Bonds | Total |
|---|---|---|---|---|---|
| Euro Currency Unit | $ 434 | $ 79 | $ - | $ 20,053 | $ 20,566 |
| Japanese Yen | 6 | - | - | 10,925 | 10,931 |
| Hong Kong Dollar | 1 | 4 | - | 7,408 | 7,413 |
| Swiss Franc | - | 31 | - | 5,448 | 5,479 |
| U. S. Dollar | - | 1,410 | 3,728 | - | 5,138 |
| Chinese Yuan Renminbi | - | - | - | 2,106 | 2,106 |
| British Pound Sterling | 449 | 33 | - | 706 | 1,188 |
| Canadian Dollar | 1 | 153 | - | - | 154 |
| Malaysian Ringgit | - | 7 | - | - | 7 |
| Singapore Dollar | 5 | - | - | - | 5 |
| **Total** | $ 896 | $ 1,717 | $ 3,728 | $ 46,646 | $ 52,987 |

**Foreign Currency Exposures by Asset Class**
**Primary Government - Virginia Retirement System**
(Pension and Other Employee Benefit Trust Funds)
*(Dollars in Thousands)*

| Currency | Cash and Short-term Investments | Equity | Fixed Income | Private Equity | Real Assets | International Funds | Forward Contracts | Total |
|---|---|---|---|---|---|---|---|---|
| U.S. Dollar | $ - | $ - | $ - | $ - | $ - | $ 1,817,893 | $ - | $ 1,817,893 |
| Euro Currency Unit | 62,068 | 2,099,833 | 25,370 | 721,896 | 279,686 | - | (1,756,078) | 1,432,775 |
| Japanese Yen | (10,402) | 2,082,082 | - | - | 2,302 | 236,099 | (1,138,268) | 1,171,813 |
| Hong Kong Dollar | 9,429 | 1,020,197 | - | - | 2,461 | - | (194,132) | 837,955 |
| Pound Sterling | 53,884 | 1,247,406 | 1,005 | - | 108,897 | - | (600,072) | 811,120 |
| Canadian Dollar | (51,817) | 885,255 | - | - | 47,455 | - | (245,654) | 635,239 |
| Australian Dollar | 10,003 | 561,177 | - | - | 5,529 | - | 45,442 | 622,151 |
| South Korean Won | 3,080 | 436,275 | - | - | - | - | (3,532) | 435,823 |
| Swiss Franc | 21,051 | 553,007 | 1,142 | - | - | - | (266,376) | 308,824 |
| Indian Rupee | 5,303 | 230,177 | 4,869 | - | - | - | (6,875) | 233,474 |
| New Taiwan Dollar | 409 | 223,841 | - | - | - | - | (5,327) | 218,923 |
| South African Rand | 1,543 | 163,400 | 67,655 | - | 197 | - | (21,565) | 211,230 |
| Brazil Real | 1,262 | 154,253 | 85,021 | - | 2,901 | - | (40,692) | 202,745 |
| Thailand Baht | 289 | 93,893 | 21,521 | - | - | - | 22,563 | 138,266 |
| Turkish Lira | 263 | 83,422 | 17,106 | - | - | - | 28,798 | 129,589 |
| Indonesian Rupiah | 1,321 | 42,780 | 63,973 | - | - | - | 1,160 | 109,234 |
| Mexican Peso | 1,292 | 37,280 | 29,049 | - | 1,827 | - | 39,772 | 109,220 |
| New Zealand Dollar | 220 | 19,909 | - | - | 1,328 | - | 87,155 | 108,612 |
| Polish Zloty | 617 | 28,744 | 50,817 | - | 1,390 | - | 13,760 | 95,328 |
| Malaysian Ringgit | 1,698 | 48,930 | 38,146 | - | - | - | (6,418) | 82,356 |
| Russian Ruble (New) | 68 | 18,239 | 46,762 | - | - | - | 13,948 | 79,017 |
| Czech Koruna | 182 | 1,736 | 1,158 | - | - | - | 55,509 | 58,585 |
| Colombian Peso | 952 | 3,147 | 39,140 | - | - | - | 8,583 | 51,822 |
| Danish Krone | 1,779 | 116,916 | - | - | 2,595 | - | (70,595) | 50,695 |
| Hungarian Forint | 628 | 9,750 | 38,060 | - | - | - | (12,191) | 36,247 |
| Chilean Peso | 565 | 16,061 | 9,560 | - | - | - | 6,205 | 32,391 |
| Egyptian Pound | 16,455 | 5,978 | - | - | - | - | 8,427 | 30,860 |
| Peruvian Nuevo Sol | 44 | 103 | 31,886 | - | - | - | (3,454) | 28,579 |
| Nigerian Naira | 14,350 | - | - | - | - | - | 6,426 | 20,776 |
| Israeli Shekel | 115 | 36,825 | 25 | - | 1,838 | - | (25,156) | 13,647 |
| Kazakhstan Tenge | - | - | 7,217 | - | - | - | 2,578 | 9,795 |
| Sri Lanka Rupee | - | - | 5,987 | - | - | - | - | 5,987 |
| UAE Dirham | 113 | 5,996 | - | - | - | - | (220) | 5,889 |
| Argentine Peso | 2,373 | - | 5,424 | - | - | - | (2,582) | 5,215 |
| Uruguayan Peso | - | - | 3,968 | - | - | - | - | 3,968 |
| Philippines Peso | 148 | 8,256 | - | - | - | - | (4,761) | 3,643 |
| Qatari Riyal | 210 | 3,305 | - | - | - | - | - | 3,515 |
| Dominican Republic Peso | - | - | 3,032 | - | - | - | - | 3,032 |
| Ghanaian Cedi | - | - | 2,226 | - | - | - | - | 2,226 |
| Moroccan Dirham | 1 | - | - | - | - | - | - | 1 |
| Romanian Leu | - | - | 9,189 | - | - | - | (9,682) | (493) |
| Saudi Arabian Riyal | - | - | - | - | - | - | (1,373) | (1,373) |
| Omani Rial | - | - | - | - | - | - | (1,384) | (1,384) |
| Chinese R Yuan HK | - | - | - | - | - | - | (14,282) | (14,282) |
| Chinese Yuan Renminbi | 5 | 5,172 | - | - | - | - | (46,367) | (41,190) |
| Singapore Dollar | 2,111 | 176,908 | - | - | - | - | (255,722) | (76,703) |
| Swedish Krona | 921 | 202,068 | - | - | 1,432 | - | (284,526) | (80,105) |
| Norwegian Krone | 1,136 | 133,912 | - | - | 1,467 | - | (222,619) | (86,104) |
| **Total** | $ 153,669 | $ 10,756,233 | $ 609,308 | $ 721,896 | $ 461,305 | $ 2,053,992 | $ (4,899,577) | $ 9,856,826 |

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

| Currency | Cash & Cash Equivalents | Total |
|---|---|---|
| British Pound Sterling | $ 1,123 | $ 1,123 |
| Euro Currency Unit | 2,927 | 2,927 |
| Chinese RMB | 6 | 6 |
| **Total** | $ 4,056 | $ 4,056 |

## Fair Value Measurements

### Primary Government

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

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

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

The following tables summarize recurring fair value measurements for the cash equivalents and investments reported by the primary government (excluding pension and other employee benefit trust funds) and the System (pension and other employee benefit trust funds) as of June 30, 2018.

**Fair Value Measurements - Primary Government**
(Excluding Pension and Other Employee Benefit Trust Funds)
*(Dollars in Thousands)*

| | Fair Value | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **Fair Value Measured Using Fair Value Hierarchy** | | | | |
| Debt Securities (1) | | | | |
| U. S. Treasury and Agency Securities | $ 753,870 | $ 706,630 | $ 47,240 | $ - |
| Corporate Bonds and Notes | 1,085,231 | 49,309 | 1,035,922 | - |
| Supranational and Non-U.S. Government Bonds and Notes | 149,804 | - | 149,804 | - |
| Commercial Paper | 1,877,416 | 59,842 | 1,817,574 | - |
| Negotiable Certificates of Deposit | 2,209,293 | 10,033 | 2,199,260 | - |
| Municipal Securities | 17,338 | 3,029 | 14,309 | - |
| Asset Backed Securities | 237,112 | 259 | 236,853 | - |
| Agency Mortgage Backed Securities | 259,512 | 42,149 | 217,363 | - |
| Agency Unsecured Bonds and Notes | 1,563,079 | 48,952 | 1,514,127 | - |
| Mutual and Money Market Funds (Includes SNAP) | 301,747 | 301,747 | - | - |
| Fixed Income and Commingled Funds | 772,569 | 772,569 | - | - |
| Investments held by broker-dealers under securities loans | | | | |
| U. S. Government and Agency Securities | 202 | 202 | - | - |
| Corporate Bonds and Notes | 1,285 | 1,285 | - | - |
| Other Debt Securities | 113,352 | - | 113,352 | - |
| Total Debt Securities | 9,341,810 | 1,996,006 | 7,345,804 | - |
| Equity Securities (2) | | | | |
| Common and Preferred Stocks | 573,699 | 568,299 | 5,399 | 1 |
| Foreign Currencies | 307 | 307 | - | - |
| Equity Index and Pooled Funds | 97,603 | 97,603 | - | - |
| Index Funds | 1,778,698 | 1,778,698 | - | - |
| Real Estate | 8,547 | 977 | - | 7,570 |
| International and Emerging Markets Funds | 844,809 | 844,809 | - | - |
| Other Equity Securities | 51,767 | 51,767 | - | - |
| Total Equity Securities | 3,355,430 | 3,342,460 | 5,399 | 7,571 |
| Total by Fair Value Level | $ 12,697,240 | $ 5,338,466 | $ 7,351,203 | $ 7,571 |
| Total Fair Value Established Using the Net Asset Value (NAV) (3) | 1,001,435 | | | |
| Total Fair Value | $ 13,698,675 | | | |

(1) Debt securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using a matrix pricing model and observable prices using dealer quotes for similar securities traded in active markets.

(2) Equity securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using dealer quotes for similar securities traded in active markets.
- Level 3 - valued using independent appraisals.

(3) Investments reported at fair value established using the NAV were all part of the Virginia College Savings Plan's (Virginia529) Prepaid529 and Invest529 programs. The following tables (dollars in thousands) summarizes Prepaid529 and Invest529's investments measured at the NAV and related disclosures as of June 30, 2018. Additional information is available in the Virginia529 individually published financial statements, which may be obtained at www.virginia529.com.

Description of Prepaid529 Investments Measured at the NAV:

| Investments Measured at NAV | Fair Value | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|
| Hedge Funds | | | | |
| Blackstone - Hedge Fund of Funds | $ 134,547 | $ - | Semi-Annual | 95 Days |
| Aurora - Hedge Fund of Funds | 183 | - | Quarterly | 95 Days |
| Equity Real Estate | | | | |
| UBS Realty Investors | 63,594 | - | Quarterly | 60 Days |
| Private Debt & Private Equity Funds of Funds | | | | |
| Golub Capital | 10,500 | 24,500 | | |
| Private Advisors | 37,154 | 14,693 | | |
| Adams Street Partners | 116,165 | 88,148 | | |
| LGT Capital Partners | 2,055 | 8,340 | | |
| Neuberger Berman | 15,195 | 15,000 | | |
| Aether Investment Partners | 23,571 | 12,949 | | |
| Common fund | 18,132 | 3,790 | | |
| Horseley Bridge Partners | - | 20,000 | | |
| Common Trust Funds & Other | | | | |
| Wellington Management | 178,882 | - | Monthly | 10 Days |
| State Street Global Advisors | 137,323 | - | Daily | 2 Days |
| Ferox Capital | 76,512 | - | Daily | 2 Days |
| Black Rock | 82,747 | - | Daily | 3 Days |
| Total Investments Measured at the NAV | $ 896,560 | | | |

- **Hedge Funds** – This investment type includes two hedge funds. The Aurora Offshore Fund Ltd. II and Blackstone Partners Offshore Fund are diversified, multi-strategy hedge funds of funds. Underlying investment strategies include a range of asset classes and the funds are not restricted from participating in any market, strategy or investment. The Aurora Offshore Fund Ltd. II is liquidating and accordingly no redemptions may currently be initiated by investors. The remainder of this investment is expected to be returned in fiscal year 2019. The fair value of investments in this type has been determined using the NAV per share of the investments.

- **Equity Real Estate** – This investment type includes one limited partnership. The UBS Trumbull Property Fund's investment strategy is to invest primarily through direct equity-owned real estate assets. The fund also has flexibility to invest in joint venture and debt investments. Investments are generally acquired on an all-cash basis, however debt may be used where UBS determines leverage is prudent and is expected to enhance total return without undue risk. The fair values of investments in this type have been determined using the NAV per share of Virginia529's ownership of the partnership.

- **Private Debt and Private Equity Funds of Funds** – This investment type includes private equity funds of funds managed by seven managers and one private debt fund. These investments cannot be redeemed from the fund. Capital is generally expected to be called during the initial 4 to 5 years and is expected to be returned through liquidations of underlying fund investments during the 3rd through 15th years. Secondaries funds of funds may have an accelerated capital call and return of capital profile. Virginia529 invests in multiple funds with three of its private equity investment managers and is also diversified by vintage year with respect to these investments. The fair values of investments in this type have been determined using the March 31, 2018 NAV of Virginia529's ownership of the partnership, adjusted for cash flows (capital calls) through June 30, 2018.

- **Common Trust Funds & Other** – This investment type includes three common trust funds. The fair value of investments in this type have been determined using the NAV per share of the investments.

Description of Invest529 Investments Measured at the NAV:

| Investments Measured at NAV | Fair Value | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|
| Equity Real Estate | | | | |
| UBS Realty Investors | $ 66,080 | $ - | Quarterly | 60 Days |
| Blackstone Property Partners | 38,795 | - | Quarterly | 90 Days |
| Total Investments Measured at the NAV | $ 104,875 | | | |

*Continued on next page*

- **Equity Real Estate** – This investment type includes two limited partnerships. The UBS Trumbull Property Fund's investment strategy is to invest primarily through direct equity-owned real estate assets. The fund also has flexibility to invest in joint venture and debt investments. Investments are generally acquired on an all-cash basis, however debt may be used where UBS determines leverage is prudent and is expected to enhance total return without undue risk. Blackstone Property Partners is an open ended commingled fund seeking core plus real estate investments in the U.S. and Canada. The fair values of investments in this type have been determined using the NAV per share of Virginia529's ownership of the partnership.

**Fair Value Measurements**
**Primary Government - Virginia Retirement System**
(Pension and Other Employee Benefit Trust Funds)
*(Dollars in Thousands)*

| | Fair Value | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **Fair Value Measured Using Fair Value Hierarchy** | | | | |
| Debt Securities (1) | | | | |
| U. S. Treasury and Agency Securities | $ 3,730,671 | $ 3,081,452 | $ 649,219 | $ - |
| Corporate Bonds and Notes | 6,995,552 | - | 6,995,552 | - |
| Collateralized Mortgage Obligations | 228,178 | - | 228,178 | - |
| Commercial Mortgages | 335,022 | - | 335,022 | - |
| Supranational and Non-U.S. Government Bonds and Notes | 2,096,385 | - | 2,096,385 | - |
| Mutual and Money Market Funds | 165,340 | 165,340 | - | - |
| Negotiable Certificates of Deposit | 95,574 | - | 95,574 | - |
| Municipal Securities | 128,429 | - | 128,429 | - |
| Asset Backed Securities | 686,942 | - | 686,942 | - |
| Agencies | 3,704,692 | - | 3,704,692 | - |
| Fixed Income and Commingled Funds | 20,850 | - | - | 20,850 |
| Fixed Income Derivatives | 2,664 | (99) | 2,763 | - |
| Total Debt Securities | 18,190,299 | 3,246,693 | 14,922,756 | 20,850 |
| Equity Securities (2) | | | | |
| Common and Preferred Stocks | 24,477,607 | 24,392,830 | 83,305 | 1,472 |
| Equity Index and Pooled Funds | 1,469,928 | - | - | 1,469,928 |
| Real Assets | 2,487,817 | - | - | 2,487,817 |
| Equity Futures and Swaps | (25,342) | (25,336) | (6) | - |
| Private Equity | 910,041 | - | - | 910,041 |
| Total Equity Securities | 29,320,051 | 24,367,494 | 83,299 | 4,869,258 |
| Total by Fair Value Level | 47,510,350 | $ 27,614,187 | $ 15,006,055 | $ 4,890,108 |
| Total Fair Value Established Using the Net Asset Value (NAV) (3) | 29,480,767 | | | |
| Total Fair Value | $ 76,991,117 | | | |

(1) Debt securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using a proprietary matrix pricing technique. This pricing technique defines a primary source and secondary sources to be used if the primary pricing source does not provide a value. Typically, these securities are valued using bid evaluations. The valuation techniques may include market participants' assumptions, quoted prices for similar assets, benchmark yield curves, market corroborated inputs, and other data inputs.
- Level 3 - valued using proprietary information.

(2) Equity securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or model-driven valuations in which all significant inputs are observable.
- Level 3 - valued using proprietary information. When observable inputs are not available, this results in using one or more valuation techniques, such as the market approach and/or the income approach, for which sufficient and reliable data is available. Within this level, the use of the market approach generally consists of using comparable market transactions or other data, while the use of the income approach generally consists of the net present value of estimated future cash flows.

(3) The following table (dollars in thousands) summarizes the System's investments measured at the NAV per share (or its equivalent) and related disclosures as of June 30, 2018. It excludes $344,777 (dollars in thousands) related to Defined Contribution Plan investments for which the System has limited administrative and investment responsibility. Additional information is available in the System's separately issued financial statements, which may be obtained at www.varetire.org.

Description of Investments Measured at the NAV:

| | Fair Value | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|
| Hedge funds | | | | |
| Equity long/short funds | $ 3,963,193 | $ - | Monthly, quarterly, semi-annually, annually | 30-90 days |
| Equity long only funds | 684,696 | 49,200 | Annually | 90 days |
| Credit funds | 910,027 | - | Annually | 45-90 days |
| Multi-strategy funds | 1,628,405 | - | Monthly, semi-annually | 30-90 days |
| Total hedge funds | 7,186,321 | 49,200 | | |
| Credit strategies funds | | | | |
| Bank loan and direct lending funds | 2,078,984 | 1,399,943 | | |
| Distressed debt funds | 418,269 | 298,357 | | |
| Mezzanine debt funds | 410,979 | 446,490 | | |
| Multi-strategy funds | 720,251 | 1,360,522 | | |
| Opportunistic funds | 1,262,249 | 191,578 | | |
| Total credit strategies funds | 4,890,732 | 3,696,890 | | |
| Private equity funds | | | | |
| Buyout funds | 3,761,346 | 2,136,286 | | |
| Energy funds | 702,232 | 356,477 | | |
| Growth funds | 741,544 | 361,424 | | |
| International buyout funds | 508,764 | 271,049 | | |
| Special situations funds | 854,269 | 840,765 | | |
| Subordinated debt funds | 52,410 | 55,783 | | |
| Turnaround funds | 428,041 | 210,111 | | |
| Venture capital funds | 69,918 | 11,019 | | |
| Total private equity funds | 7,118,524 | 4,242,914 | | |
| Equity international commingled funds | 1,701,323 | | | |
| Fixed income mutual and commingled funds | 1,339,359 | | | |
| Real estate and real asset funds | | | | |
| Infrastructure funds | 1,169,840 | 310,684 | | |
| Natural resources funds | 595,604 | 100,070 | | |
| Private investment real estate funds | 4,789,972 | 760,887 | | |
| Private real estate investment trusts | 198,888 | - | | |
| Total real estate and real asset funds | 6,754,304 | 1,171,641 | | |
| U. S. Equity commingled funds | 145,427 | | | |
| Total investments measured at the NAV | $ 29,135,990 | $ 9,160,645 | | |

- **Equity Long/Short Hedge Funds** – This type included investments in ten hedge funds as of June 30, 2018, which invest in global long and short equity positions. Management of each hedge fund has the ability to invest from value to growth strategies, from small to large capitalization stocks and may vary net exposure considerably. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments representing approximately 57.0 percent of the value of the investments in this type of fund cannot be redeemed because the investments include restrictions that do not allow redemption in the first 12 to 60 months after acquisition. The restriction period for the remaining investments ranged from 1 to 11 months as of June 30, 2018.

- **Equity Long-Only Hedge Funds** – This type included an investment in one hedge fund as of June 30, 2018, which invests in global long-only equity positions. This hedge fund is generally fully invested and only very occasionally may take short positions for hedging purposes. The fair value of the investment in this type has been determined using the NAV per share of the investments. Investments representing approximately 83.0 percent of the value of the investments in this type of fund cannot be redeemed because the investments include restrictions that do not allow redemption in the first 12 to 60 months after acquisition. The remaining restriction period for these investments was less than 12 months as of June 30, 2018.

- **Credit Hedge Funds** – This type included investments in two hedge funds as of June 30, 2018, which invest in event-driven, distressed and special situation credit opportunities. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments representing approximately 36.0 percent of the value of the investments in this type of fund cannot be redeemed because the investments include restrictions that do not allow redemptions in the first 12 to 24 months after acquisition. The remaining restriction period for these investments was less than 12 months as of June 30, 2018.

- **Multi-Strategy Hedge Funds** – This type included investments in five hedge funds as of June 30, 2018, which invest in multiple asset classes, combining exposure to balance risks. Such exposure can include traditional and alternative investments. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments representing approximately 42.0 percent of the value of the investments in this type of fund cannot be redeemed because the investments include restrictions that do not allow redemption in the first 60 months after acquisition. The remaining restriction period for these investments was 1 to 12 months as of June 30, 2018.

*Continued on next page*

- **Credit Strategies Funds** – This type consists of many fund categories, including bank loan and direct lending funds, distressed debt funds, mezzanine debt funds, multi-strategy funds, and opportunistic funds. The fair values of the investments in these funds have been determined using the NAV per share of the investments. The nature of the investments in this type is that distributions are received through the liquidation of the underlying assets in the fund. If these investments were held, it is expected that the underlying assets in the fund would be liquidated over 3 to 5 years.
- **Private Equity Funds** – This type consists of many fund categories including Venture Capital, Buyout, Subordinated Debt, Growth Capital, Turnaround, Energy and Special Situations. The fair values of the investments in these funds have been determined using the NAV per share of the investments. The nature of the investments involves receiving distributions through liquidation of the underlying fund assets. It is expected that hold periods for the underlying fund assets will range from 3 to 8 years.
- **Equity International Commingled Funds** – This type includes investments in ten institutional investment funds as of June 30, 2018, which invest in international equities. These funds employ a variety of investment strategies in global developed and emerging markets. The fair values of the investments in these funds have been determined using the NAV per share of the investments. Redemptions can be made from these funds, given the appropriate notice, any regular trading day on the NYSE.
- **Fixed Income Mutual and Commingled Funds** – This type consists of nine institutional investment funds that invest in U.S. and multi-national fixed income markets. The fair values of the investments in these funds have been determined using the NAV per share of the investments.
- **Real Assets** – This type includes investments in many fund categories including Private Investment Real Estate, Real Estate Investment Trusts, Infrastructure and Natural Resources. The fair values of the investments in these funds have been determined using the NAV per share of the investments. The nature of the investments in this type is that distributions are received through the liquidation of the underlying assets in the fund. If these investments were held, it is expected that the underlying assets of the funds would be liquidated over 1 to 14 years.

## Component Units

The following table summarizes fair value measurements for the cash equivalents and investments reported by the component units as of June 30, 2018. The table excludes cash equivalents and investments measured at fair value by the foundations that follow FASB standards.

**Fair Value Measurements - Component Units**
*(Dollars in Thousands)*

| | Fair Value | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **Fair Value Measured Using Fair Value Hierarchy** | | | | |
| Debt Securities (1) | | | | |
| U. S. Treasury and Agency Securities | $ 756,848 | $ 288,850 | $ 467,998 | $ - |
| Corporate Bonds and Notes | 568,264 | 14,338 | 553,926 | - |
| Supranational and Non-U.S. Government Bonds and Notes | 9,215 | - | 9,215 | - |
| Commercial Paper | 59,168 | - | 59,168 | - |
| Negotiable Certificates of Deposit | 54,210 | - | 54,210 | - |
| Repurchase Agreements | 34,357 | - | 34,357 | - |
| Municipal Securities | 203,602 | 280 | 203,322 | - |
| Asset-Backed Securities | 264,918 | - | 264,918 | - |
| Agency Mortgage-Backed Securities | 733,457 | 407 | 733,050 | - |
| Agency Unsecured Bonds and Notes | 190,073 | - | 190,073 | - |
| Mutual and Money Market Funds | 100,778 | 88,769 | 12,009 | - |
| Fixed Income and Commingled Funds | 35,329 | 35,329 | - | - |
| Other | 61,581 | 61,490 | 91 | - |
| Total Debt Securities | 3,071,800 | 489,463 | 2,582,337 | - |
| Equity Securities (2) | | | | |
| Common and Preferred Stocks | 49,139 | 49,139 | - | - |
| Equity Index and Pooled Funds | 234,953 | 234,953 | - | - |
| Index Funds | 9,694 | 9,694 | - | - |
| Real Estate | 2,193 | 2,160 | - | 33 |
| Other | 29,014 | 27,990 | 1,013 | 11 |
| Total Equity Securities | 324,993 | 323,936 | 1,013 | 44 |
| Total by Fair Value Level | 3,396,793 | $ 813,399 | $ 2,583,350 | $ 44 |
| **Fair Value Established Using the Net Asset Value (NAV) (3)** | | | | |
| Fixed Income and Commingled Funds | 78,496 | | | |
| Other Debt Securities | 20,189 | | | |
| Equity Index and Pooled Funds | 109,751 | | | |
| Index Funds | 6,393 | | | |
| Real Estate | 20,834 | | | |
| Other Equity Securities | 956,003 | | | |
| Total Fair Value Established Using the NAV | 1,191,666 | | | |
| Total Fair Value | $ 4,588,459 | | | |

(1) Debt securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued based on quoted prices for similar securities in active markets or quoted prices for identical or similar securities in markets that are not active.

(2) Equity securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using significant other observable inputs.
- Level 3 - valued using unobservable inputs and may include assumptions of management.

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

**Securities Lending**

The State Treasury's securities lending program is managed by Deutsche Bank AG, New York (Deutsche Bank), under a contract dated March 28, 2014. The enabling legislation for the securities lending program is Section 2.2-4506 of the *Code of Virginia*. No violations of legal or contractual provisions were noted during the year. The general account participated in a securities lending program for 5 months of the fiscal year.

In February 2018, the Department of the Treasury reinstated participation in the securities lending program for both the Commonwealth's General Account and for the Lottery account. Current market conditions have increased the demand for Treasury's lendable assets and widening margins on reinvesting cash collateral have resulted in increased earnings for the program.

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

The State Treasury's contract with Deutsche Bank provides for loss indemnification against insolvency default with respect to lending transactions and in the case of reverse transactions (Repurchase Agreements) as defined in the applicable Agency Securities Lending and Repurchase Agreement. In March, 2018 Deutsche Bank announced it put in place a custom insurance solution written by a (AA-rated by S&P) specialty casualty insurer that backstops Deutsche Bank's indemnification obligation. Additionally, Deutsche Bank AG is liable for any losses experienced from reinvestment of cash collateral in investments not authorized by the provisions of the investment guidelines for the Commonwealth of Virginia agreed upon by both parties and made a part of the Agency Securities Lending and Repurchase Agreement. There were no realized losses resulting from default during this reporting period.

When securities are loaned, the collateral received is at least 100.0 percent of fair value of the securities loaned and must be maintained at 100.0 percent or greater. There are no stated restrictions on the amount of securities that may be loaned, but the basic composition of the general account portfolio effectively restricts the maximum percentage of the portfolio that may be loaned. Between February, 2018 and June 30, 2018, approximately 7.1 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. As of June 30, 2018, all collateral received was in the form of cash.

Securities loaned for the State Treasurer's cash collateral reinvestment pool, which consisted of 91.3 percent general account funds and 8.7 percent Virginia Lottery funds as of June 30, 2018, had a carrying value of $532.0 million and a fair value of $548.0 million. The fair value of the collateral received was $559.0 million providing for coverage of 101.9 percent. At year-end, the State Treasury's securities lending program had no credit risk exposure to borrowers because the amounts it owed the borrowers exceeded the amounts the borrowers owed Treasury's securities lending program. All securities are marked to market daily. The carrying value of the cash collateral reinvestment pool received was $559.0 million and the cost of the investments purchased with the cash collateral was $559.0 million. As of June 30, 2018, the State Treasurer's cash collateral reinvestment pool had an unrealized gain of $412,000, and is recorded in the General Fund as stated in Note 1.FF. 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. As of June 30, 2018, 100.0 percent of cash collateral reinvestments were in indemnified repurchase agreements.

As of June 30, 2018, the cash collateral reinvestment portfolio had a weighted average maturity to reset date of one day. Using the expected maturity date, the weighted average maturity was twenty-nine 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 twenty-nine days.

As of June 30, 2018 the cash collateral reinvestment portfolio was in compliance with the State Treasury's current cash collateral reinvestment guidelines. During the fiscal year, Treasury received a reserve distribution for a security that was out of compliance and sold on May 27, 2010 due to security ratings downgrades and the adoption of more restrictive reinvestment guidelines in 2014.

Under authorization of the Board, 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 fair value equal to at least 102.0 percent of the fair value for domestic securities and 105.0 percent for international securities. Securities received as collateral cannot be pledged or sold by the System unless the borrower defaults. Contracts require the lending agents to indemnify the System if the borrowers fail to return the securities lent and related distributions and if the collateral is inadequate to replace the securities lent. All securities loans can be terminated on demand by either the System or the borrowers. The majority of loans are open loans, meaning the rebate is set daily. This results in a maturity of one or two days on average, although

securities are often on loan for longer periods. The maturity of loans generally does not match the maturity of collateral investments, which averages 18 days. At year-end, the System had 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 fair value. The fair value of securities on loan as of June 30, 2018, was $8.2 billion. The June 30, 2018, balance was composed of U.S. Government and agency securities of $2.6 billion, corporate and other bonds of $1.1 billion, common and preferred stocks of $4.5 billion and supranational and non-U.S. government bonds of $68.2 million. The value of collateral (cash and non-cash) as of June 30, 2018, was $8.8 billion.

As of June 30, 2018, the invested cash collateral had a cost of $4.5 billion and was composed of time deposits of $13.8 million, floating rate notes of $3.0 billion, and repurchase agreements of $1.5 billion.

## 8. RECEIVABLES

The following schedule (dollars in thousands) details the accounts, loans, local school bonds, interest, taxes, prepaid tuition contributions, security transactions, and other receivables presented in the major funds, aggregated nonmajor funds by type, internal service funds, fiduciary funds, major component units, and aggregated nonmajor component units, as of June 30, 2018.

| | Accounts Receivable | Loans / Mortgage Receivable | Local School Bonds Receivable | Interest Receivable | Taxes Receivable |
|---|---|---|---|---|---|
| **Primary Government:** | | | | | |
| General | $ 1,216,525 | $ 231 | $ - | $ 409,387 | $ 1,933,458 |
| Major Special Revenue Funds: | | | | | |
| Commonwealth Transportation (1) | 131,200 | 183,337 | - | - | 213,065 |
| Federal Trust | 1,100,107 | 1,231 | - | - | - |
| Literary | 286,260 | 96,554 | - | 43,796 | - |
| Nonmajor Governmental Funds (1) | 146,955 | 3,833 | - | 17,107 | 7,110 |
| Major Enterprise Funds: | | | | | |
| Virginia Lottery | 69,084 | - | - | - | - |
| Virginia College Savings Plan | 11,911 | - | - | 7,053 | - |
| Unemployment Compensation | 99,862 | - | - | - | - |
| Nonmajor Enterprise Funds | 54,363 | - | - | - | - |
| Internal Service Funds | 23,058 | - | - | - | - |
| Private Purpose Trust Funds | 328 | - | - | 4,411 | - |
| Pension and Other Employee Benefit Trust Funds (2) | 250,487 | - | - | 257,942 | - |
| Investment Trust Fund | - | - | - | 5,125 | - |
| Agency Funds | 626 | - | - | - | 116,509 |
| **Total Primary Government (3)** | $ 3,390,766 | $ 285,186 | $ - | $ 744,821 | $ 2,270,142 |
| **Discrete Component Units:** | | | | | |
| Virginia Housing Development Authority (4) | $ - | $ 5,694,418 | $ - | $ 27,081 | $ - |
| Virginia Public School Authority (5) | - | - | 3,371,725 | 61,480 | - |
| Virginia Resources Authority | - | 4,403,174 | - | 29,601 | - |
| Virginia College Building Authority | - | - | - | 22,439 | - |
| Nonmajor Component Units (6) | 1,886,922 | 158,846 | - | 6,978 | 7,001 |
| **Total Component Units** | $ 1,886,922 | $ 10,256,438 | $ 3,371,725 | $ 147,579 | $ 7,001 |

Note (1): The loans receivable in the Commonwealth Transportation Fund includes $154.9 million from the Virginia Infrastructure Bank as discussed in Note 21.D. In the nonmajor governmental funds, it represents the amounts to be received for current debt service requirements. The amount to be received for long-term debt service requirements of $70.1 million is included in the government-wide statements but excluded from the above amounts.

Note (2): In the Pension and Other Employee Benefit Trust Funds, Interest Receivable of $257,942 (dollars in thousands) also includes dividends receivable. Additionally, Other Receivables of $108,583 (dollars in thousands) are made up of $98,596 (dollars in thousands) in pending investment transactions, which includes $5,678 (dollars in thousands) in futures margins receivable, $89,886 (dollars in thousands) in futures contracts receivable, and $3,032 (dollars in thousands) in securities lending; and $9,987 (dollars in thousands) in other receivables related to benefit plans.

Note (3): Fiduciary net receivables in the amount of $1,876,466 (dollars in thousands) are not included in the Government-wide Statement of Net Position.

Note (4): The Virginia Housing Development Authority (major component unit) reports $5,563,348 (dollars in thousands) as Restricted Loans Receivable, $24,539 (dollars in thousands) as Restricted Interest Receivable, and $67,389 as Restricted Other Receivables.

Note (5): The Virginia Public School Authority (major component unit) reports $3,371,725 (dollars in thousands) as Local School Bonds Receivable. This amount will be used to repay the Authority's bonds.

Note (6): Other Receivables of the nonmajor component units are primarily comprised of pledges receivable of $21,094 (dollars in thousands) reported by the University of Virginia; sponsors accounts receivable of $31,388 (dollars in thousands) reported by Virginia Commonwealth University; premium receivables of $119,022 (dollars in thousands) and third-party settlements and non-patient receivables of $50,300 (dollars in thousands) reported by Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University), and $55,377 (dollars in thousands) reported by foundations of the higher education institutions representing FASB reporting entities defined in Note 1.B.; and $19,024 (dollars in thousands) reported by the Virginia Biotechnology Research Partnership Authority.

| Prepaid Tuition Contributions Receivable | Security Transactions | Other Receivables | Allowance for Doubtful Accounts | Net Accounts Receivable | Amounts to be Collected Greater than One Year |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ (1,592,718) | $ 1,966,883 | $ 461,660 |
| - | - | - | (36,857) | 490,745 | 190,820 |
| - | - | - | (4,103) | 1,097,235 | 11,474 |
| - | - | - | (294,827) | 131,783 | 83,546 |
| - | - | 165 | (90,793) | 84,377 | 1,122 |
| - | - | - | - | 69,084 | - |
| 194,223 | - | 14,975 | - | 228,162 | 146,568 |
| - | - | - | (13,582) | 86,280 | - |
| - | - | 48 | (1,569) | 52,842 | - |
| - | - | - | (698) | 22,360 | - |
| - | - | 832 | - | 5,571 | - |
| - | 1,185,602 | 108,583 | - | 1,802,614 | - |
| - | - | - | - | 5,125 | - |
| - | - | - | (53,979) | 63,156 | 9,572 |
| $ 194,223 | $ 1,185,602 | $ 124,603 | $ (2,089,126) | $ 6,106,217 | $ 904,762 |
| $ - | $ - | $ 18,803 | $ - | $ 5,740,302 | $ 5,373,751 |
| - | - | - | - | 3,433,205 | - |
| - | - | 1,244 | (539) | 4,433,480 | 4,147,165 |
| - | - | - | - | 22,439 | - |
| - | - | 377,592 | (891,939) | 1,545,400 | 227,230 |
| $ - | $ - | $ 397,639 | $ (892,478) | $ 15,174,826 | $ 9,748,146 |

## 9. CONTRIBUTIONS RECEIVABLE, NET

The following schedule details the contributions receivable for foundations[1] included with the nonmajor component units, as of June 30, 2018. The major component units reported no contributions receivable for fiscal year 2018.

*(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 | $ 166,621 | $ 252,162 | $ 68,711 | $ 487,494 | $ (33,561) | $ (23,697) | $ 430,236 |
| **Total Component Units** | $ 166,621 | $ 252,162 | $ 68,711 | $ 487,494 | $ (33,561) | $ (23,697) | $ 430,236 |

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 7.0 percent.

## 10. 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, 2018.

**Schedule of Due from/to Other Funds**

June 30, 2018

*(Dollars in Thousands)*

| Due From | Amount | Due To | Amount |
|---|---|---|---|
| **Primary Government** | | **Primary Government** | |
| General Fund | $ 25,254 | Major Special Revenue Funds: | |
| | | Federal Trust | $ 678 |
| | | Major Enterprise Funds: | |
| | | Virginia Lottery | 9,563 |
| | | Nonmajor Enterprise Funds | 13,837 |
| | | Internal Service Funds | 1,176 |
| Major Special Revenue Funds: | | | |
| Commonwealth Transportation | 26,841 | Nonmajor Governmental Funds | 26,841 |
| Federal Trust | 50 | General Fund | 16 |
| | | Major Enterprise Funds: | |
| | | Unemployment Compensation | 34 |
| Literary | 7,010 | Major Enterprise Funds: | |
| | | Virginia Lottery | 7,010 |
| Nonmajor Governmental Funds | 31,503 | Major Special Revenue Funds: | |
| | | Commonwealth Transportation | 28,192 |
| | | Federal Trust | 2,475 |
| | | Major Enterprise Funds: | |
| | | Unemployment Compensation | 117 |
| | | Nonmajor Enterprise Funds | 692 |
| | | Internal Service Funds | 27 |
| Major Enterprise Funds: | | | |
| Unemployment Compensation | 949 | General Fund | 640 |
| | | Major Special Revenue Funds: | |
| | | Commonwealth Transportation | 34 |
| | | Federal Trust | 218 |
| | | Nonmajor Governmental Funds | 33 |
| | | Nonmajor Enterprise Funds | 21 |
| | | Internal Service Funds | 3 |
| Nonmajor Enterprise Funds | 776 | General Fund | 169 |
| | | Major Special Revenue Funds: | |
| | | Commonwealth Transportation | 351 |
| | | Federal Trust | 99 |
| | | Nonmajor Governmental Funds | 141 |
| | | Nonmajor Enterprise Funds | 16 |
| Internal Service Funds | 58,286 | General Fund | 32,739 |
| | | Major Special Revenue Funds: | |
| | | Commonwealth Transportation | 9,939 |
| | | Federal Trust | 7,315 |
| | | Nonmajor Governmental Funds | 5,007 |
| | | Major Enterprise Funds: | |
| | | Virginia Lottery | 197 |
| | | Virginia College Savings Plan | 104 |
| | | Nonmajor Enterprise Funds | 2,361 |
| | | Internal Service Funds | 624 |
| Pension and Other Employee Benefit Trust Funds | 3,904 | Private Purpose Trust Funds | 1 |
| | | Pension and Other Employee Benefit Trust | 3,903 |
| Total Primary Government | $ 154,573 | Total Primary Government | $ 154,573 |

**Schedule of Due from/to Internal/External Parties**
June 30, 2018
*(Dollars in Thousands)*

| Due From | Amount | Due To | Amount |
|---|---|---|---|
| **Primary Government** | | **Primary Government** | |
| General Fund | $ 16 | Investment Trust Fund | $ 16 |
| Major Special Revenue Funds: | | | |
| Federal Trust | 21,076 | Pension and Other Employee Benefit Trust | 21,076 |
| Nonmajor Governmental Funds | 39,479 | Agency Funds | 163 |
| | | Pension and Other Employee Benefit Trust Funds | 39,316 |
| Internal Service Funds | 232 | Pension and Other Employee Benefit Trust Funds | 232 |
| Pension and Other Employee Benefit Trust Funds | 31,964 | General Fund | 19,730 |
| | | Major Special Revenue Funds: | |
| | | Commonwealth Transportation | 5,398 |
| | | Federal Trust | 2,649 |
| | | Nonmajor Governmental Funds | 2,752 |
| | | Major Enterprise Funds: | |
| | | Virginia Lottery | 189 |
| | | Virginia College Savings Plan | 79 |
| | | Nonmajor Enterprise Funds | 712 |
| | | Internal Service Funds | 455 |
| Agency | 16,732 | General Fund | 12,390 |
| | | Major Special Revenue Funds: | |
| | | Commonwealth Transportation | 4,342 |
| Total Primary Government | $ 109,499 | Total Primary Government | $ 109,499 |

## 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, 2018. There were no Interfund Receivables/Payables for the component units as of June 30, 2018.

**Interfund Receivables/Payables**
June 30, 2018
*(Dollars in Thousands)*

| Receivable From: | Amount | Payable To: | Amount |
|---|---|---|---|
| **Primary Government** | | **Primary Government** | |
| Nonmajor Governmental Funds | $ 214,426 | General Fund | $ 6,892 |
| | | Major Special Revenue Funds: | |
| | | Commonwealth Transportation | 3,400 |
| | | Federal Trust | 27,480 |
| | | Nonmajor Enterprise Funds | 40,535 |
| | | Internal Service Funds | 136,119 |
| Total Primary Government | $ 214,426 | Total Primary Government | $ 214,426 |

**Due from/to Primary Government and Component Units**

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

A due from primary government amount that is due from the Federal Trust Fund (major special revenue) to the Virginia College Building Authority (major component unit) of $3.6 million is for interest on Build America Bonds (BABs).

A $10.2 million due from primary government amount that is due from the General Fund (major governmental) to the higher education institutions (nonmajor component units) is for payments awaiting disbursements of $262,399 in the fund financial statements and for appropriations available for capital projects and other programs of $9.9 million in the government-wide financial statements.

An $81,659 due from primary government amount represents an amount due from a nonmajor governmental fund related to the Department of the Treasury's reimbursement programs to George Mason University and the Virginia Community College System (nonmajor component units).

A due from primary government amount that is due from the Virginia Public Building Authority (capital projects fund) to the Virginia Port Authority (nonmajor component unit) of $17.8 million represents bond revenue to be used for capital projects.

A $31.2 million due from component units in the Health Care Fund (internal service fund) represents amounts due from the nonmajor component units.

An $840,961 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 $101.2 million due from component units amount represents amounts due from the Virginia College Building Authority (major component unit) for the Department of the Treasury's reimbursement programs to higher education institutions (nonmajor component units). There is a due to component units of $3.1 million from a foundation of 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 $37.0 million due from component units in the Pension and Other Employee Benefit Trust Funds (fiduciary funds) represents amounts due from nonmajor component units.

**Loans Receivable/Payable Between Primary Government and Component Units**

The College of William and Mary (nonmajor component unit) and Norfolk State University (nonmajor component unit) loans of $3.7 million and $2.6 million, respectively, were used to fund a capital project until bonds were issued. George Mason University (nonmajor component unit) and the Virginia Community College System (nonmajor component unit) loans of $12.5 million and $4.0 million, respectively, were used to primarily advance fund federally-funded programs. These amounts are due to a nonmajor governmental fund.

The $196.3 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 and security 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).

## 11. OTHER ASSETS

The following table summarizes Other Assets as of June 30, 2018.

*(Dollars in Thousands)*

| | Cash and Travel Advances | Net OPEB Asset (1) | Other Assets | Total Other Assets |
|---|---|---|---|---|
| **Primary Government:** | | | | |
| General | $ 1,225 | $ - | $ 180 | $ 1,405 |
| Major Special Revenue Funds: | | | | |
| Commonwealth Transportation | 282 | - | - | 282 |
| Federal Trust | 1,582 | - | - | 1,582 |
| Nonmajor Governmental Funds | 592 | - | 19 | 611 |
| Major Enterprise Funds: | | | | |
| Virginia Lottery | 1 | 943 | - | 944 |
| Virginia College Savings Plan | - | 393 | - | 393 |
| Nonmajor Enterprise Funds | 209 | 3,195 | - | 3,404 |
| Internal Service Funds (2) | - | 2,219 | 14,224 | 16,443 |
| Private Purpose | - | 3 | - | 3 |
| Agency Funds (3) | - | - | 23 | 23 |
| Total Primary Government | $ 3,891 | $ 6,753 | $ 14,446 | $ 25,090 |
| **Discrete Component Units:** | | | | |
| Virginia Housing Development Authority (4) | $ - | $ - | $ 39,871 | $ 39,871 |
| Nonmajor Component Units (5) | 639 | - | 46,855 | 47,494 |
| Total Component Units | $ 639 | $ - | $ 86,726 | $ 87,365 |

Note (1): Other noncurrent assets in the proprietary and fiduciary funds represent the Virginia Sickness and Disability Program Net OPEB Asset applicable to the respective fund. The proprietary fund amounts are reclassified to Other Restricted Assets in the Government-wide Statement of Net Position. The Private Purpose amount is not included in the Government-wide Statement of Net Position.

Note (2): Of the $14,224 (dollars in thousands) shown above, $13,448 (dollars in thousands) and $775,398 represent Virginia Information Technologies Agency and Virginia Correctional Enterprises, respectively, amounts due from various governmental funds that will not be received within 60 days. These amounts are reclassified to an internal balance on the Government-wide Statement of Net Position.

Note (3): Other Assets of the Agency Funds represent prepaid expenses and advances to third party agents. The $22,614 shown above is not included in the Government-wide Statement of Net Position.

Note (4): Other Assets of the Virginia Housing Development Authority are predominately comprised of mortgage servicing rights of $34.6 million.

Note (5): Other Assets of the nonmajor component units are primarily comprised of miscellaneous items spread among the higher education institutions and related foundations.

## 12. RESTRICTED ASSETS

Restricted assets represent monies or other resources that must be used for specific legal or contractual requirements. The Commonwealth Transportation Fund (major special revenue), Debt Service Fund (nonmajor governmental), and Capital Project Fund (nonmajor governmental) reported $1.8 billion in restricted cash, cash equivalents, and investments primarily related to bond agreements. The governmental and business-type activities funds reported other restricted assets of $122.5 million and $4.5 million, respectively, for the Virginia Sickness and Disability Program Net OPEB Asset. See Note 11, Other Assets, for more information related to the Enterprise and Internal Service Funds.

The Virginia Housing Development Authority, the Virginia Public School Authority, and the Virginia College Building Authority (all major component units) reported restricted assets totaling $1.5 billion, $214.0 million, and $367.4 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 $778.5 million. Of this amount, $770.7 million is restricted for loans to local governments, bond indentures, or federal and state regulations for various revolving funds, and $7.8 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 $134.5 million primarily for debt service under bond agreements, construction and other project funds.

The Tobacco Region Revitalization Commission (nonmajor component unit) reported restricted assets of $189.6 million to be used for financial aid to tobacco growers and to foster community economic growth. This includes Other Restricted Assets of $47,000 for the Virginia Sickness and Disability Program Net OPEB asset.

The Hampton Roads Sanitation District Commission (nonmajor component unit) reported restricted assets of $95.1 million to be used for debt service.

The Virginia Small Business Financing Authority (nonmajor component unit) reported restricted assets of $41.4 million for gifts and grants. This includes Other Restricted Assets of $24,828 for the Virginia Sickness and Disability Program Net OPEB asset.

The higher education institutions (nonmajor component units) reported restricted assets totaling approximately $6.1 billion primarily for endowment and other contractual obligations. Included in this amount is approximately $5.4 billion of foundations' restricted assets. This includes Other Restricted Assets of $77.4 million for the Virginia Sickness and Disability Program Net OPEB asset. The Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of Virginia Commonwealth University–nonmajor component unit) includes $18.6 million for a beneficial trust and $4.1 million for an equity interest in a foundation as Other Restricted Assets. These Authority assets are classified as Level 3 of the fair value hierarchy. For additional information, see the Authority's separately issued financial statements.

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 $252.3 million and $20.3 million, respectively, primarily for donor-imposed restricted endowments.

The remaining $7.8 million is spread among the following nonmajor component units: the Virginia Outdoors Foundation, the Danville Science Center, the Fort Monroe Authority, the Virginia Arts Foundation, the Virginia Biotechnology Research Partnership Authority, the Virginia Economic Development Partnership, the Virginia Tourism Authority, the Virginia Foundation for Healthy Youth, and the Library of Virginia Foundation. Included in this amount is approximately $777,000 for the Virginia Sickness and Disability Program Net OPEB asset.

## 13. CAPITAL ASSETS

The following schedule presents the changes in the Capital Assets as of June 30, 2018 (dollars in thousands).

**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 | $ 3,229,969 | $ 197,193 | $ (75,391) | $ 3,351,771 |
| Water Rights and/or Easements | 85,080 | 10,888 | - | 95,968 |
| Infrastructure | 1,308,220 | - | - | 1,308,220 |
| Construction-in-Progress | 4,195,566 | 1,862,170 | (1,847,767) | 4,209,969 |
| Total Nondepreciable Capital Assets | 8,818,835 | 2,070,251 | (1,923,158) | 8,965,928 |
| **Depreciable Capital Assets:** | | | | |
| Buildings (2) | 4,139,894 | 124,275 | (41,955) | 4,222,214 |
| Equipment | 1,277,721 | 81,587 | (31,189) | 1,328,119 |
| Infrastructure | 30,434,987 | 1,854,353 | (369,249) | 31,920,091 |
| Software | 705,843 | 37,466 | (3,658) | 739,651 |
| Total Capital Assets being Depreciated | 36,558,445 | 2,097,681 | (446,051) | 38,210,075 |
| **Less Accumulated Depreciation for:** | | | | |
| Buildings | 1,562,319 | 98,311 | (36,662) | 1,623,968 |
| Equipment | 749,623 | 70,918 | (22,174) | 798,367 |
| Infrastructure | 10,180,661 | 1,026,490 | (157,826) | 11,049,325 |
| Software | 333,969 | 51,865 | (3,358) | 382,476 |
| Total Accumulated Depreciation | 12,826,572 | 1,247,584 | (220,020) | 13,854,136 |
| Total Depreciable Capital Assets, Net | 23,731,873 | 850,097 | (226,031) | 24,355,939 |
| Total Capital Assets, Net | $ 32,550,708 | $ 2,920,348 | $ (2,149,189) | $ 33,321,867 |

Note (1): Beginning balances have been restated by $40.9 million as discussed in Note 2.

Note (2): Includes temporarily impaired assets with a carrying value of $14.2 million.

**Depreciation Expense Charged to Functions of the Primary Government**

June 30, 2018

*(Dollars in Thousands)*

| | |
|---|---|
| Governmental Activities: | |
| General Government | $ 29,112 |
| Education | 5,993 |
| Transportation | 1,080,495 |
| Resources and Economic Development | 22,042 |
| Individual and Family Services | 35,120 |
| Administration of Justice | 48,607 |
| Capital Assets held by the Internal Service Funds are charged to various functions | 26,215 |
| Total | $ 1,247,584 |

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

*(Dollars in Thousands)*

| | Balance July 1 | Increases | Decreases | Balance June 30 |
|---|---|---|---|---|
| **Nondepreciable Capital Assets:** | | | | |
| Land | $ 1,874 | $ - | $ - | $ 1,874 |
| Construction-in-Progress | 882 | 1,552 | (973) | 1,461 |
| Total Nondepreciable Capital Assets | 2,756 | 1,552 | (973) | 3,335 |
| **Depreciable Capital Assets:** | | | | |
| Buildings | 31,526 | 76 | (8,801) | 22,801 |
| Equipment | 69,784 | 4,814 | (12,038) | 62,560 |
| Software | 12,776 | 370 | - | 13,146 |
| Total Capital Assets being Depreciated | 114,086 | 5,260 | (20,839) | 98,507 |
| **Less Accumulated Depreciation for:** | | | | |
| Buildings | 13,936 | 608 | (1,654) | 12,890 |
| Equipment | 53,350 | 4,264 | (11,522) | 46,092 |
| Software | 6,768 | 2,297 | - | 9,065 |
| Total Accumulated Depreciation | 74,054 | 7,169 | (13,176) | 68,047 |
| Total Depreciable Capital Assets, Net | 40,032 | (1,909) | (7,663) | 30,460 |
| Total Capital Assets, Net | $ 42,788 | $ (357) | $ (8,636) | $ 33,795 |

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

*(Dollars in Thousands)*

| | Balance July 1 (1) | Increases | Decreases | Subtotal June 30 | Foundations (2) | Total June 30 |
|---|---|---|---|---|---|---|
| **Nondepreciable Capital Assets:** | | | | | | |
| Land | $ 636,049 | $ 21,414 | $ (516) | $ 656,947 | $ 331,794 | $ 988,741 |
| Construction-in-Progress | 1,562,075 | 1,539,949 | (1,495,087) | 1,606,937 | 61,350 | 1,668,287 |
| Inexhaustible Works of Art/Historical Treasures | 81,416 | 117 | (7) | 81,526 | 19,821 | 101,347 |
| Livestock | 643 | 2,950 | (253) | 3,340 | 1,562 | 4,902 |
| Total Nondepreciable Capital Assets | 2,280,183 | 1,564,430 | (1,495,863) | 2,348,750 | 414,527 | 2,763,277 |
| **Depreciable Capital Assets:** | | | | | | |
| Buildings | 16,803,275 | 920,715 | (88,485) | 17,635,505 | 1,308,581 | 18,944,086 |
| Infrastructure | 3,707,956 | 196,227 | (3,230) | 3,900,953 | 11,599 | 3,912,552 |
| Equipment | 3,674,607 | 325,746 | (149,541) | 3,850,812 | 172,418 | 4,023,230 |
| Improvements Other Than Buildings | 550,968 | 31,728 | (6,422) | 576,274 | 78,909 | 655,183 |
| Depreciable Works of Art | - | - | - | - | 168 | 168 |
| Library Books | 745,457 | 12,773 | (9,601) | 748,629 | - | 748,629 |
| Software | 2,615,469 | 76,034 | (387) | 2,691,116 | - | 2,691,116 |
| Other Intangible Assets | 2,000 | - | - | 2,000 | - | 2,000 |
| Total Capital Assets being Depreciated | 28,099,732 | 1,563,223 | (257,666) | 29,405,289 | 1,571,675 | 30,976,964 |
| **Less Accumulated Depreciation for:** | | | | | | |
| Buildings | 5,562,754 | 479,128 | (64,504) | 5,977,378 | 372,146 | 6,349,524 |
| Infrastructure | 1,692,094 | 104,434 | (795) | 1,795,733 | 3,822 | 1,799,555 |
| Equipment | 2,536,674 | 271,103 | (138,195) | 2,669,582 | 120,136 | 2,789,718 |
| Improvements Other Than Buildings | 342,397 | 22,580 | (3,333) | 361,644 | 56,414 | 418,058 |
| Library Books | 634,497 | 31,566 | (9,651) | 656,412 | - | 656,412 |
| Software | 423,419 | 68,181 | (810) | 490,790 | - | 490,790 |
| Other Intangible Assets | 1,733 | 133 | - | 1,866 | - | 1,866 |
| Total Accumulated Depreciation | 11,193,568 | 977,125 | (217,288) | 11,953,405 | 552,518 | 12,505,923 |
| Total Depreciable Capital Assets, Net | 16,906,164 | 586,098 | (40,378) | 17,451,884 | 1,019,157 | 18,471,041 |
| Total Capital Assets, Net | $ 19,186,347 | $ 2,150,528 | $ (1,536,241) | $ 19,800,634 | $ 1,433,684 | $ 21,234,318 |

Note (1): Beginning balances have been restated to remove library books purchased through subscription agreements by the Virginia Commonwealth University (nonmajor).

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.

## 14. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, requires certain items to be classified as either deferred outflows or deferred inflows of resources. Additionally, deferred outflows or deferred inflows of resources are also required by other GASB statements. While all deferred outflows or deferred inflows of resources applicable to the Commonwealth are listed below, see Notes 15, 16, 18, and 37 for additional information regarding these items.

### Deferred Outflows

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

### Deferred Inflows

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

The following tables summarize deferred outflows and deferred inflows of resources as of June 30, 2018.

### Government-wide Statements

| *(Dollars in Thousands)* | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Total Component Units |
| **Deferred Outflows of Resources** | | | | |
| Loss on Refunding of Debt | $ 160,184 | $ - | $ 160,184 | $ 418,183 |
| Government Acquisition-Goodwill | - | - | - | 16,654 |
| Pension Related | 569,609 | 17,459 | 587,068 | 357,556 |
| Other Postemployment Benefit Related | 114,039 | 3,612 | 117,651 | 113,607 |
| Total Deferred Outflows of Resources | $ 843,832 | $ 21,071 | $ 864,903 | $ 906,000 |
| **Deferred Inflows of Resources** | | | | |
| Effective Hedges in a Gain Position | $ - | $ - | $ - | $ 16,502 |
| Service Concession Arrangements | 3,555,224 | - | 3,555,224 | 65,493 |
| Gain on Refunding of Debt | 27 | - | 27 | 44,883 |
| Pension Related | 507,180 | 11,745 | 518,925 | 257,393 |
| Other Postemployment Benefit Related | 286,655 | 8,877 | 295,532 | 203,411 |
| Irrevocable Split-Interest Agreements Related | - | - | - | 14,736 |
| Total Deferred Inflows of Resources | $ 4,349,086 | $ 20,622 | $ 4,369,708 | $ 602,418 |

### 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** | | | | | | |
| Total Deferred Outflows of Resources | $ - | $ - | $ - | $ - | $ - | $ - |
| **Deferred Inflows of Resources** | | | | | | |
| Service Concession Arrangements | $ - | $ 571,201 | $ - | $ - | $ - | $ 571,201 |
| Revenues Considered Unavailable | 1,060,528 | 65,324 | 92,963 | 23,103 | 40,830 | 1,282,748 |
| Total Deferred Inflows of Resources | $ 1,060,528 | $ 636,525 | $ 92,963 | $ 23,103 | $ 40,830 | $ 1,853,949 |

*(Continued on next page)*

**Fund Statements** *(continued from previous page)*

| *(Dollars in Thousands)* | Business-type Activities | | | | | |
|---|---|---|---|---|---|---|
| | Enterprise Funds | | | | | |
| | Virginia Lottery | Virginia College Savings Plan | Nonmajor | Total Business-type Activities | Internal Service Funds | Private Purpose Trust Funds |
| **Deferred Outflows of Resources** | | | | | | |
| Pension Related | $ 3,292 | $ 1,612 | $ 12,555 | $ 17,459 | $ 9,017 | $ 9 |
| Other Postemployment Benefit Related | 560 | 277 | 2,775 | 3,612 | 1,674 | 1 |
| Total Deferred Outflows of Resources | $ 3,852 | $ 1,889 | $ 15,330 | $ 21,071 | $ 10,691 | $ 10 |
| **Deferred Inflows of Resources** | | | | | | |
| Pension Related | $ 2,118 | $ 767 | $ 8,860 | $ 11,745 | $ 7,895 | $ 7 |
| Other Postemployment Benefit Related | 1,487 | 525 | 6,865 | 8,877 | 3,589 | 3 |
| Total Deferred Inflows of Resources | $ 3,605 | $ 1,292 | $ 15,725 | $ 20,622 | $ 11,484 | $ 10 |

| *(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** | | | | | | |
| Loss on Refunding of Debt | $ - | $ 120,594 | $ 72,938 | $ 34,045 | $ 190,606 | $ 418,183 |
| Government Acquisition-Goodwill | - | - | - | - | 16,654 | 16,654 |
| Pension Related | - | - | 97 | - | 357,459 | 357,556 |
| Other Postemployment Benefit Related | 2,574 | - | 7 | - | 111,026 | 113,607 |
| Total Deferred Outflows of Resources | $ 2,574 | $ 120,594 | $ 73,042 | $ 34,045 | $ 675,745 | $ 906,000 |
| **Deferred Inflows of Resources** | | | | | | |
| Effective Hedges in a Gain Position | $ - | $ - | $ - | $ - | $ 16,502 | $ 16,502 |
| Service Concession Arrangements | - | - | - | - | 65,493 | 65,493 |
| Gain on Refunding of Debt | - | - | 34,831 | - | 10,052 | 44,883 |
| Pension Related | - | - | 139 | - | 257,254 | 257,393 |
| Other Postemployment Benefit Related | 1,937 | - | 12 | - | 201,462 | 203,411 |
| Irrevocable Split-Interest Agreements Related | - | - | - | - | 14,736 | 14,736 |
| Total Deferred Inflows of Resources | $ 1,937 | $ - | $ 34,982 | $ - | $ 565,499 | $ 602,418 |

## 15. DERIVATIVES

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

### Primary Government

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

### Virginia College Savings Plan (Virginia529)

GASB Statement No. 53 defines stable value investment vehicles as synthetic guaranteed investment contracts. Stable value funds are invested in a high quality, diversified, intermediate term, fixed income portfolio that is protected against interest rate volatility by wrap or investment contracts from banks and insurance companies that guarantee the payment of benefits at book value (cost plus accrued interest), which enables the entire investment to be carried at its book value. The Virginia529 utilizes stable value investments in both the Prepaid529 Program (major enterprise fund) and Invest529 Program (Private Purpose Trust Fund). Virginia529's stable value investments meet the definition of fully benefit-responsive synthetic guaranteed investment contracts and are reported at contract value. As of June 30, 2018, Virginia529 had the following stable value investments outstanding (dollars in thousands) in the respective programs as shown in the table below.

**Stable Value Investments**

| Fund | Wrap Provider | Notional Amount | Effective Date | Maturity Date | Credit Rate | June 30, 2018 Fair Value | June 30, 2017 Fair Value |
|---|---|---|---|---|---|---|---|
| Enterprise | American General Life | $ 26,961 | 2/21/2014 | Open ended | 2.0% | $ 134,489 | $ 128,276 |
| | Nationwide Life Insurance | 25,625 | 4/19/2018 | Open ended | 2.3% | | |
| | RGA | 27,181 | 6/22/2016 | Open ended | 2.4% | | |
| | State Street Bank | 27,063 | 5/1/2002 | Open ended | 2.8% | | |
| | Voya Retirement and Annuity | 27,659 | 12/3/2002 | Open ended | 2.8% | | |
| Private Purpose | American General Life | $ 175,672 | 1/16/2014 | Open ended | 2.2% | $ 989,144 | $ 874,622 |
| | Nationwide Life Insurance | 103,178 | 1/29/2018 | Open ended | 2.3% | | |
| | Prudential Retirement Insurance & Annuity | 179,351 | 1/30/2014 | Open ended | 2.4% | | |
| | RGA | 177,099 | 8/28/2015 | Open ended | 2.3% | | |
| | State Street Bank | 179,001 | 5/1/2002 | Open ended | 2.3% | | |
| | Voya Retirement And Annuity | 174,843 | 10/5/2012 | Open ended | 2.6% | | |

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

**Investment Derivatives - U.S. Treasury Futures Contracts**

| | Changes in Fair Value | | Fair Value at June 30, 2018 | | |
|---|---|---|---|---|---|
| Fund | Classification | Amount | Classification | Amount | Notional Amount |
| Enterprise | Revenue | $ 488 | Investment | $ 408 | $ 26,778 |

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

**Prepaid529 Currency Forwards**

| Currency | Cost | Foreign Exchange Purchases | Foreign Exchange Sales | Market Value |
|---|---|---|---|---|
| British Pound Sterling | $ (1,224) | $ 1,323 | $ (2,514) | $ (1,191) |
| Euro | (24,258) | 5,538 | (29,550) | (24,012) |
| Hong Kong Dollar | (7,559) | - | (7,555) | (7,555) |
| Japanese Yen | (10,914) | 1,205 | (12,151) | (10,946) |
| Swiss Franc | (3,490) | 2,014 | (5,511) | (3,497) |
| U.S. Dollar | 47,445 | 57,566 | (10,121) | 47,445 |
| Total | $ - | $ 67,646 | $ (67,402) | $ 244 |

Additional information is available in the Virginia529 separately issued financial statements, which may be obtained at www.virginia529.com.

## Virginia Retirement System

All derivatives held by the Virginia Retirement System (the System) are considered investments. The fair value of all derivative financial instruments is reported on a net basis on the Statement of Fiduciary Net Position. The derivative instruments are either subject to an enforceable master netting arrangement or similar agreement. The master netting arrangements allow the System to net applicable liabilities or payment obligations to counterparties to the derivative contracts against amounts owed to the System by the counterparties.

The System holds investments in swaps, options and futures and enters into forward foreign currency exchange contracts. 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. Derivatives that are exchange-traded are not subject to credit risk, but all over-the-counter derivatives, such as swaps and currency forwards, do expose the System to counterparty credit risk. Counterparty credit risk for the System's investments in derivatives instruments is summarized in the table on page 130. Market risks arise from adverse changes in market prices, interest rates and foreign exchange rates. The System's level of exposure to interest rate risk through derivative instruments and the System's investments in derivative instruments as of June 30, 2018, are summarized in the tables below (dollars in thousands).

**Derivative Instruments Summary**

| Investment | Net Appreciation/ (Depreciation) in Fair Value for the Fiscal Year Ended June 30, 2018 | | Fair Value June 30, 2018 | |
|---|---|---|---|---|
| Derivatives (by Type) | Amount | Classification | Amount | Notional (Dollars) |
| Commodity Futures Short | $ 66 | Debt Securities | $ 66 | $ (5,201) |
| Credit Default Swaps Bought | 1,237 | Debt Securities | 1,347 | 26,129 |
| Credit Default Swaps Written | (1,357) | Debt Securities | (2,223) | 125,216 |
| Fixed Income Futures Long | 2,143 | Debt Securities | 2,871 | 2,793,558 |
| Fixed Income Futures Short | (2,342) | Debt Securities | (3,036) | (572,771) |
| Foreign Currency Futures Short | (51) | Equity Securities | - | - |
| Foreign Currency Options Bought | (326) | Equity Securities | - | - |
| Foreign Currency Options Written | (140) | Equity Securities | (193) | (4,700) |
| FX Forwards | 43,726 | Investment Sales/Purchases | 24,384 | 4,961,713 |
| Index Futures Long | (23,231) | Equity Securities | (25,522) | 1,147,192 |
| Index Futures Short | 186 | Equity Securities | 186 | (37,282) |
| Pay Fixed Interest Rate Swaps | 2,169 | Debt Securities | 2,144 | 406,819 |
| Receive Fixed Interest Rate Swaps | (4,822) | Debt Securities | (3,662) | 380,125 |
| Swaptions Written | (4) | Equity Securities | (4) | (25,300) |
| Total Return Bond Index Swaps | (355) | Debt Securities | (355) | 85,000 |
| Total Return Equity Index Swaps | (1,435) | Equity Securities | 1,014 | 331,323 |
| **Total** | **$ 15,464** | | **$ (2,983)** | |

**Derivative Instruments Subject to Interest Rate Risk**

| | | Investment Maturities (in years) | | | |
|---|---|---|---|---|---|
| Investment Type | Fair Value June 30, 2018 | Under 1 | 1-5 | 6-10 | Greater than 10 |
| Credit Default Swaps Bought | $ 1,347 | $ - | $ 1,347 | $ - | $ - |
| Credit Default Swaps Written | (2,223) | 207 | (2,430) | - | - |
| Pay Fixed Interest Rate Swaps | 2,144 | (41) | 1,560 | 561 | 64 |
| Receive Fixed Interest Rate Swaps | (3,662) | 49 | (1,080) | (1,897) | (734) |
| Total Return Bond Index Swaps | (355) | (355) | - | - | - |
| Total Return Equity Index Swaps | 1,020 | 1,020 | - | - | - |
| **Total** | $ (1,729) | $ 880 | $ (603) | $ (1,336) | $ (670) |

## 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 Statement of Changes in Fiduciary Net Position. 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. Information on the System's investments in fixed income, foreign currency, and equity index futures as of June 30, 2018, is shown in the Summary table above (dollars in thousands).

## Currency Forwards

Currency forwards represent foreign exchange contracts and are used by the System to effect settlements and to protect the base currency ($U.S.) 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. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net realized gains or losses on foreign currency-related transactions in the Statement of Changes in Fiduciary Net Position. Information on the System's currency forward contracts as of June 30, 2018, is shown below and in the Summary table on the previous page.

**Currency Forwards**
as of June 30

*(Dollars in Thousands)*

| Currency | Cost | Pending Foreign Exchange Purchases | Pending Foreign Exchange Sales | Fair Value 2018 | Fair Value 2017 |
|---|---|---|---|---|---|
| Argentina Peso | $ (3,792) | $ 12,891 | $ (14,471) | $ (1,580) | $ 17,266 |
| Australian Dollar | 58,570 | 496,520 | (447,313) | 49,207 | (430,192) |
| Brazil Real | (45,733) | 32,189 | (76,429) | (44,240) | 11,075 |
| British Pound Sterling | (615,634) | 496,973 | (1,110,214) | (613,241) | (668,106) |
| Canadian Dollar | (232,624) | 382,439 | (622,207) | (239,768) | (406,373) |
| Chilean Peso | 6,594 | 24,875 | (18,670) | 6,205 | 10,231 |
| Chinese Yuan Renminbi | (47,475) | 22,641 | (69,008) | (46,367) | (27,930) |
| Chinese Yuan Renminbi HK | (14,360) | - | (14,282) | (14,282) | - |
| Colombian Peso | 9,585 | 23,464 | (14,013) | 9,451 | 16,850 |
| Czech Koruna | 54,635 | 54,518 | (636) | 53,882 | 77,499 |
| Danish Krone | (71,444) | 46,331 | (117,549) | (71,218) | (76,162) |
| Egyptian Pound | 8,507 | 16,392 | (7,965) | 8,427 | - |
| Euro Currency Unit | (1,839,349) | 411,921 | (2,228,669) | (1,816,748) | (1,610,420) |
| Hong Kong Dollar | (181,404) | 4,492 | (185,938) | (181,446) | (176,325) |
| Hungarian Forint | (13,061) | 8,047 | (20,239) | (12,192) | (57,807) |
| Indian Rupee | (6,056) | 2,085 | (8,096) | (6,011) | 114,256 |
| Indonesian Rupiah | 3,421 | 11,290 | (7,775) | 3,515 | 66,146 |
| Israeli Shekel | (25,443) | 11,372 | (36,761) | (25,389) | (32,378) |
| Japanese Yen | (1,152,541) | 234,795 | (1,385,756) | (1,150,961) | (804,122) |
| Kazakhstan Tenge | 2,618 | 2,578 | - | 2,578 | - |
| Malaysian Ringgit | (795) | 900 | (1,687) | (787) | 4,337 |
| Mexican Peso | 40,736 | 45,672 | (4,712) | 40,960 | 119,485 |
| New Taiwan Dollar | (2,147) | 6,611 | (8,739) | (2,128) | (25,013) |
| New Zealand Dollar | 89,077 | 142,932 | (56,899) | 86,033 | (81,318) |
| Nigerian Naira | 6,099 | 7,802 | (1,375) | 6,427 | - |
| Norwegian Krone | (225,073) | 182,923 | (405,384) | (222,461) | (148,076) |
| Omani Rial | (1,357) | 1,672 | (3,056) | (1,384) | - |
| Peruvian Sol | (3,445) | 1,049 | (4,503) | (3,454) | (28,050) |
| Philippines Peso | (8,262) | 189 | (8,388) | (8,199) | (13,496) |
| Polish Zloty | 7,838 | 20,517 | (13,357) | 7,160 | 75,044 |
| Romanian Leu | (10,302) | 12,183 | (21,864) | (9,681) | (2,740) |
| Russian Ruble (New) | 12,951 | 28,222 | (15,334) | 12,888 | 3,263 |
| Saudi Arabia Riyal | (1,346) | 3,216 | (4,589) | (1,373) | - |
| Singapore Dollar | (258,171) | 166,847 | (420,195) | (253,348) | (106,695) |
| South African Rand | (21,011) | 12,737 | (34,104) | (21,367) | (16,904) |
| South Korean Won | (5,260) | - | (5,234) | (5,234) | (62,697) |
| Swedish Krona | (295,402) | 177,401 | (466,645) | (289,244) | (134,270) |
| Swiss Franc | (265,672) | 59,115 | (325,371) | (266,256) | (383,100) |
| Thailand Baht | 24,500 | 25,403 | (1,813) | 23,590 | 10,391 |
| Turkish Lira | 29,677 | 41,195 | (11,122) | 30,073 | 92,042 |
| U. S. Dollar | 4,992,352 | 8,205,463 | (3,213,111) | 4,992,352 | 4,655,497 |
| Total Forwards Subject to Foreign Currency Risk | | | | $ 24,389 | $ (18,792) |

**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 investments in foreign currency options as of June 30, 2018, is shown in the Summary table on page 125.

**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 2018, the System had activity in credit default, interest rate and total return swaps. Gains and losses on swaps are determined based on fair values and are recorded in the Statement of Changes in Fiduciary Net Position. Information on the System's swap balances as of June 30, 2018, is shown in the Summary table on page 125, and the terms, fair values and notional values of the System's investments in swap agreements that are highly sensitive to interest rate changes are disclosed in the following tables (dollars in thousands).

**Derivatives Instruments Highly Sensitive to Interest Rate Changes**

| Investment Type | Reference Rate | Fair Value June 30, 2018 | Notional Amount |
|---|---|---|---|
| Interest Rate Swaps | Receive Fixed 1.81%, Pay Variable Israel 3-month TELBOR | $ (68) | $ 5,136 |
| Interest Rate Swaps | Receive Variable Israel 3-month TELBOR, Pay Fixed 0.26% | 16 | 26,909 |
| Interest Rate Swaps | Receive Fixed 5.84%, Pay Variable 28-day MTIIE | (106) | 1,750 |
| Interest Rate Swaps | Receive Variable 28-day MTIIE, Pay Fixed 6.71% | 96 | 900 |
| Interest Rate Swaps | Receive Variable 3-month JIBAR, Pay Fixed 9.50% | (69) | 868 |
| Interest Rate Swaps | Receive Fixed 6.080%, Pay Variable 28-day MTIIE | (214) | 1,928 |
| Interest Rate Swaps | Receive Variable 3-month JIBAR, Pay Fixed 8.50% | (8) | 452 |
| Interest Rate Swaps | Receive Variable 3-month JIBAR, Pay Fixed 7.50% | (8) | 2,714 |
| Interest Rate Swaps | Receive Variable 3-month JIBAR, Pay Fixed 8.25% | - | 29 |
| Interest Rate Swaps | Receive Fixed 1.50%, Pay Variable 3-month LIBOR | (842) | 7,300 |
| Interest Rate Swaps | Receive Fixed 1.75%, Pay Variable 3-month LIBOR | (625) | 2,500 |
| Interest Rate Swaps | Receive Fixed 8.28%, Pay Variable 28-day MTIIE | 1 | 1,262 |
| Interest Rate Swaps | Receive Variable 28-day MTIIE, Pay Fixed 7.15% | 127 | 24,838 |
| Interest Rate Swaps | Receive Fixed 8.31%, Pay Variable 28-day MTIIE | 14 | 3,373 |
| Interest Rate Swaps | Receive Fixed 7.79%, Pay Variable 28-day MTIIE | (8) | 1,816 |
| Interest Rate Swaps | Receive Fixed 8.32%, Pay Variable 28-day MTIIE | 44 | 3,215 |
| Interest Rate Swaps | Receive Fixed 7.47%, Pay Variable 28-day MTIIE | (1) | 81 |
| Interest Rate Swaps | Receive Fixed 10.30%, Pay Variable Brazil 1-day CDI | (54) | 1,663 |
| Interest Rate Swaps | Receive Variable 3-month LIBOR, Pay Fixed 2.50% | - | 10 |
| Interest Rate Swaps | Receive Variable 3-month LIBOR, Pay Fixed 2.75% | 64 | 1,380 |
| Interest Rate Swaps | Receive Fixed 9.76%, Pay Variable Brazil 1-day CDI | (108) | 2,079 |
| Interest Rate Swaps | Receive Fixed 9.3%, Pay Variable Brazil 1-day CDI | 48 | 4,419 |
| Interest Rate Swaps | Receive Variable Brazil 1-day CDI, Pay Fixed 9.64% | 73 | 4,211 |
| Interest Rate Swaps | Receive Fixed 2.25%, Pay Variable 3-month LIBOR | (277) | 10,230 |
| Interest Rate Swaps | Receive Fixed 2.00%, Pay Variable 3-month LIBOR | 90 | 8,800 |
| Interest Rate Swaps | Receive Fixed 7.37%, Pay Variable 28-day MTIIE | (121) | 2,941 |
| Interest Rate Swaps | Receive Fixed 7.32%, Pay Variable 28-day MTIIE | (55) | 1,231 |
| Interest Rate Swaps | Receive Variable Brazil 1-day CDI, Pay Fixed 9.98% | (61) | 4,055 |
| Interest Rate Swaps | Receive Variable 28-day MTIIE, Pay Fixed 6.87% | 141 | 5,815 |
| Interest Rate Swaps | Receive Fixed 2.25%, Pay Variable Poland 6-month WIBOR | 14 | 2,885 |
| Interest Rate Swaps | Receive Fixed 7.75%, Pay Variable 3-month JIBAR | (182) | 4,969 |
| Interest Rate Swaps | Receive Fixed 10.33%, Pay Variable Brazil 1-day CDI | (201) | 6,368 |
| Interest Rate Swaps | Receive Fixed 10.46%, Pay Variable Brazil 1-day CDI | (46) | 1,118 |
| Interest Rate Swaps | Receive Fixed 2.00%, Pay Variable 3-month LIBOR | (191) | 4,580 |
| Interest Rate Swaps | Receive Fixed 2.50%, Pay Variable 3-month LIBOR | (168) | 1,700 |
| Interest Rate Swaps | Receive Fixed 7.83%, Pay Variable 28-day MTIIE | (3) | 1,531 |
| Interest Rate Swaps | Receive Fixed 8.86%, Pay Variable Brazil 1-day CDI | (86) | 12,564 |
| Interest Rate Swaps | Receive Fixed 8.01%, Pay Variable 28-day MTIIE | 25 | 4,670 |
| Interest Rate Swaps | Receive Variable Brazil 1-day CDI, Pay Fixed 6.54% | 1 | 3,457 |
| Interest Rate Swaps | Receive Fixed 1.50%, Pay Variable Czech Krona 6-month PRIBOR | (26) | 18,401 |
| Interest Rate Swaps | Receive Fixed 2.00%, Pay Variable Czech Krona 6-month PRIBOR | 18 | 3,994 |
| Interest Rate Swaps | Receive Fixed 2.25%, Pay Variable Poland 6-month WIBOR | (218) | 36,859 |
| Interest Rate Swaps | Receive Fixed 3.25%, Pay Variable Poland 6-month WIBOR | 77 | 2,698 |
| Interest Rate Swaps | Receive Variable 28-day MTIIE, Pay Fixed 7.65% | 29 | 3,200 |
| Interest Rate Swaps | Receive Variable 3-month JIBAR, Pay Fixed 7.25% | - | 15 |
| Interest Rate Swaps | Receive Variable Brazil 1-day CDI, Pay Fixed 8.14% | 305 | 14,373 |
| Interest Rate Swaps | Receive Fixed 2.50%, Pay Variable Poland 6-month WIBOR | 1 | 6,223 |
| Interest Rate Swaps | Receive Variable 6-month EURIBOR, Pay Fixed 1.5% | (11) | 2,102 |
| Interest Rate Swaps | Receive Fixed 3.00%, Pay Variable Poland 6-month WIBOR | 1 | 187 |
| Interest Rate Swaps | Receive Variable 6-month Hungary BUBOR, Pay Fixed 1.25% | 430 | 9,818 |
| Interest Rate Swaps | Receive Variable Brazil 1-day CDI, Pay Fixed 7.06% | 131 | 8,343 |
| Interest Rate Swaps | Receive Fixed 7.88%, Pay Variable Brazil 1-day CDI | (446) | 16,921 |
| Interest Rate Swaps | Receive Fixed 9.97%, Pay Variable Brazil 1-day CDI | 578 | 41,197 |
| Interest Rate Swaps | Receive Variable Brazil 1-day CDI, Pay Fixed 9.35% | (114) | 49,280 |
| Interest Rate Swaps | Receive Variable Czech Krona 6-month PRIBOR, Pay Fixed 2.0% | 3 | 1,248 |
| Interest Rate Swaps | Receive Variable Brazil 1-day CDI, Pay Fixed 11.03% | (14) | 1,248 |
| Interest Rate Swaps | Receive Fixed 2.5%, Pay Variable Poland 6-month WIBOR | (29) | 9,028 |
| Interest Rate Swaps | Receive Fixed 2.25%, Pay Variable 6-month Hungary BUBOR | 23 | 6,493 |
| Interest Rate Swaps | Receive Variable Brazil 1-day CDI, Pay Fixed 7.99% | (161) | 31,437 |
| Interest Rate Swaps | Receive Variable Brazil 1-day CDI, Pay Fixed 8.69% | 154 | 15,206 |
| Interest Rate Swaps | Receive Fixed 7.64%, Pay Variable 28-day MTIIE | (90) | 11,711 |
| Interest Rate Swaps | Receive Fixed 8.70%, Pay Variable Brazil 1-day CDI | (54) | 5,354 |
| Interest Rate Swaps | Receive Fixed 7.53%, Pay Variable 28-day MTIIE | (45) | 3,233 |
| Interest Rate Swaps | Receive Variable Brazil 1-day CDI, Pay Fixed 9.51% | (16) | 2,917 |
| Interest Rate Swaps | Receive Variable Brazil 1-day CDI, Pay Fixed 09% | - | 4,937 |
| Interest Rate Swaps | Receive Variable Brazil 1-day CDI, Pay Fixed 98% | - | 4,870 |
| Interest Rate Swaps | Receive Variable Brazil 1-day CDI, Pay Fixed 10.27% | (70) | 3,585 |
| Interest Rate Swaps | Receive Fixed 9.48%, Pay Variable Brazil 1-day CDI | 15 | 3,296 |
| Interest Rate Swaps | Receive Fixed 9.5%, Pay Variable Brazil 1-day CDI | 9 | 1,683 |
| Interest Rate Swaps | Receive Fixed 9.10%, Pay Variable Brazil 1-day CDI | (32) | 15,192 |

*Continued on next page*

**Derivatives Instruments Highly Sensitive to Interest Rate Changes**

*(Continued from previous page)*

| Investment Type | Reference Rate | Fair Value June 30, 2018 | Notional Amount |
|---|---|---|---|
| Interest Rate Swaps | Receive Variable Brazil 1-day CDI, Pay Fixed 8.34% | 229 | 13,195 |
| Interest Rate Swaps | Receive Variable Brazil 1-day CDI, Pay Fixed 8.34% | - | 6,075 |
| Interest Rate Swaps | Receive Fixed 9.32%, Pay Variable Brazil 1-day CDI | 4 | 1,856 |
| Interest Rate Swaps | Receive Fixed 9.35%, Pay Variable Brazil 1-day CDI | 5 | 1,730 |
| Interest Rate Swaps | Receive Fixed 9.34%, Pay Variable Brazil 1-day CDI | 5 | 1,860 |
| Interest Rate Swaps | Receive Fixed 9.20%, Pay Variable Brazil 1-day CDI | (3) | 10,483 |
| Interest Rate Swaps | Receive Fixed 2.78%, Pay Variable 6-month Thai Baht fixing rate | 22 | 759 |
| Interest Rate Swaps | Receive Fixed 12.23%, Pay Variable Brazil 1-day CDI | (35) | 624 |
| Interest Rate Swaps | Receive Fixed 2.10%, Pay Variable 6-month Thai Baht fixing rate | 10 | 1,751 |
| Interest Rate Swaps | Receive Variable 28-day MTIIE, Pay Fixed 5.25% | (19) | 560 |
| Interest Rate Swaps | Receive Fixed 3.41%, Pay Variable 6-month Thai Baht fixing rate | 6 | 151 |
| Interest Rate Swaps | Receive Fixed 3.41%, Pay Variable 6-month Thai Baht fixing rate | 6 | 151 |
| Interest Rate Swaps | Receive Fixed 5.29%, Pay Variable 1-day Colombia IBR | 13 | 1,372 |
| Interest Rate Swaps | Receive Fixed 6.12%, Pay Variable 1-day Colombia IBR | 15 | 810 |
| Interest Rate Swaps | Receive Fixed 5.00%, Pay Variable 28-day MTIIE | (39) | 972 |
| Interest Rate Swaps | Receive Fixed 2.58%, Pay Variable 6-month Thai Baht fixing rate | 6 | 344 |
| Interest Rate Swaps | Receive Fixed 5.32%, Pay Variable 1-day Colombia IBR | 2 | 204 |
| Interest Rate Swaps | Receive Fixed 2.02%, Pay Variable 6-month Thai Baht fixing rate | 5 | 573 |
| Interest Rate Swaps | Receive Fixed 2.58%, Pay Variable 6-month Thai Baht fixing rate | 7 | 459 |
| Interest Rate Swaps | Receive Fixed 2.20%, Pay Variable 6-month Thai Baht fixing rate | 4 | 353 |
| Interest Rate Swaps | Receive Fixed 1.93%, Pay Variable 6-month Thai Baht fixing rate | 6 | 1,176 |
| Interest Rate Swaps | Receive Variable Israel 3-month TELBOR, Pay Fixed 0.26% | 17 | 33,629 |
| Interest Rate Swaps | Receive Fixed 1.81%, Pay Variable Israel 3-month TELBOR | (30) | 2,322 |
| Interest Rate Swaps | Receive Variable 1-day Colombia IBR, Pay Fixed 4.65% | (3) | 3,341 |
| Interest Rate Swaps | Receive Fixed 4.95%, Pay Variable 1-day Colombia IBR | (2) | 2,276 |
| Interest Rate Swaps | Receive Fixed 4.81%, Pay Variable 1-day Colombia IBR | (149) | 25,795 |
| Interest Rate Swaps | Receive Variable 1-day Colombia IBR, Pay Fixed 4.89% | 92 | 20,769 |
| Interest Rate Swaps | Receive Variable Brazil 1-day CDI, Pay Fixed 10.25% | - | 3,497 |
| Interest Rate Swaps | Receive Fixed 3.54%, Pay Variable Chilean Peso 6-month CLICP | (29) | 4,715 |
| Interest Rate Swaps | Receive Variable Malaysian Ringgit 3-month KLIBOR, Pay Fixed 3.77% | 9 | 3,169 |
| Interest Rate Swaps | Receive Variable Malaysian Ringgit 3-month KLIBOR, Pay Fixed 3.74% | 4 | 990 |
| Interest Rate Swaps | Receive Variable Malaysian Ringgit 3-month KLIBOR, Pay Fixed 3.76% | 6 | 1,733 |
| Interest Rate Swaps | Receive Variable Chilean Peso 6-month CLICP, Pay Fixed 3.57% | 2 | 229 |
| Interest Rate Swaps | Receive Fixed 3.54%, Pay Variable Chilean Peso 6-month CLICP | (15) | 1,524 |
| Interest Rate Swaps | Receive Variable Israel 3-month TELBOR, Pay Fixed 0.22% | 50 | 34,640 |
| Interest Rate Swaps | Receive Fixed 1.72%, Pay Variable Israel 3-month TELBOR | (157) | 7,075 |
| Interest Rate Swaps | Receive Fixed 4.96%, Pay Variable 1-day Colombia IBR | (22) | 20,770 |
| Interest Rate Swaps | Receive Variable 1-day Colombia IBR, Pay Fixed 4.64% | 124 | 9,227 |
| Interest Rate Swaps | Receive Variable 1-day Colombia IBR, Pay Fixed 4.65% | 147 | 14,148 |
| Interest Rate Swaps | Receive Fixed 5.31%, Pay Variable 1-day Colombia IBR | (9) | 1,020 |
| Interest Rate Swaps | Receive Variable 3-month LIBOR, Pay Fixed 12.7% | (567) | 4,208 |
| Interest Rate Swaps | Receive Fixed 6.2%, Pay Variable 1-day Colombia IBR | 6 | 241 |
| Interest Rate Swaps | Receive Fixed 2.505%, Pay Variable 6-month Thai Baht fixing rate | 6 | 486 |
| Interest Rate Swaps | Receive Fixed 2.04%, Pay Variable 6-month Thai Baht fixing rate | 19 | 2,264 |
| Interest Rate Swaps | Receive Fixed 2.20%, Pay Variable 6-month Thai Baht fixing rate | 1 | 54 |
| Interest Rate Swaps | Receive Fixed 2.55%, Pay Variable 6-month Thai Baht fixing rate | 6 | 936 |
| Interest Rate Swaps | Receive Fixed 1.99%, Pay Variable 6-month Thai Baht fixing rate | (1) | 220 |
| Interest Rate Swaps | Receive Variable 3-month LIBOR, Pay Fixed 2.00% | 501 | 12,220 |
| Interest Rate Swaps | Receive Variable 3-month LIBOR, Pay Fixed 2.25% | 636 | 10,750 |
| Interest Rate Swaps | Receive Variable 6-month EURIBOR, Pay Fixed 0.50% | (31) | 3,386 |
| Interest Rate Swaps | Receive Variable 6-month EURIBOR, Pay Fixed 1.25% | (86) | 2,685 |
| Interest Rate Swaps | Receive Fixed 0.5%, Pay Variable 6-month EURIBOR | 13 | 2,218 |
| Interest Rate Swaps | Receive Variable 28-day MTIIE, Pay Fixed 5.25% | (5) | 153 |
| Subtotal Interest Rate Swaps | | (1,518) | 786,944 |

*Continued on next page*

**Derivatives Instruments Highly Sensitive to Interest Rate Changes**

*(Continued from previous page)*

| Investment Type | Reference Rate | Fair Value June 30, 2018 | Notional Amount |
|---|---|---|---|
| Total Return Bond Index Swaps | Receive Variable IBOXHY Index/ Pay Variable 3-month LIBOR | (355) | 35,000 |
| Total Return Bond Index Swaps | Receive Variable Barclays Capital US Aggregate Index/ Pay Variable 1-month LIBOR + 16 bps | - | 50,000 |
| Total Return Equity Index Swaps | Receive Variable Canadian Dollar 3-month Bankers' Acceptances rate/ Pay Variable BCMSIMCB Index | 54 | 8,033 |
| Total Return Equity Index Swaps | Receive Variable 3-month LIBOR + 10 bps/ Pay Variable BNPBDCON Index | 81 | 1,899 |
| Total Return Equity Index Swaps | Receive Variable 3-month LIBOR + 25 bps/ Pay Variable BNPBMACH Index | 71 | 1,230 |
| Total Return Equity Index Swaps | Receive Variable AMZX Index/ Pay Variable 3-month LIBOR + 49 bps | (15) | 1,500 |
| Total Return Equity Index Swaps | Receive Variable 3-month LIBOR - 3 bps/ Pay Variable BNPMSLX Index | 127 | 3,019 |
| Total Return Equity Index Swaps | Receive Variable BNPBLDEF Index/ Pay Variable 3-month LIBOR + 35 bps | 77 | 4,992 |
| Total Return Equity Index Swaps | Receive Variable 3-month LIBOR + 25 bps/ Pay Variable BNPBSCYC Index | 163 | 4,989 |
| Total Return Equity Index Swaps | Receive Variable 3-month LIBOR + 14 bps/ Pay Variable M2US0BK Index | 309 | 12,008 |
| Total Return Equity Index Swaps | Receive Variable 3-month LIBOR - 19 bps/ Pay Variable BNPBMHK1 Index | 112 | 2,108 |
| Total Return Equity Index Swaps | Receive Variable 3-month LIBOR - 16 bps/ Pay Variable BNPBMSLX Index | (17) | 1,659 |
| Total Return Equity Index Swaps | Receive Variable MSCI ACWI IMI Index/ Pay Variable 3-month LIBOR + 34 bps | - | 3 |
| Total Return Equity Index Swaps | Receive Variable MSCI ACWI IMI Index/ Pay Variable 3-month LIBOR + 34 bps | (5) | 200,080 |
| Total Return Equity Index Swaps | Receive Variable MIMUJPNN Index/ Pay Variable 3-month LIBOR + 8 bps | - | 17,000 |
| Total Return Equity Index Swaps | Receive Variable MIMUUKGN Index/ Pay Variable 3-month LIBOR + 10 bps | - | 12,160 |
| Total Return Equity Index Swaps | Receive Variable MIMUUSAG Index/ Pay Variable 3-month LIBOR + 10 bps | (5) | 34,691 |
| Total Return Equity Index Swaps | Receive Variable NDUEEGF Index/ Pay Variable 3-month LIBOR + 6 bps | - | 23,360 |
| Total Return Equity Index Swaps | Receive Variable 3-month LIBOR + 25 bps/ Pay Variable BCMSELE2 Index | 10 | 743 |
| Total Return Equity Index Swaps | Receive Variable 3-month LIBOR + 13 bps/ Pay Variable GSCBMSMS Index | 52 | 1,849 |
| Subtotal Return Swaps | | 659 | 416,323 |
| TOTAL SWAPS | | $ (859) | $ 1,203,267 |

**Derivative Instruments Subject to Counterparty Credit Risk**

| Counterparty | Percentage of Net | Moody's Ratings | S & P Ratings | Fitch Ratings |
|---|---|---|---|---|
| UBS AG/Stamford CT | 40.5% | -- | AA- | -- |
| Morgan Stanley Capital Services LLC | 31.8% | -- | A+ | -- |
| Goldman Sachs International | 11.9% | A1 | A+ | A |
| BNP Paribas Securities Corp | 6.4% | -- | A | -- |
| JPMorgan Chase Bank NA | 2.9% | Aa3 | A+ | AA |
| LCH Ltd | 2.5% | -- | A+ | -- |
| HSBC Bank USA NA/New York NY | 1.5% | Aa2 | AA- | AA- |
| Credit Suisse AG | 0.7% | A1 | A | A |
| BNP Paribas SA/London | 0.6% | -- | A | -- |
| Goldman Sachs Bank USA/New York NY | 0.6% | A1 | A+ | A+ |
| Citigroup Global Markets Ltd | 0.5% | A2 | A+ | A |
| Barclays Capital, Inc. | 0.1% | -- | A | -- |
| Total | 100.0% | | | |

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

Additional information is available in the System's separately issued financial statements, which may be obtained from www.varetire.org.

**Component Units**

**Investment Derivative Instruments**

The Virginia Housing Development Authority (major component unit) enters into forward sales contracts for the delivery of GNMA and FNMA securities in order to lock in the sales price for the securitization of certain single-family mortgage loans. The contracts offset changes in interest rates between the time of the loan reservations and the securitization of such loans into GNMA and FNMA securities. These contracts are considered investment derivative instruments, such that their change in fair value is reported as investment derivative gains or losses in the accompanying financial statements. Fair values of the forwards are based on observable market prices for similar instruments traded on the secondary mortgage loan markets. The Authority's portfolio of investment derivatives is classified as Level 2 in the fair value hierarchy. The outstanding forward contracts, summarized by counterparty rating as of June 30, 2018, were as follows:

| Counterparty Rating | Par | Concentration | Notional Amount | Market Value | Fair Value Asset (Liability) |
|---|---|---|---|---|---|
| A-1+/AA+ | $ 195,000,000 | 51.2% | $ 197,885,156 | $ 198,615,000 | $ (729,844) |
| A-1/A+ | 120,500,000 | 31.6% | 123,101,601 | 123,509,453 | (407,852) |
| A-1/A+ | 39,500,000 | 10.4% | 40,593,008 | 40,662,422 | (69,414) |
| Baa2/BBB | 26,000,000 | 6.8% | 26,137,305 | 26,287,656 | (150,351) |
| | $ 381,000,000 | 100.0% | $ 387,717,070 | $ 389,074,531 | $ (1,357,461) |

**Investment Derivative Instruments – Ineffective Hedges**

During fiscal year 2015, the University of Virginia (UVA) (nonmajor) refunded the Series 2003A bonds and the commercial paper associated with the fixed-payer interest rate swaps which terminated hedge accounting. The fixed-payer interest rate swaps were no longer effective hedges. As of June 30, 2018, the negative fair value of the swaps of $25.2 million is included in other liabilities and the change in fair value of positive $5.9 million was reported as investment earnings in the accompanying financial statements. During fiscal year 2015, UVA established two fixed-receiver interest rate swaps with a total notional amount of $128.0 million to provide a hedge against fixed interest rates on Series 2015B bonds. These swaps were reevaluated as of June 30, 2016, and determined to no longer be effective hedges. As of June 30, 2018, the negative fair value of the fixed-receiver interest rate swaps of $2.7 million is included in other liabilities and the change in fair value of negative $2.2 million is included in investment earnings in the accompanying financial statements. The derivative instruments are classified as Level 2 of the fair value hierarchy. Additional information regarding the institution's derivative instruments is available at www.virginia.edu.

**Hedging Derivative Instruments**

As of June 30, 2018, the Virginia Commonwealth University (VCU) (nonmajor) had two fixed-payer interest rate swaps with a notional amount of $51.8 million, which declines to $4.8 million at the termination date of November 1, 2030. The swaps are used as cash flow hedges by VCU in order to provide a hedge against changes in interest rates on variable rate Series 2012A and 2012B bonds. The Series 2012A and 2012B bonds refunded prior Series 2006A and 2006B bonds that resulted in the termination of the prior hedging relationship between the interest rate swaps and the 2006A and 2006B bonds. At the time of the refunding in November 2012, the accumulated change in fair value of the interest rate swaps was negative $14.1 million and was included in the calculation of the deferred loss on refunding. There was also a reestablishment of hedge accounting on the new debt. As of June 30, 2018, the negative fair value of VCU's swaps of $5.1 million is included in other liabilities and the cumulative change in fair value of VCU's swaps since reestablishing hedge accounting of $9.0 million is included in deferred inflows of resources in the accompanying financial statements. The derivative instruments are classified as Level 2 of the fair value hierarchy.

As of June 30, 2018 the Medical College of Virginia Hospitals (MCVH), which is a division of the Virginia Commonwealth University Health System Authority (a blended component unit of VCU), had two interest rate swap agreements with a notional amount of $116.9 million and another interest rate swap agreement with a notional amount of $63.2 million. The swaps are used as cash flow hedges by MCVH in order to provide a hedge against changes in interest rates on variable rate Series 2013A and 2013B bonds. The Series 2013A and 2013B bonds refunded prior Series 2005 and 2008 bonds that resulted in the termination of the prior hedging relationship between the interest rate swaps and the Series 2005 and 2008 bonds. At the time of the refunding in June 2013, the accumulated change in fair value of the interest rate swaps was negative $42.1 million and was included in the calculation of the deferred loss on refunding. There was also a reestablishment of hedge accounting on the new debt. As of June 30, 2018, the negative fair value of MCVH's swaps of $34.6 million is included in other liabilities and the cumulative change in fair value of MCVH's swaps of $7.5 million is included in deferred inflows of resources in the accompanying financial statements. The derivative instruments are classified as Level 2 of the fair value hierarchy.

The following schedule shows debt service requirements of VCU and MCVH bonds payable hedged debt of $231.9

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 separately issued financial statements of the higher education institution.

| Maturity | Principal | Interest | Derivative Instruments, Net | Total |
|---|---|---|---|---|
| 2019 | $ 6,085,000 | $ 4,884,078 | $ 3,968,554 | $ 14,937,632 |
| 2020 | 6,385,000 | 4,736,762 | 3,860,149 | 14,981,911 |
| 2021 | 6,615,000 | 4,583,898 | 3,746,397 | 14,945,295 |
| 2022 | 6,915,000 | 4,424,427 | 3,628,518 | 14,967,945 |
| 2023 | 7,180,000 | 4,258,613 | 3,505,250 | 14,943,863 |
| 2024-2028 | 57,640,000 | 17,707,716 | 15,151,051 | 90,498,767 |
| 2029-2033 | 68,180,000 | 10,102,358 | 9,755,927 | 88,038,285 |
| 2034-2038 | 72,875,000 | 2,910,580 | 3,895,823 | 79,681,403 |
| Total | $ 231,875,000 | $ 53,608,432 | $ 47,511,669 | $ 332,995,101 |

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 separately issued financial statements of the foundations.

## 16. 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 from the Virginia Retirement System website at www.varetire.org.

### A. Administration

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

The Virginia Retirement System (VRS) is a qualified governmental retirement plan that administers three retirement benefit structures: Plan 1, Plan 2, and Hybrid Plan, for state employees, public school board employees, employees of participating political subdivisions, and other qualifying employees. VRS is a combination of mixed-agent and cost-sharing, multiple-employer retirement plans. Each plan's accumulated assets may legally be used to pay all the plan benefits provided to any of the plan's members, retirees, and beneficiaries. Contributions for fiscal year 2018 were $3.3 billion with a reserve balance available for benefits of $74.1 billion. As of June 30, 2018, the VRS had 835 contributing employers.

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

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

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

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

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

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

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

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

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

As required by Title 51.1 of the *Code of Virginia*, members contribute 5.0 percent of their annual compensation to the retirement plans. 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 2018 were $42.1 million, $32.6 million, and $91.3 million, and reserved balances available for benefits were $836.7 million, $544.2 million, and $1.4 billion, for SPORS, JRS, and VaLORS, respectively. State statute may be amended only by the General Assembly. To the extent that the employer's long-term obligation to provide pension benefits (total pension liability) is larger than the value of the assets available in the plan to pay these benefits (fiduciary net position), there is a net pension liability which is reported in the

accompanying financial statements as a component of Long-term Liabilities Due in More than One Year.

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

The following table provides participant information.

| | VRS | SPORS | VaLORS | JRS | 2018 Total |
|---|---|---|---|---|---|
| Retirees and Beneficiaries Receiving Benefits | 56,980 | 1,336 | 4,702 | 512 | 63,530 |
| Terminated Employees Entitled to Benefits but not Receiving Them | 11,654 | 129 | 762 | - | 12,545 |
| Total | 68,634 | 1,465 | 5,464 | 512 | 76,075 |
| Active Members: | | | | | |
| Vested | 53,743 | 1,591 | 5,001 | 332 | 60,667 |
| Non-Vested | 23,594 | 296 | 3,741 | 85 | 27,716 |
| Total | 77,337 | 1,887 | 8,742 | 417 | 88,383 |

## 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 2018 were based on the actuary's valuation as of June 30, 2015. Employer contributions by the Commonwealth to VRS, SPORS, VaLORS, and JRS were 13.5 percent, 28.5 percent, 21.1 percent, and 42.0 percent, respectively.

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

## E. Changes in Net Pension Liability

The total pension liability was determined based on the actuarial valuation as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. The following tables (dollars in thousands) show the Commonwealth's total pension liability, plan fiduciary net position, and net pension liability in total and individually for the VRS, SPORS, JRS, and VaLORS for the current and prior year.

## Primary Government

| | Totals (1) Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2017 | $ 16,249,940 | $ 11,376,579 | $ 4,873,361 |
| Changes for the year | | | |
| Service cost | 289,669 | - | 289,669 |
| Interest | 1,106,916 | - | 1,106,916 |
| Differences between actual and expected experience | (69,058) | - | (69,058) |
| Assumption changes | (68,267) | - | (68,267) |
| Contributions - employer | - | 424,183 | (424,183) |
| Contributions - member | - | 136,794 | (136,794) |
| Net investment income | - | 1,366,097 | (1,366,097) |
| Benefit payments, including refunds | (883,689) | (885,733) | 2,044 |
| Administrative expense | - | (9,373) | 9,373 |
| Other changes | - | (1,414) | 1,414 |
| Net changes | 375,571 | 1,030,554 | (654,983) |
| Balances at June 30, 2018 | $ 16,625,511 | $ 12,407,133 | $ 4,218,378 |

| | VRS Increase (Decrease) | | | SPORS Increase (Decrease) | | |
|---|---|---|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2017 | $ 12,708,223 | $ 9,060,058 | $ 3,648,165 | $ 1,086,958 | $ 730,688 | $ 356,270 |
| Changes for the year | | | | | | |
| Service cost | 205,224 | - | 205,224 | 18,880 | - | 18,880 |
| Interest | 866,283 | - | 866,283 | 74,042 | - | 74,042 |
| Differences between actual and expected experience | (47,657) | - | (47,657) | (5,327) | - | (5,327) |
| Assumption changes | 42,662 | - | 42,662 | (68,707) | - | (68,707) |
| Contributions - employer | - | 296,790 | (296,790) | - | 31,888 | (31,888) |
| Contributions - member | - | 111,633 | (111,633) | - | 5,701 | (5,701) |
| Net investment income | - | 1,088,556 | (1,088,556) | - | 87,265 | (87,265) |
| Benefit payments, including refunds | (683,414) | (688,556) | 5,142 | (58,444) | (58,444) | - |
| Administrative expense | - | (6,437) | 6,437 | - | (926) | 926 |
| Other changes | - | (966) | 966 | - | (99) | 99 |
| Net changes | 383,098 | 801,020 | (417,922) | (39,556) | 65,385 | (104,941) |
| Balances at June 30, 2018 | $ 13,091,321 | $ 9,861,078 | $ 3,230,243 | $ 1,047,402 | $ 796,073 | $ 251,329 |

| | JRS Increase (Decrease) | | | VaLORS Increase (Decrease) | | |
|---|---|---|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2017 | $ 621,605 | $ 467,389 | $ 154,216 | $ 1,833,154 | $ 1,118,426 | $ 714,728 |
| Changes for the year | | | | | | |
| Service cost | 22,144 | - | 22,144 | 43,377 | - | 43,377 |
| Interest | 42,081 | - | 42,081 | 124,510 | - | 124,510 |
| Differences between actual and expected experience | (14,774) | - | (14,774) | (1,339) | - | (1,339) |
| Assumption changes | 16,114 | - | 16,114 | (58,331) | - | (58,331) |
| Contributions - employer | - | 27,612 | (27,612) | - | 67,854 | (67,854) |
| Contributions - member | - | 3,272 | (3,272) | - | 16,176 | (16,176) |
| Net investment income | - | 56,029 | (56,029) | - | 134,241 | (134,241) |
| Benefit payments, including refunds | (40,895) | (40,895) | - | (100,936) | (97,838) | (3,098) |
| Administrative expense | - | (594) | 594 | - | (1,416) | 1,416 |
| Other changes | - | (64) | 64 | - | (285) | 285 |
| Net changes | 24,670 | 45,360 | (20,690) | 7,281 | 118,732 | (111,451) |
| Balances at June 30, 2018 | $ 646,275 | $ 512,749 | $ 133,526 | $ 1,840,435 | $ 1,237,158 | $ 603,277 |

(1) This table includes Total Pension Liability, Plan Fiduciary Net Position and Net Pension Liability of $78,295, $74,964 and $3,331, respectively, for the Hampton Roads Transportation Accountability Commission (Commission) (nonmajor governmental fund) which are not related to the VRS State Plan. The beginning balances have been restated for the inclusion of the Commission as discussed in Note 2.

## Component Units

| | Totals Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2017 | $ 10,402,834 | $ 7,400,804 | $ 3,002,030 |
| Changes for the year | | | |
| Service cost | 168,823 | - | 168,823 |
| Interest | 707,479 | - | 707,479 |
| Differences between actual and expected experience | (38,436) | - | (38,436) |
| Assumption changes | 29,177 | - | 29,177 |
| Contributions - employer | - | 244,596 | (244,596) |
| Contributions - member | - | 91,180 | (91,180) |
| Net investment income | - | 887,053 | (887,053) |
| Benefit payments, including refunds | (582,037) | (579,993) | (2,044) |
| Administrative expense | - | (5,299) | 5,299 |
| Other changes | - | (802) | 802 |
| Net changes | 285,006 | 636,735 | (351,729) |
| Balances at June 30, 2018 | $ 10,687,840 | $ 8,037,539 | $ 2,650,301 |

| | VRS Increase (Decrease) | | | VaLORS Increase (Decrease) | | |
|---|---|---|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2017 | $ 10,250,370 | $ 7,307,784 | $ 2,942,586 | $ 152,464 | $ 93,020 | $ 59,444 |
| Changes for the year | | | | | | |
| Service cost | 165,011 | - | 165,011 | 3,812 | - | 3,812 |
| Interest | 696,536 | - | 696,536 | 10,943 | - | 10,943 |
| Differences between actual and expected experience | (38,318) | - | (38,318) | (118) | - | (118) |
| Assumption changes | 34,303 | - | 34,303 | (5,126) | - | (5,126) |
| Contributions - employer | - | 238,634 | (238,634) | - | 5,962 | (5,962) |
| Contributions - member | - | 89,758 | (89,758) | - | 1,422 | (1,422) |
| Net investment income | - | 875,255 | (875,255) | - | 11,798 | (11,798) |
| Benefit payments, including refunds | (581,811) | (576,669) | (5,142) | (226) | (3,324) | 3,098 |
| Administrative expense | - | (5,175) | 5,175 | - | (124) | 124 |
| Other changes | - | (777) | 777 | - | (25) | 25 |
| Net changes | 275,721 | 621,026 | (345,305) | 9,285 | 15,709 | (6,424) |
| Balances at June 30, 2018 | $ 10,526,091 | $ 7,928,810 | $ 2,597,281 | $ 161,749 | $ 108,729 | $ 53,020 |

The amounts in the previous tables include governmental, business-type, and component unit activity for the Commonwealth's VRS State Plan and the fiduciary net pension liability of $67,324. Additionally, the primary government totals table includes non-VRS State Plan amounts for the Hampton Roads Transportation Accountability Commission (nonmajor governmental fund). All component unit tables exclude the non-VRS State Plan net pension liability of $38.4 million for all component units.

The 2016 actuarial valuations were prepared using the entry age normal cost method. The actuarial assumptions included (a) 7.0 percent investment rate of return, per year compounded annually; (b) projected salary increases ranging from 3.5 percent to 6.0 percent, including a 2.5 percent inflation component and (c) COLA of 2.5 percent for Plan 1 and 2.3 percent for Plan 2. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

## F. Changes to and Sensitivity of Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be based on the actuarially determined rates based on the Board's funding policy, which certifies the required rates under Title 51.1 of the *Code of Virginia*. Beginning on July 1, 2018, all agencies are assumed to contribute 100.0 percent of the actuarially determined contribution rates. Based on those assumptions, the fiduciary net position was projected to be available to make all of the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability. In accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25,* regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the employers' net pension liability for each of the plans calculated using the discount rate of 7.0 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.0 percent lower (6.0 percent) or 1.0 percent higher (8.0 percent) than the current rate. The following table (dollars in thousands) shows the Commonwealth's changes in the discount rate.

### Primary Government

| VRS | | | SPORS | | |
|---|---|---|---|---|---|
| Net Pension Liability | | | Net Pension Liability | | |
| 1.0% Decrease (6.0%) | Current Discount Rate (7.0%) | 1.0% Increase (8.0%) | 1.0% Decrease (6.0%) | Current Discount Rate (7.0%) | 1.0% Increase (8.0%) |
| $ 4,771,507 | $ 3,230,243 | $ 1,935,915 | $ 376,219 | $ 251,329 | $ 146,086 |

| JRS | | | VaLORS | | |
|---|---|---|---|---|---|
| Net Pension Liability | | | Net Pension Liability | | |
| 1.0% Decrease (6.0%) | Current Discount Rate (7.0%) | 1.0% Increase (8.0%) | 1.0% Decrease (6.0%) | Current Discount Rate (7.0%) | 1.0% Increase (8.0%) |
| $ 192,949 | $ 133,526 | $ 81,927 | $ 841,612 | $ 603,277 | $ 406,233 |

### Component Units

| VRS | | | VaLORS | | |
|---|---|---|---|---|---|
| Net Pension Liability | | | Net Pension Liability | | |
| 1.0% Decrease (6.0%) | Current Discount Rate (7.0%) | 1.0% Increase (8.0%) | 1.0% Decrease (6.0%) | Current Discount Rate (7.0%) | 1.0% Increase (8.0%) |
| $ 3,836,536 | $ 2,597,281 | $ 1,556,574 | $ 73,966 | $ 53,020 | $ 35,702 |

The long-term expected rate of return on the System's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocations are based on the Strategic Asset Allocation Implementation Schedule and Allowable Ranges document, which was approved by the VRS Board of Trustees on June 7, 2016. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation are summarized in the following table.

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|---|---|---|---|
| Public Equity | 40.0% | 4.5% | 1.8% |
| Fixed Income | 15.0% | 0.7% | 0.1% |
| Credit Strategies | 15.0% | 4.0% | 0.6% |
| Real Estate | 15.0% | 5.8% | 0.9% |
| Private Equity | 15.0% | 9.5% | 1.4% |
| Total | 100.0% | | 4.8% |
| | Inflation | | 2.5% |
| | Expected arithmetic nominal return | | 7.3% |

The allocation in the previous table provides a one-year expected return of 7.3 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the pension system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83 percent, including expected inflation of 2.5 percent.

## G. Pension Related Deferred Outflows and Deferred Inflows

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* requires certain pension related items to be reported as either deferred outflows or deferred inflows of resources. The following tables (dollars in thousands) summarize these amounts as of June 30, 2018, in total and by individual plan.

## Primary Government (1)

| | Totals (2) | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 8,618 | $ 133,144 |
| Changes of assumptions | 43,285 | 97,676 |
| Net difference between projected and actual earnings on plan investments | - | 172,478 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 105,110 | 115,634 |
| Employer contributions subsequent to the Measurement Date | 430,064 | - |
| Total | $ 587,077 | $ 518,932 |

| | VRS | | SPORS | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 6,851 | $ 97,806 | $ - | $ 15,615 |
| Changes of assumptions | 31,378 | - | - | 58,468 |
| Net difference between projected and actual earnings on plan investments | - | 137,999 | - | 10,690 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 85,776 | 93,497 | - | - |
| Employer contributions subsequent to the Measurement Date | 299,833 | - | 35,391 | - |
| Total | $ 423,838 | $ 329,302 | $ 35,391 | $ 84,773 |

| | JRS | | VaLORS | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ 18,208 | $ 1,767 | $ 1,515 |
| Changes of assumptions | 11,907 | - | - | 39,204 |
| Net difference between projected and actual earnings on plan investments | - | 7,089 | - | 16,698 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | - | - | 19,334 | 22,137 |
| Employer contributions subsequent to the Measurement Date | 28,118 | - | 66,648 | - |
| Total | $ 40,025 | $ 25,297 | $ 87,749 | $ 79,554 |

## Component Units (1) (3)

| | Totals | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 5,667 | $ 78,778 |
| Changes of assumptions | 25,226 | 3,447 |
| Net difference between projected and actual earnings on plan investments | - | 112,409 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 56,741 | 46,217 |
| Employer contributions subsequent to the Measurement Date | 249,752 | - |
| Total | $ 337,386 | $ 240,851 |

| | VRS | | VaLORS | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 5,513 | $ 78,644 | $ 154 | $ 134 |
| Changes of assumptions | 25,226 | - | - | 3,447 |
| Net difference between projected and actual earnings on plan investments | - | 110,942 | - | 1,467 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 53,052 | 45,331 | 3,689 | 886 |
| Employer contributions subsequent to the Measurement Date | 243,666 | - | 6,086 | - |
| Total | $ 327,457 | $ 234,917 | $ 9,929 | $ 5,934 |

(1) During fiscal year 2018, the Commonwealth recognized pension expense for the primary government and component units of $281,651 (dollars in thousands) and $198,834 (dollars in thousands), respectively.

(2) This table includes deferred outflows of resources and deferred inflows of resources of $74,066 and $6,301, respectively, for the Hampton Roads Transportation Accountability Commission (nonmajor governmental), not related to the VRS State Plan.

(3) The component unit amounts exclude deferred outflows of resources and deferred inflows of resources of $20,170 (dollars in thousands) and $16,542 (dollars in thousands), respectively, not related to the VRS State Plan.

**Deferred Amounts to be Recognized in Fiscal Years Following Reporting Date**

The following tables (dollars in thousands) provide the net estimated amount of the deferred inflows and deferred outflows of resources that will be recognized in the Commonwealth's pension expense for each of the next five fiscal years. These amounts exclude employer contributions made subsequent to the measurement date as those contributions will reduce the fiscal year 2019 net pension liability.

**Primary Government**

| | VRS | SPORS | JRS | VaLORS |
|---|---|---|---|---|
| 2019 | $ (129,137) | $ (21,337) | $ (9,934) | $ (31,036) |
| 2020 | 18,692 | (10,335) | 940 | (14,647) |
| 2021 | 1,571 | (13,773) | 341 | (868) |
| 2022 | (96,423) | (20,459) | (4,737) | (11,902) |
| 2023 | - | (11,033) | - | - |
| Thereafter | - | (7,836) | - | - |

**Component Units**

| | VRS | VaLORS |
|---|---|---|
| 2019 | $ (95,061) | $ (1,110) |
| 2020 | 13,760 | (524) |
| 2021 | 1,156 | (31) |
| 2022 | (70,981) | (426) |
| 2023 | - | - |

## H. Defined Contribution Plan for Political Appointees

Officers appointed by the Governor, officers elected by popular vote or the General Assembly, and executive branch chief deputies and confidential assistants may participate in the deferred contribution plan for Political Appointees, rather than the VRS. This optional retirement plan is authorized by the *Code of Virginia* and offered through the ICMA-RC. This is a defined contribution plan where the retirement benefits are based upon the Commonwealth's 12.3 percent and the employee's (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year ended June 30, 2018, the total contributions to this plan were $1.3 million. As of June 30, 2018, the amount to be paid to participants upon retirement is $15.2 million. Additionally, no assets are accumulated for this plan in a GASB-compliant trust.

The summary of significant accounting policies for the plan is in accordance with those discussed in Note 16.B.

## I. Defined Contribution Plan for Public School Superintendents

The Public School Superintendent Plan is a defined contribution pension plan that provides optional postemployment benefits for school superintendents. This plan is authorized by the *Code of Virginia*. The Board of Trustees of the System manages the investments of the fund as custodian. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school board for credit to the member. As of June 30, 2018, there were two participants in this plan. There were no contributions to the plan for fiscal year 2018.

## J. Virginia Supplemental Retirement Plan

The Public School Teacher Supplemental Retirement Plan is a defined contribution pension plan established by the Department of Education to provide an optional postemployment benefit plan for turnaround specialists in the public school system. This plan is utilized as an incentive to attract highly skilled teachers for participating public schools pursuant to Title 51.1-617 of 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 boards for credit to the members. As of June 30, 2018, there were two participants in this plan. There were no contributions to the plan for fiscal year 2018.

## K. Higher Education (Nonmajor Component Units)

The Commonwealth's colleges and universities participate in the retirement plans administered by VRS. In addition, full-time faculty and certain administrative staff of the Commonwealth's colleges and universities may participate in optional retirement plans as authorized by Section 51.1-126 of the *Code of Virginia* rather than the VRS retirement plans. These optional retirement plans are defined contribution plans offered through the Teachers Insurance and Annuity Association (TIAA), Fidelity Investments, and DCP. There are two defined contribution plans. Plan 1 is for employees hired prior to July 1, 2010, and retirement benefits received are based upon the employer's 10.4 percent contributions, plus net investment gains. Plan 2 is for employees hired on or after July 1, 2010, and retirement benefits received are based upon the employer's contribution, not to exceed 8.9 percent, and the employee's 5.0 percent contribution, plus net investment gains. For Plan 2, the employer contributions for fiscal year 2018 were 8.5 percent except for the University of Virginia (nonmajor) which were 8.9 percent. Vesting is full and immediate for both employer and employee contributions, except UVA employees hired after July 1, 2014 are fully vested in the UVA contributions after two years of continuous employment. For fiscal year 2018, total pension expense recognized was $158.2 million and

contributions were calculated using the base salary amount of $1.7 billion. As of June 30, 2018, the Commonwealth's colleges and universities had accrued $11.0 million in employer liabilities related to these plans.

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

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

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

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

**L. Other Component Units**

Note 1.B. outlines the component units included in the Commonwealth's reporting entity. The Virginia Public Building Authority (blended - primary government), the Virginia Public School Authority (major), the Virginia College Building Authority (major), and the Virginia School for the Deaf and Blind Foundation (nonmajor) have no employees. Virginia Resources Authority (major) and the following nonmajor component units participate in the retirement plans administered by VRS: the Virginia Economic Development Partnership, the Virginia Small Business Financing Authority, the Hampton Roads Sanitation District Commission, the Virginia Biotechnology Research Partnership Authority, the Virginia Tourism Authority, the Tobacco Region Revitalization Commission, the Virginia Foundation for Healthy Youth, and the Fort Monroe Authority.

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

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

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

The Virginia Port Authority (VPA) (nonmajor) maintains two defined benefit plans for its employees. Employees of record on July 1, 1997, had the option of continuing to maintain their benefit status as a State employee, and their benefits maintained under the VRS, or elect to be covered under a newly created pension plan (the VPA Defined Benefit Plan). The VPA Defined Benefit Plan covers all employees hired between July 1, 1997 and February 1, 2014. Employees hired after February 1, 2014, are eligible for a defined contribution plan only. On January 1, 2015, the plan was amended to add certain employees who transferred from (VIT), referred to as "Legacy VIT Participants, to the VPA. The Virginia International Terminals (VIT) (a blended component unit of VPA – nonmajor) has a Virginia International Terminals, LLC Pension Plan that is a single employer, noncontributory defined benefit pension plan administered by VIT. A stand-alone financial report is issued by VITPP and is available upon request from VPA's administrative offices. For information regarding these plans, see the Authority's website at www.portofvirginia.com.

Employees of the Virginia Museum of Fine Arts Foundation (nonmajor) who are age 21 or older are eligible to participate in the Employee's Savings Plan, a 401(k) defined contribution profit sharing plan. Also, the Foundation entered into a supplemental retirement agreement to pay a key employee of the Museum upon retirement the difference between the amount accrued under the VRS retirement plan, based on salary, and the amount based on the supplemental salary. For additional information regarding these plans, see the Foundation's separately issued financial statements.

The Science Museum of Virginia Foundation (nonmajor) has a 403(b) defined contribution pension plan through the TIAA-CREF Retirement Plan for employees meeting age and service requirements. For additional information regarding this plan, see the Foundation's separately issued financial statements.

## 17. 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 16 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 from the Virginia Retirement System website at www.varetire.org.

### 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 361,282 members participate in the program as of June 30, 2018.

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

An optional Group Life Insurance Fund was established for members covered under the group life program as a supplement to that plan. Members may purchase optional life insurance coverage for themselves, their spouses and/or their dependent children. The optional program provides natural death coverage equal to one, two, three or four times the member's annual compensation rounded to the next highest $1,000, up to a maximum of $750,000. Spouse coverage is available for up to one-half of the member's optional insurance amount. Minor children who are at least 15 days old can be insured for $10,000, $20,000 or $30,000, depending on the option chosen by the member. An additional accidental death and dismemberment benefit is payable for death or bodily injuries. Approximately 69,730 members were covered under this program as of June 30, 2018.

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*. 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 78,183 members were covered under the program as of June 30, 2018.

**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 2018, there was $50,000 appropriated for administration of the program. As of June 30, 2018, there were 1,780 workers participating in the fund.

## 18. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*, which requires additional reporting and disclosures for other postemployment benefit plans (OPEB plans). These statements became effective for Virginia Retirement System (System-administered) and Department of Human Resource Management administered (DHRM-administered) OPEB plans beginning with the fiscal year ended June 30, 2018.

### A. Virginia Retirement System (System-administered) OPEB Plans

#### 1) Administration and Significant Accounting Policies

The System-administered defined benefit OPEB plans mentioned below have a trust that meets the requirements in GASB Statement No. 75. In addition, the net OPEB liability for these plans have a measurement date of June 30, 2017. As previously mentioned, a separately issued financial report that includes financial statements, notes and required supplementary information for each of the System-administered plans discussed below is publicly available. Copies may be obtained from the Virginia Retirement System website at www.varetire.org.

The administration and significant accounting policies for the System-administered OPEB plans are the same as those described in Note 16 for pension plans.

#### 2) Plan Descriptions

**Retiree Health Insurance Credit Program**

The Retiree Health Insurance Credit Program is composed of a single-employer plan for state employees; a cost-sharing multiple-employer plan for teachers; three cost-sharing, multiple-employer plans for constitutional officers, social services employees and registrars; and an agent, multiple-employer plan for political subdivisions electing coverage. This note and the required supplementary information in this report is for the single-employer plan for state employees and also includes the state-funded noncontributing employer portion for constitutional officers, registrars, and their employees, as well as local social service employees.

The Retiree Health Insurance Credit (RHIC) for state employees provides benefits for retired state employees, state police officers, other state law enforcement, correctional officers, and judges who have at least 15 years of service credit under the retirement plans. 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. The program provides a credit reimbursement of $4 per month per year of service credit against the monthly health insurance premiums of eligible retirees. There is no cap on the credit. Certain eligible employees who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program are eligible for a credit not to exceed $120.

The following is the approximate number of employees covered by the RHIC plan for state employees on the measurement date of June 30, 2017:

| | RHIC for State Employees |
|---|---|
| Inactive employees currently receiving benefit payments | 44,658 |
| Inactive employees entitled to but not yet receiving benefit payments | 1,696 |
| Active employees | 107,840 |
| Total | 154,194 |

The health insurance credit plan for general registrars, constitutional officers, and their employees as well as local social service employees (RHIC Non-State) provides $1.50 per month per year of service with a maximum monthly credit of $45. The Commonwealth funds this credit. Benefit provisions and eligibility requirements are established by Title 51.1 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.

**Virginia Sickness and Disability Program**

The Virginia Sickness and Disability Program (VSDP) is a single-employer plan. It is also known as the Disability Insurance Trust Fund. The Commonwealth provides OPEB disability insurance benefits, in accordance with state statutes, to eligible retired and terminated employees. Eligible employees include state employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement and full-time and part-time, salaried state employees covered under VRS, SPORS, and VaLORS. 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. The following is the approximate number of employees covered by this plan on the measurement date of June 30, 2017:

| | VSDP |
|---|---|
| Inactive employees currently receiving benefit payments | 4,520 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Active employees | 75,410 |
| Total | 79,930 |

**Group Life Insurance Program**

The Group Life Insurance Program (GLI) is a cost-sharing, multiple employer plan. Members whose employers participate in the Group Life Insurance Program are covered automatically under the Basic Group Life Insurance Program upon employment. This program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including certain employers that do not participate in VRS for retirement. 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*. Participating employers and covered employees are required to contribute to the cost of group life insurance benefits. Employers may assume employees' contributions. A portion of the premium contributions collected during members' active careers is placed in an advance premium deposit reserve. This reserve is to fund the claims for eligible retired and deferred members.

**Line of Duty Act Program**

The Line of Duty Act Program (LODA) is a cost-sharing, multiple employer plan. It provides death and health insurance reimbursement benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. Benefit provisions and eligibility requirements are established by Title 9.1 of the *Code of Virginia*. The System is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in fiscal year 2012. The employer contribution rate was determined by the System's actuary using the anticipated costs and the number of covered individuals associated with all participating employers. Additionally, during fiscal year 2018, the Department of Human Resource Management administered the benefits and payment of claims under this program. The System manages the death benefit payments.

**3) Funding**

The contribution requirements are governed by the *Code of Virginia*, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employer contributions by the Commonwealth for the RHIC, and VSDP were 1.2 percent, and 0.7 percent, respectively, of covered employee compensation. In addition, the contributions by the Commonwealth for the RHIC: Non-State for general registrars, constitutional officers, and their employees, and local social service employees were approximately 0.4 percent.

The total contribution rate for the GLI was 1.3 percent allocated into an employee and an employer component using a 60/40 split. The employee component was 0.8 percent and the employer component was 0.5 percent. Each employer's contractually required employer contribution rate for the year ended June 30, 2018, was 0.5 percent of covered employee compensation. Each employer's contractually required employer contribution rate for the LODA for the year ended June 30, 2018, was $567.0 per covered full-time-equivalent employee.

All rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. For RHIC and GLI, the actuarially determined rate was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. For VSDP, the actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. For the LODA, the rate represents a pay-as-you-go funding rate and not the full actuarial cost of benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year.

Employer contributions by the Commonwealth to the RHIC, VSDP, GLI, LODA, and the RHIC Nonstate plans were $79.8 million, $26.2 million, $30.3 million, $6.4 million, and $3.5 million, respectively, for the year ended June 30, 2018.

**4) Changes in Net OPEB Liability and Proportionate Share of Net OPEB Liability**

The total OPEB liability for each plan was determined based on the actuarial valuation as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. The following tables (dollars in thousands) show the Commonwealth's total OPEB liability, plan fiduciary net position, and net OPEB liability (asset) for the RHIC and VSDP for the current and prior year, and the Commonwealth's proportionate share of the net OPEB liability for GLI, LODA, and RHIC Non-State plans. Since the VSDP has a net OPEB asset rather than a net OPEB liability, the net OPEB asset amount is not included in the total balance amount. The Commonwealth's Proportion for the GLI, LODA, and RHIC Non-State plans represents the percentage of the Commonwealth's share of Net OPEB Liability amount compared to the Net OPEB Liability amount for all employers of $1.5 billion, $262.8 million and $39.0 million, respectively.

## Primary Government

| | RHIC Increase (Decrease) | | | VSDP Increase (Decrease) | | |
|---|---|---|---|---|---|---|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (Asset) (1) (a) - (b) |
| Balances at June 30, 2017 | $ 415,435 | $ 28,891 | $ 386,544 | $ 149,053 | $ 252,350 | $ (103,297) |
| Changes for the year | | | | | | |
| Service cost | 8,089 | - | 8,089 | 17,254 | - | 17,254 |
| Interest | 28,031 | - | 28,031 | 9,783 | - | 9,783 |
| Benefit changes | - | - | - | - | - | - |
| Differences between actual and expected experience | - | - | - | - | - | - |
| Assumption changes | (5,144) | - | (5,144) | (10,835) | - | (10,835) |
| Contributions - employer | - | 31,572 | (31,572) | - | 14,931 | (14,931) |
| Contributions - member | - | - | - | - | - | - |
| Net investment income | - | 3,241 | (3,241) | - | 29,828 | (29,828) |
| Benefit payments | (29,973) | (29,973) | - | (18,598) | (18,598) | - |
| Third-party administrator charges | - | - | - | - | (4,332) | 4,332 |
| Administrative expense | - | (55) | 55 | - | (444) | 444 |
| Other changes | - | (230) | 230 | - | (33) | 33 |
| Net changes | 1,003 | 4,555 | (3,552) | (2,396) | 21,352 | (23,748) |
| Balances at June 30, 2018 | $ 416,438 | $ 33,446 | $ 382,992 | $ 146,657 | $ 273,702 | $ (127,045) |

| | Other Plans | |
|---|---|---|
| | Commonwealth's Proportion | Proportionate Share of Net OPEB Liability |
| Group Life Insurance | 14.8% | $ 222,442 |
| Line of Duty Act | 58.0% | 152,466 |
| Retiree Health Insurance Credit: Non-State | 100.0% | 38,977 |
| Balance at June 30, 2018 | | $ 413,885 |
| Total balance at June 30, 2018: (excludes VSDP net OPEB asset) (1) (2) | | $ 796,877 |

## Component Units

| | RHIC Increase (Decrease) | | | VSDP Increase (Decrease) | | |
|---|---|---|---|---|---|---|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (Asset) (1) (a) - (b) |
| Balances at June 30, 2017 | $ 572,206 | $ 39,794 | $ 532,412 | $ 91,833 | $ 155,476 | $ (63,643) |
| Changes for the year | | | | | | |
| Service cost | 11,142 | - | 11,142 | 10,630 | - | 10,630 |
| Interest | 38,610 | - | 38,610 | 6,027 | - | 6,027 |
| Benefit changes | - | - | - | - | - | - |
| Differences between actual and expected experience | - | - | - | - | - | - |
| Assumption changes | (7,085) | - | (7,085) | (6,676) | - | (6,676) |
| Contributions - employer | - | 43,486 | (43,486) | - | 9,199 | (9,199) |
| Contributions - member | - | - | - | - | - | - |
| Net investment income | - | 4,465 | (4,465) | - | 18,378 | (18,378) |
| Benefit payments | (41,283) | (41,283) | - | (11,458) | (11,458) | - |
| Third-party administrator charges | - | - | - | - | (2,669) | 2,669 |
| Administrative expense | - | (76) | 76 | - | (273) | 273 |
| Other changes | - | (316) | 316 | - | (21) | 21 |
| Net changes | 1,384 | 6,276 | (4,892) | (1,477) | 13,156 | (14,633) |
| Balances at June 30, 2018 | $ 573,590 | $ 46,070 | $ 527,520 | $ 90,356 | $ 168,632 | $ (78,276) |

| | Other Plans | |
|---|---|---|
| | Commonwealth's Proportion | Proportionate Share of Net OPEB Liability |
| Group Life Insurance | 15.5% | $ 233,945 |
| Line of Duty Act | 2.9% | 7,598 |
| Balance at June 30, 2018 | | $ 241,543 |
| Total balance at June 30, 2018: (excludes VSDP net OPEB asset) (1) (3) | | $ 769,063 |

(1) The VSDP net OPEB asset is included in Other Restricted Assets in the accompanying government-wide financial statements.
(2) The primary government's aggregate OPEB liability is $1,557,428 (dollars in thousands) as of June 30, 2018. This includes amounts for both the VRS-administered and DHRM-administered plans.
(3) The component unit's aggregate OPEB liability is $1,423,233 (dollars in thousands) as of June 30, 2018. This includes amounts for both the VRS-administered and DHRM-administered plans as well as other OPEB plans.

The amounts in the previous tables include governmental, business-type, and component unit activity for the Commonwealth's VRS OPEB plans. The table excludes other net OPEB liability amounts of $14.7 million for all other component units and includes the fiduciary net OPEB liability of $11,897.

The net OPEB liabilities were based on an actuarial valuation as of June 30, 2016, using the entry age normal actuarial cost method. The actuarial assumptions included the following: (a) investment rate of return, net of OPEB plan investment expenses, including inflation: 7.0 percent for RHIC, VSDP, and GLI, and 3.6 percent for LODA; and (b) projected salary increases, including a 2.5 percent inflation component, ranging from 3.5 percent to 5.4 percent for VRS state, JRS, SPORS, and VaLORS employees.

For more detailed actuarial information, refer to the Virginia Retirement System's financial statements, including the "Actuarial Assumptions and Methods – Other Post-Employment Benefit Plan Funds" section.

**5) Changes to and Sensitivity of Discount Rate**

The discount rate used to measure the total OPEB liability was 7.0 percent for the prefunded plans. These include the Group Life Insurance Program, the Retiree Health Insurance Credit Program, and the Disability Insurance Program. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be based on the actuarially determined rates based on the Board's funding policy, which certifies the required rates under Title 51.1 of the *Code of Virginia*. Based on those assumptions, the fiduciary net position was projected to be available to make all of the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of the projected benefit payments to determine the total OPEB liability. In accordance with GASB Statement No. 75 regarding the disclosure of the sensitivity of the net OPEB liability to changes in the discount rate, the table below presents the employers' net OPEB liability for each of the plans calculated using the discount rate of 7.0 percent, as well as what the employers' net OPEB liability would be if it were calculated using a discount rate that is 1.0 percent lower (6.0 percent) or 1.0 percent higher (8.0 percent) than the current rate. The Line of Duty Act Program is funded on a pay-as-you-go basis. As a result, the liabilities are valued using a discount rate of 3.6 percent, which approximates the risk-free rate of return. The following table (dollars in thousands) shows the Commonwealth's changes in the discount rate and the healthcare trend rate.

## Primary Government

**Changes in Discount Rate**

| RHIC | | | VSDP | | |
|---|---|---|---|---|---|
| Net OPEB Liability | | | Net OPEB Liability (Asset) (1) | | |
| 1.0% Decrease (6.0%) | Current Discount Rate (7.0%) | 1.0% Increase (8.0%) | 1.0% Decrease (6.0%) | Current Discount Rate (7.0%) | 1.0% Increase (8.0%) |
| $ 423,493 | $ 382,992 | $ 348,166 | $ (120,921) | $ (127,045) | $ (137,666) |

| GLI | | | LODA | | |
|---|---|---|---|---|---|
| Proportionate Share of Net OPEB Liability | | | Proportionate Share of Net OPEB Liability | | |
| 1.0% Decrease (6.0%) | Current Discount Rate (7.0%) | 1.0% Increase (8.0%) | 1.0% Decrease (2.6%) | Current Discount Rate (3.6%) | 1.0% Increase (4.6%) |
| $ 287,706 | $ 222,442 | $ 169,535 | $ 172,885 | $ 152,466 | $ 135,388 |

| Changes in Discount Rate | | | Changes in Healthcare Cost Trend Rates | | |
|---|---|---|---|---|---|
| RHIC: Non-State | | | LODA | | |
| Proportionate Share of Net OPEB Liability | | | Proportionate Share of Net OPEB Liability | | |
| 1.0% Decrease (6.0%) | Current Discount Rate (7.0%) | 1.0% Increase (8.0%) | 1.0% Decrease (6.8% decreasing to 4.0%) | Healthcare Cost Trend Rates (7.8% decreasing to 5.0%) | 1.0% Decrease (8.8% decreasing to 6.0%) |
| $ 43,394 | $ 38,977 | $ 35,210 | $ 129,369 | $ 152,466 | $ 181,093 |

## Component Units

**Changes in Discount Rate**

| RHIC | | | VSDP | | |
|---|---|---|---|---|---|
| Net OPEB Liability | | | Net OPEB Liability (Asset) (1) | | |
| 1.0% Decrease (6.0%) | Current Discount Rate (7.0%) | 1.0% Increase (8.0%) | 1.0% Decrease (6.0%) | Current Discount Rate (7.0%) | 1.0% Increase (8.0%) |
| $ 583,305 | $ 527,520 | $ 479,552 | $ (74,501) | $ (78,276) | $ (84,818) |

| GLI | | | LODA | | |
|---|---|---|---|---|---|
| Proportionate Share of Net OPEB Liability | | | Proportionate Share of Net OPEB Liability | | |
| 1.0% Decrease (6.0%) | Current Discount Rate (7.0%) | 1.0% Increase (8.0%) | 1% Decrease (2.6%) | Current Discount Rate (3.6%) | 1.0% Increase (4.6%) |
| $ 302,584 | $ 233,945 | $ 178,303 | $ 8,616 | $ 7,598 | $ 6,747 |

**Changes in Healthcare Cost Trend Rates**

| LODA | | |
|---|---|---|
| Proportionate Share of Net OPEB Liability | | |
| 1.0% Decrease (6.8% decreasing to 4.0%) | Healthcare Cost Trend Rates (7.8% decreasing to 5.0%) | 1.0% Increase (8.8% decreasing to 6.0%) |
| $ 6,447 | $ 7,598 | $ 9,025 |

(1) The VSDP net OPEB asset is included in Other Restricted Assets in the accompanying government-wide financial statements.

The long-term expected rate of return on the System's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocations are based on the Strategic Asset Allocation Implementation Schedule and Allowable Ranges document, which was approved by the VRS Board of Trustees on June 7, 2016. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation are summarized in the following table.

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|---|---|---|---|
| Public Equity | 40.0% | 4.5% | 1.8% |
| Fixed Income | 15.0% | 0.7% | 0.1% |
| Credit Stratgies | 15.0% | 4.0% | 0.6% |
| Real Assets | 15.0% | 5.8% | 0.9% |
| Private Equity | 15.0% | 9.5% | 1.4% |
| Total | 100.0% | | 4.8% |
| | | Inflation | 2.5% |
| | | Expected arithmetic nominal return | 7.3% |

The allocation in the previous table provides a one-year expected return of 7.3 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the pension system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.8 percent, including expected inflation of 2.5 percent.

The long-term expected rate of return on the LODA OPEB Program's investments was set at 3.6 percent for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.0 percent assumption. Instead, the assumed annual rate of return of 3.6 percent was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

## 6) OPEB Related Deferred Outflows and Deferred Inflows

GASB Statement No. 75 requires certain OPEB related items to be reported as either deferred outflows or deferred inflows of resources. The following tables (dollars in thousands) summarize these amounts as of June 30, 2018, in total and by individual plan.

## Primary Government (3)

| | Totals (1) | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ 35,519 |
| Changes of assumptions | - | 202,938 |
| Net difference between projected and actual earnings on plan investments | - | 19,614 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 23,690 | 37,464 |
| Employer contributions subsequent to the Measurement Date | 73,793 | - |
| Amounts associated with transactions subsequent to the Measurement Date | 20,169 | - |
| Total | $ 117,652 | $ 295,535 |

| | RHIC | | VSDP | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ - | $ - | $ - |
| Changes of assumptions | - | 4,331 | - | 9,529 |
| Net difference between projected and actual earnings on plan investments | - | 925 | - | 9,966 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 3,182 | 9,627 | 1,628 | 1,635 |
| Employer contributions subsequent to the Measurement Date | 33,421 | - | 16,273 | - |
| Total | $ 36,603 | $ 14,883 | $ 17,901 | $ 21,130 |

| | GLI | | LODA | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ 4,929 | $ - | $ - |
| Changes of assumptions | - | 11,460 | - | 15,743 |
| Net difference between projected and actual earnings on plan investments | - | 8,364 | - | 265 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 2,156 | 6,473 | 4,899 | 2,694 |
| Employer contributions subsequent to the Measurement Date | 14,479 | - | 6,105 | - |
| Total | $ 16,635 | $ 31,226 | $ 11,004 | $ 18,702 |

| | RHIC: Non-State | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ - |
| Changes of assumptions | - | 637 |
| Net difference between projected and actual earnings on plan investments | - | 94 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 564 | 564 |
| Employer contributions subsequent to the Measurement Date | 3,515 | - |
| Total | $ 4,079 | $ 1,295 |

## Component Units (2) (3)

| | Totals (1) | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ 26,842 |
| Changes of assumptions | - | 138,769 |
| Net difference between projected and actual earnings on plan investments | - | 16,262 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 23,344 | 12,477 |
| Employer contributions subsequent to the Measurement Date | 72,456 | - |
| Amounts associated with transactions subsequent to the Measurement Date | 14,277 | - |
| Total | $ 110,077 | $ 194,350 |

| | RHIC | | VSDP | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ - | $ - | $ - |
| Changes of assumptions | - | 5,929 | - | 5,870 |
| Net difference between projected and actual earnings on plan investments | - | 1,306 | - | 6,144 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 10,849 | 4,404 | 893 | 886 |
| Employer contributions subsequent to the Measurement Date | 46,381 | - | 9,946 | - |
| Total | $ 57,230 | $ 11,639 | $ 10,839 | $ 12,900 |

| | GLI | | LODA | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ 5,189 | $ - | $ - |
| Changes of assumptions | - | 12,051 | - | 787 |
| Net difference between projected and actual earnings on plan investments | - | 8,803 | - | 9 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 1,718 | 2,527 | 333 | 319 |
| Employer contributions subsequent to the Measurement Date | 15,870 | - | 259 | - |
| Total | $ 17,588 | $ 28,570 | $ 592 | $ 1,115 |

(1) These tables aggregate the deferred inflows of resources and deferred outflows of resources for both the VRS-administered and DHRM-administered plans.

(2) The component unit amounts in the accompanying financial statements include deferred outflows of resources and deferred inflows of resources of $2,592 (dollars in thousands) and $2,657 (dollars in thousands), respectively, for other OPEB plans.

(3) Additionally, during fiscal year 2018, the Commonwealth recognized OPEB expense for the primary government and component units of $61,538 (dollars in thousands) and $56,791 (dollars in thousands), respectively, for the VRS-administered OPEB plans.

**Deferred Amounts to be Recognized in Fiscal Years Following Reporting Date**

The following tables (dollars in thousands) provide the net estimated amount of the deferred inflows and deferred outflows of resources that will be recognized in the Commonwealth's OPEB expense for each of the next five fiscal years and thereafter. These amounts exclude employer contributions made subsequent to the measurement date as those contributions will reduce the fiscal year 2019 net OPEB liability (asset).

**Primary Government**

| | RHIC | VSDP | GLI | LODA |
|---|---|---|---|---|
| 2019 | $ (2,367) | $ (3,800) | $ (5,988) | $ (1,732) |
| 2020 | (2,367) | (3,800) | (5,988) | (1,732) |
| 2021 | (2,367) | (3,800) | (5,988) | (1,732) |
| 2022 | (2,366) | (3,801) | (5,988) | (1,733) |
| 2023 | (1,844) | (1,307) | (3,530) | (1,677) |
| Thereafter | (390) | (2,994) | (1,588) | (5,197) |

| | RHIC: Non-State |
|---|---|
| 2019 | $ (137) |
| 2020 | (137) |
| 2021 | (137) |
| 2022 | (135) |
| 2023 | (111) |
| Thereafter | (74) |

**Component Units**

| | RHIC | VSDP | GLI | LODA |
|---|---|---|---|---|
| 2019 | $ (160) | $ (2,339) | $ (5,531) | $ (98) |
| 2020 | (160) | (2,339) | (5,531) | (98) |
| 2021 | (160) | (2,339) | (5,531) | (98) |
| 2022 | (160) | (2,340) | (5,531) | (98) |
| 2023 | (125) | (805) | (3,261) | (95) |
| Thereafter | (25) | (1,845) | (1,467) | (295) |

## B. Department of Human Resource Management (DHRM-administered) OPEB Plan

### 1) Administration

The DHRM-administered defined benefit OPEB plan mentioned below does not have a trust that meets the requirements of GASB Statement No. 75. In addition, the total OPEB liability for this plan has a measurement date of June 30, 2017. A separately issued financial report for this DHRM-administered OPEB plan is not available.

### 2) Plan Description

The Commonwealth provides a Pre-Medicare Retiree Healthcare (PMRH) plan established by Title 2.2 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. For a retiree to participate in the PMRH 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 Health Care Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 5,600 retirees and 91,000 active employees in the program in fiscal year 2017. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits

### 3) Funding

The employer does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the employer effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

## 4) Changes in Total OPEB Liability

The PMRH total OPEB liability of $1.3 billion as of June 30, 2018, was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2017. The following tables (dollars in thousands) show the Commonwealth's total OPEB liability for the current and prior year:

### Primary Government

| | PMRH Increase (Decrease) Total OPEB Liability |
|---|---|
| Balances at June 30, 2017 | $ 917,016 |
| Changes for the year | |
| Service cost | 68,289 |
| Interest cost | 27,723 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | (36,224) |
| Changes of assumptions | (190,932) |
| Benefit payments | (25,321) |
| Net change | (156,465) |
| Balances at June 30, 2018 | $ 760,551 |

### Component Units

| | PMRH Increase (Decrease) Total OPEB Liability |
|---|---|
| Balances at June 30, 2017 | $ 649,106 |
| Changes for the year | |
| Service cost | 48,338 |
| Interest | 19,623 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | (25,641) |
| Changes of assumptions | (135,150) |
| Benefit payments | (17,923) |
| Net change | (110,753) |
| Balances at June 30, 2018 | $ 538,353 |

The amounts in the previous tables include governmental, business-type, and component unit activity for the DHRM-administered OPEB plan. The table excludes the non-DHRM OPEB plans' total OPEB liability of $101.1 million for all other component units and includes the fiduciary OPEB liability of $9,080.

The PMRH total OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2017. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 8.6 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 5.0 percent for medical and pharmacy and 4.0 percent for dental.

**Actuarial Assumptions and Methods**
Valuation Date of June 30, 2017

| | |
|---|---|
| Measurement Date | June 30, 2017 (one year prior to the end of the fiscal year) |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level dollar, Closed |
| Effective Amortization Period | 6.43 years |
| Discount Rate | 3.6% |
| Projected Salary Increases | 4.0% |
| Medical Trend Under 65 | Medical & Rx: 8.6% to 5.0% Dental: 4.0%<br>Before reflecting excise tax |
| Year of Ultimate Trend | 2025 |
| Mortality | Mortality rates vary by participant status |
| Pre-Retirement: | RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85.0% of rates; females setback 1 year |
| Post-Retirement | RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85 |
| Post-Disablement: | RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115.0% of rates; females 130.0% of rates |

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2017. The inflation rate used was 2.3 percent per year and there were no ad hoc postemployment benefit changes used to measure the total OPEB liability.

**Changes of Assumptions**

The following assumptions were updated since the June 30, 2016 valuation based on the results of a Virginia Retirement System actuarial experience study performed for the period of July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates – updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates – lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates – adjusted rates to better fit experience at each year age and service through 9 years of service

The discount rate was increased from 2.9 percent to 3.6 percent based on the Bond Buyers GO 20 Municipal Bond Index. Spousal coverage was reduced from 70.0 percent to 50.0 percent based on a blend of recent spousal coverage election rates and the prior year assumption. Based on the 2017 census, new retirees since January 1, 2015 have chosen to cover their spouses approximately 20.0 percent of the time. However, active employees cover their spouses at a rate close to 53.0 percent.

## 5) Changes to and Sensitivity of Discount Rate

The following table (dollars in thousands) shows the Commonwealth's changes in discount rate and the healthcare cost trend rates.

### Primary Government

**Changes in Discount Rate**

| PMRH | | |
|---|---|---|
| Total OPEB Liability | | |
| 1.0% Decrease (2.6%) | Current Discount Rate (3.6%) | 1.0% Increase (4.6%) |
| $ 814,724 | $ 760,551 | $ 708,648 |

**Changes in Healthcare Cost Trend Rates**

| PMRH | | |
|---|---|---|
| Total OPEB Liability | | |
| 1.0% Decrease (7.6% decreasing to 4.0%) | Healthcare Cost Trend Rates (8.6% decreasing to 5.0%) | 1.0% Increase (9.6% decreasing to 6.0%) |
| $ 676,698 | $ 760,551 | $ 858,853 |

### Component Units

**Changes in Discount Rate**

| PMRH | | |
|---|---|---|
| Total OPEB Liability | | |
| 1.0% Decrease (2.6%) | Current Discount Rate (3.6%) | 1.0% Increase (4.6%) |
| $ 576,699 | $ 538,353 | $ 501,613 |

**Changes in Healthcare Cost Trend Rates**

| PMRH | | |
|---|---|---|
| Total OPEB Liability | | |
| 1.0% Decrease (7.6% decreasing to 4.0%) | Healthcare Cost Trend Rates (8.6% decreasing to 5.0%) | 1.0% Increase (9.6% decreasing to 6.0%) |
| $ 478,998 | $ 538,353 | $ 607,936 |

## 6) OPEB Related Deferred Outflows and Deferred Inflows

The following tables (dollars in thousands) summarize the OPEB related items reported as deferred outflows or deferred inflows of resources:

### Primary Government (2)

| | PMRH | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ 30,590 |
| Changes of assumptions | - | 161,238 |
| Changes in proportion | 11,261 | 16,471 |
| Amounts associated with transactions subsequent to the Measurement Date | 20,169 | - |
| Total | $ 31,430 | $ 208,299 |

### Component Units (1) (2)

| | PMRH | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ 21,653 |
| Changes of assumptions | - | 114,132 |
| Changes in proportion | 9,551 | 4,341 |
| Amounts associated with transactions subsequent to the Measurement Date | 14,277 | - |
| Total | $ 23,828 | $ 140,126 |

(1) The component unit amounts exclude deferred outflows of resources and deferred inflows of resources of $938,173 and $6.4 million, respectively, for other OPEB plans.

(2) Additionally, during fiscal year 2018, the Commonwealth recognized OPEB expense for the primary government and component units of $59,725 (dollars in thousands) and $43,915 (dollars in thousands), respectively, for the DHRM-administered OPEB plan.

### Deferred Amounts to be Recognized in Fiscal Years Following Reporting Date

The following tables (dollars in thousands) provide the net estimated amount of the deferred inflows and deferred outflows of resources that will be recognized in the Commonwealth's OPEB expense for each of the next five fiscal years and thereafter. These amounts exclude amounts associated with transactions subsequent to the measurement date as those will reduce the fiscal year 2019 total OPEB liability.

**Primary Government**

| | PMRH |
|---|---|
| 2019 | $ (36,287) |
| 2020 | (36,287) |
| 2021 | (36,287) |
| 2022 | (36,287) |
| 2023 | (36,287) |
| Thereafter | (15,603) |

**Component Units**

| | PMRH |
|---|---|
| 2019 | $ (24,047) |
| 2020 | (24,047) |
| 2021 | (24,047) |
| 2022 | (24,047) |
| 2023 | (24,047) |
| Thereafter | (10,340) |

**7) Other OPEB Plans**

**Higher Education**

The University of Virginia (nonmajor component unit) has a Retiree Health Plan that covers employees who retire before becoming eligible for Medicare. In addition, an Optional Retirement Life Insurance Plan is offered to University faculty and Medical Center employees who participate in the Optional Retirement Plans. For these OPEB plans, the University reported a total OPEB liability of $101.1 million, deferred outflows of resources of $938,173, and deferred inflows of resources of $6.4 million as of June 30, 2018. Additional information on these plans can be found at the University's website at www.virginia.edu.

**Other Component Units**

The Virginia Housing Development Authority (major component unit) offers a medical, dental, and vision benefit plan, and reports deferred outflows of resources of $2,574 and deferred inflows of resources of $1,937 as of June 30, 2018.

The Virginia Resource Authority (major component unit) offers an optional Retirement Life Insurance Plan for those employees who choose to participate. The Authority reports a total OPEB liability of $110,000, deferred outflows of resources of $6,774, and deferred inflows of resources of $12,000 as of June 30, 2018.

The Virginia Port Authority (nonmajor component unit) offers medical and dental benefits for retirees. The Authority reports a total OPEB liability of $1.3 million and deferred inflows of resources of $655 as of June 30, 2018.

Hampton Roads Sanitation District (nonmajor component unit) offers a health and dental benefit plan for those employees who choose to participate. The District reports a total OPEB liability of $13,173 and deferred inflows of resources of $692 as of June 30, 2018.

The Virginia Biotechnology Research Partnership Authority (nonmajor component unit) offers an Optional Retirement Life Insurance Plan for those employees who choose to participate. The Authority reports a total OPEB liability of $43,000, deferred outflows of resources of $5,912, and deferred inflows of resources of $5,000 as of June 30, 2018.

## 19. 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 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 70½ or later. Since the System has no fiduciary relationship with plan participants, plan assets as of June 30, 2018, of $2.7 billion are not included in the accompanying 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 as of June 30, 2018, was $456.6 million, which is also excluded from the accompanying 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 2018 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 $13.4 million for fiscal year 2018.

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 $4.3 million for fiscal year 2018. The University of Virginia provides executive deferred compensation retirement benefits for certain officers and executives of the University and the University Medical Center. The University makes contributions on behalf of each participant each plan year as determined by the Board of Visitors. The University contributed $1.9 million to these accounts for fiscal year 2018.

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

The Virginia Port Authority (VPA) (nonmajor component unit) offers three deferred compensation plans and two matching savings plans under Internal Revenue Code Sections 457 and 401(a), respectively. For additional information, please see the Authority's website at www.portofvirginia.com.

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.

## 20. 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 Treasury Board is responsible for the oversight of SNAP, procuring the following services: investment management, program administration, arbitrage rebate and calculation, and custodial and depository services. The Commonwealth does not have fiduciary responsibility for SNAP.

The SNAP fund is a local government investment pool. 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 $2.7 billion are not included in the financial statements.

## 21. COMMITMENTS

### A. Construction Projects

#### Primary Government

#### Highway Projects

As of June 30, 2018, the Department of Transportation had contractual commitments of approximately $3.2 billion for construction of various highway projects. Funding for these expenditures is expected to be provided as follows: (1) Federal funds – approximately 31.3 percent or $999.0 million, (2) State funds – approximately 47.7 percent or $1.5 billion, and (3) Proceeds from Bonds – approximately 21.0 percent or $673.0 million.

#### Mass Transit Projects

As of June 30, 2018, the Department of Rail and Public Transportation had contractual commitments of approximately $317.8 million for various public transportation, rail preservation, and rail enhancement projects. Funding of the future expenditures is expected to be as follows: 1) State funds – approximately 93.0 percent or $295.6 million, and 2) Federal funds – approximately 7.0 percent or $22.2 million.

#### Wastewater Treatment Projects

As of June 30, 2018, 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 $10.7 million provided by bond proceeds and the Water Quality Improvement Fund.

#### Other Construction Projects

As of June 30, 2018, the Department of General Services had construction commitments of approximately $22.9 million.

As of June 30, 2018, the Department of Behavioral Health and Developmental Services had construction contractual commitments of approximately $22.5 million.

As of June 30, 2018, the Department of Forensic Science had contractual commitments of approximately $6.6 million and non-contractual commitments of $5.6 million for construction projects.

As of June 30, 2018, the Department of Corrections had construction commitments of approximately $12.0 million.

As of June 30, 2018, the Department of Veterans Services had construction commitments of approximately $13.6 million.

**Component Units**

**Port Projects**

As of June 30, 2018, the Virginia Port Authority (nonmajor) was committed to construction contracts totaling $315.2 million.

**Wallops Island Project**

As of June 30, 2018, the Virginia Commercial Space Flight Authority (nonmajor) was committed to construction programs totaling $20.3 million, approximately $5.3 million of which will be reimbursable under separate private and federal contract agreements and approximately $11.5 million of which will be reimbursable under the $20.0 million appropriation for additional MARS facilities from the Commonwealth.

**Treatment Plant**

As of June 30, 2018, the Hampton Roads Sanitation District Commission (nonmajor) was committed to construction contracts totaling $106.2 million.

**Higher Education Institutions**

Colleges and universities (nonmajor) had contractual commitments as of June 30, 2018, of approximately $1.6 billion. Higher education foundations' commitments total approximately $93.9 million. These 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, 2018, was $73.7 million for governmental activities (including internal service funds) and $27.5 million for business-type activities. Rental expense for the discrete component units (excluding foundations) for the year ended June 30, 2018, was $100.4 million. The Commonwealth has, as of June 30, 2018, the following minimum rental payments due under the above leases (dollars in thousands):

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Component Units (1) |
| 2019 | $ 69,496 | $ 26,792 | $ 67,553 |
| 2020 | 59,567 | 23,590 | 52,519 |
| 2021 | 48,707 | 19,787 | 41,652 |
| 2022 | 50,076 | 15,275 | 33,761 |
| 2023 | 33,403 | 10,442 | 27,965 |
| 2024-2028 | 73,839 | 20,012 | 57,881 |
| 2029-2033 | 4,462 | - | 5,322 |
| 2034-2038 | 942 | - | 1,475 |
| 2039-2043 | 25 | - | 900 |
| 2044-2048 | 25 | - | 900 |
| 2049-2053 | 10 | - | 900 |
| 2054-2058 | - | - | 450 |
| Total | $ 340,552 | $ 115,898 | $ 291,278 |

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

| | Foundations (2) |
|---|---|
| 2019 | $ 8,379 |
| 2020 | 7,607 |
| 2021 | 6,551 |
| 2022 | 5,532 |
| 2023 | 5,083 |
| Thereafter | 60,808 |
| Total | $ 93,960 |

Note (2): Foundations represent FASB reporting entities defined in Note 1.B. Rental expense for the year ended June 30, 2018, was approximately $7.2 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, as of June 30, 2018, amounted to $13.6 billion.

## D. Virginia Transportation Infrastructure Bank

Section 33.2-1500 of the *Code of Virginia* states the Virginia Transportation Infrastructure Bank is intended to help alleviate a critical financing need for present and future highways within the Commonwealth. This includes toll facilities; mass transit; freight, passenger, and commuter rail; and port, airport and other transportation facilities. $154.9 million represents loans to the City of Chesapeake for the Dominion Boulevard Project and Loudoun County for the Pacific Boulevard Project that is included in Loans Receivable in the accompanying statements. The Chesapeake Bay Bridge and Tunnel District for the Parallel Thimble Shoal Tunnel, the City of Alexandria for the Potomac Yard Metrorail Station, and 95 Express Lanes LLC

for the 395 Express Lanes Northern Extension loans have been approved, but no disbursements were made as of June 30, 2018. All loans are coordinated through the Virginia Resources Authority (major component unit).

### E. Tobacco Grants

The Tobacco Region Revitalization Commission (nonmajor component unit) had $107.2 million in grant award commitments not reflected in the accompanying financial statements since eligibility requirements were not met as of June 30, 2018, in accordance with GASB Statement No. 33.

### F. Other Commitments

**Primary Government**

As of June 30, 2018, the Department of Behavioral Health and Developmental Services had contractual commitments of approximately $52.5 million.

As of June 30, 2018, the Department of Corrections had contractual commitments of approximately $207.8 million and non-contractual commitments of approximately $470.8 million for detention services and medical care.

As of June 30, 2018, the Virginia Department of Health had commitments of approximately $24.9 million to localities, trauma centers, grants to rescue squads, and water supply assistance grants.

As of June 30, 2018, the Department of Motor Vehicles had contractual commitments of approximately $47.3 million for security technology services.

As of June 30, 2018, the Virginia Department of Transportation had contractual commitments of approximately $1.3 billion for individual contracts awarded with a contract value of $1.0 million or more for operational services, facilities, tolling services and other non-highway construction type contracts.

As of June 30, 2018, the Virginia Employment Commission had contractual commitments of approximately $8.6 million for information systems modernization projects.

As of June 30, 2018, the Department of Environmental Quality had commitments of approximately $4.7 million for reimbursement claims for cleanup of leaking underground storage tanks.

As of June 30, 2018, the Department of Military Affairs had commitments of approximately $5.2 million for environmental service contracts.

As of June 30, 2018, the Enterprise Applications (internal service fund) had $12.0 million in contractually obligated commitments for the Human Capital Management replacement project.

The Virginia College Savings Plan (major enterprise fund) administers the Prepaid529 Program. As of June 30, 2018, the Program had $187.7 million in private equity commitments.

The Virginia Wireless E-911 (nonmajor enterprise fund) had $7.8 million in outstanding grants awarded but not yet disbursed to localities as of June 30, 2018, 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 $676.7 million in commitments to fund new loans not reflected in the accompanying financial statements since eligibility requirements were not met as of June 30, 2018, in accordance with GASB Statement No. 33.

The Virginia Small Business Financing Authority (nonmajor) had $6.6 million in loan commitments to banks and borrowers not reflected in the accompanying financial statements since eligibility requirements were not met as of June 30, 2018, in accordance with GASB Statement No. 33.

## 22. 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 17). 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 27). All amounts related to the fiduciary funds are recognized in those funds.

The liability as of June 30, 2018, 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.

## 23. POLLUTION REMEDIATION OBLIGATIONS

The Commonwealth has pollution remediation obligations of $7.0 million, of which $1.9 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, mold remediation and remediation relating to superfund state contracts.

Agencies involved in remediation include:

- Department of Conservation and Recreation (DCR)
- 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, 2018:

- VDEM relating to cleanup of an emergency fuel storage facility
- DJJ relating to petroleum storage tank removal
- VDOT relating to groundwater contamination

## 24. INSURANCE

### A. Self-Insurance

The Commonwealth maintains three 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. As of June 30, 2018, $116.2 million is reported as the estimated claims payable for this fund, which is undiscounted as nearly all healthcare 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.W. 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) |
|---|---|---|---|---|
| 2017-2018 | $ 112,029 | $ 1,322,571 | $ (1,318,428) | $ 116,172 |
| 2016-2017 | $ 123,385 | $ 1,290,205 | $ (1,301,561) | $ 112,029 |

(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. As of June 30, 2018, $793.4 million is reported as the estimated claims payable for the risk management plan. This amount is discounted to present value at a rate of 1.9 percent. Undiscounted claims payable as of June 30, 2018, is $1.0 billion. The estimated losses are based upon actual claims that have been submitted, as well as claims incurred but not reported. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

| | Balance July 1, | Current Year Claims and Changes in Estimates | Claim Payments | Balance June 30, (1) |
|---|---|---|---|---|
| 2017-2018 | $ 797,637 | $ 72,097 | $ (76,375) | $ 793,359 |
| 2016-2017 | $ 835,283 | $ 42,447 | $ (80,093) | $ 797,637 |

(1) Of the balance shown above, $76.8 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 third type of plan, Line of Duty, is administered by the Department of Human Resource Management for Line of Duty recipients. Effective July 1, 2017, per the amended Line of Duty Act Section 9.1-401 of the *Code of Virginia*, the Department of Human Resource Management became responsible for administration of the premium-free health benefits provided to eligible Line of Duty recipients. The plan is accounted for in the Line of Duty Internal Service Fund. All eligible employees, former employees, and eligible family members will be covered under one program, the Line of Duty Health Benefit Plans. As of June 30, 2018, $484,858 is reported as the claims payable for the fund, which is undiscounted as nearly all healthcare claims are current in nature. 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) |
|---|---|---|---|---|
| 2017-2018 | $ - | $ 3,729 | $ (3,244) | $ 485 |
| 2016-2017 | $ - | $ - | $ - | $ - |

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

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

As of June 30, 2018, the Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – nonmajor component unit) reports the following claims payable amounts: estimated workers' compensation claims of $12.8 million and estimated losses on malpractice claims of $3.5 million. MCV Associated Physicians (component unit of the Authority) reports claims payable of $21.1 million for estimated losses on malpractice claims. Virginia Premier Health Plan (component unit of the Authority) reports claims payable of $168.0 million for estimated medical claims payable. Additional information on claims payable can be found in the Authority's separately issued financial statements.

Virginia International Terminals, LLC (VIT) (a blended component unit of the Virginia Port Authority – nonmajor) is partially self-insured for certain workers' compensation claims. The Authority maintains insurance coverage of $5.0 million per claim, but is obligated to pay the first $1.0 million of any individual's claims per incident. The Authority bears some self-insurance risk for claims cost in excess of employee premiums/contributions received. Pursuant to a joint arrangement with the Virginia Port Authority, (VPA) (nonmajor) the entity carries stop loss insurance to mitigate exposure to significant claims. The stop loss policy is on a calendar year basis, with renewals effective each January 1. During the calendar year 2017, the individual claim cost limit (deductible) under the policy for the Authority was $125,000. The aggregate deductible for VIT and VPA combined claims in excess of the $125,000 individual limit was $9.5 million for calendar year 2018 and $7.9 million for calendar year 2017.

## B. Public Entity Risk Pools

The Commonwealth administers three types of public entity risk pools for the benefit of local governmental units: healthcare, risk management, and line of duty insurance. The Local Choice Health Care plan was established to make comprehensive healthcare insurance available to localities and political subdivisions at affordable rates and with stable premiums. During the fiscal year, there were 446 local government units participating in the pool. This includes 66 school districts, 41 counties, 134 cities/towns, and 205 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. As of June 30, 2018, $40.6 million is reported as the actuarially determined estimated claims payable for this fund based on claims incurred but not reported.

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

The Department of the Treasury, Division of Risk Management administers the VARisk and VARisk2 risk management programs for political subdivisions, constitutional officers and others in accordance with Section 2.2-1839 of the *Code of Virginia*. These pools were established to provide an economical, low-cost alternative to the commercial insurance market for the Commonwealth's political subdivisions. These risk programs are accounted for in the Risk Management Enterprise Fund (nonmajor). The pool is established subject to approval by the Governor. It may be insurance, self-insurance, or any combination thereof, and must provide protection and legal defense against liability. Participation is voluntary and open to those identified in Section 2.2-1839 of the *Code of Virginia*. As of June 30, 2018, there were 451 units of local government in the pool, including 18 towns and 25 counties. The remaining 408 units include a large variety of boards, commissions, authorities, and special districts.

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

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

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

As of June 30, 2018, $32.0 million and $4.1 million is reported as estimated claims payable for the VARisk and the VARisk2 programs, respectively. These figures are actuarially determined for the funds in total and are reported at gross. They are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. They do not reflect possible reimbursements for insurance recoveries.

Effective July 1, 2017, per the amended Line of Duty Act Section 9.1-401 of the *Code of Virginia*, the Virginia Department of Human Resource Management (DHRM) became responsible for administration of the premium-free health benefits provided to eligible LODA recipients. All eligible employees, former employees, and eligible family members will be covered under one program, the LODA Health Benefits Plans. Participating or non-participating refers to whether the employer participates in the Line of Duty Death and Health Benefits Trust Fund, administered by VRS. All state agencies are participating employers, but localities can be either participating or non-participating. As of June 30, 2018, $2.2 million is reported as the actuarially determined estimated claims payable for the nonparticipating localities reported in this fund based on claims incurred but not reported.

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

| | Local Choice Health Care | | Risk Management | | Line of Duty | |
|---|---|---|---|---|---|---|
| | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 |
| Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year | $ 38,046 | $ 36,313 | $ 37,568 | $ 36,063 | $ - | $ - |
| Incurred Claims and Claim Adjustment Expenses: | | | | | | |
| Provision for Insured Events of the Current Fiscal Year | 424,357 | 419,602 | 14,210 | 9,771 | 16,987 | - |
| Changes in Provision for Insured Events of Prior Fiscal Years | - | - | (6,885) | (1,399) | - | - |
| Total Incurred Claims and Adjustment Expenses | 424,357 | 419,602 | 7,325 | 8,372 | 16,987 | - |
| Payments: | | | | | | |
| Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year | 421,802 | 417,869 | 1,979 | 836 | 14,779 | - |
| Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Fiscal Year | - | - | 7,281 | 6,541 | - | - |
| Total Payments | 421,802 | 417,869 | 9,260 | 7,377 | 14,779 | - |
| Change in Provision for Discounts | - | - | 523 | 510 | - | - |
| Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Discounted) (1) (2) (3) (4) | $ 40,601 | $ 38,046 | $ 36,156 | $ 37,568 | $ 2,208 | $ - |
| Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Undiscounted) | $ 40,601 | $ 38,046 | $ 37,855 | $ 39,348 | $ 2,208 | $ - |

Note (1): The entire balance for Local Choice Health Care, $40,601 (dollars in thousands) is due within one year.

Note (2): Of the balance shown above for Risk Management, $9,857 (dollars in thousands) is due within one year.

Note (3): The entire balance for Line of Duty, $2,208 (dollars in thousands) is due within one year.

Note (4): The interest rate used for discounting is 1.9 percent.

## 25. ACCOUNTS PAYABLE

The following table (dollars in thousands) summarizes Accounts Payable as of June 30, 2018.

| | Vendor | Salary / Wage | Retainage | Other | Foundations (1) | Total |
|---|---|---|---|---|---|---|
| **Primary Government:** | | | | | | |
| General | $ 216,429 | $ 109,702 | $ 70 | $ - | $ - | $ 326,201 |
| Major Special Revenue Funds: | | | | | | |
| Commonwealth Transportation | 443,279 | 36,501 | 2,657 | - | - | 482,437 |
| Federal Trust | 60,054 | 17,621 | 1,042 | - | - | 78,717 |
| Literary | 10 | - | - | - | - | 10 |
| Nonmajor Governmental Funds | 30,621 | 17,838 | 3,907 | 260 | - | 52,626 |
| Major Enterprise Funds: | | | | | | |
| Virginia Lottery (2) | 9,530 | 1,827 | - | 724 | - | 12,081 |
| Virginia College Savings Plan | 2,041 | 640 | - | - | - | 2,681 |
| Unemployment Compensation | 71 | - | - | - | - | 71 |
| Nonmajor Enterprise Funds | 80,527 | 7,333 | - | - | - | 87,860 |
| Internal Service Funds | 102,487 | 3,194 | 2,186 | - | - | 107,867 |
| Private Purpose Trust Funds | - | 4 | - | 335 | - | 339 |
| Pension and Other Employee Benefit Trust Funds (3) | 6,287 | 2,466 | - | 37,503 | - | 46,256 |
| Agency Funds | 2,973 | - | - | 6,001 | - | 8,974 |
| **Total Primary Government (4)** | $ 954,309 | $ 197,126 | $ 9,862 | $ 44,823 | $ - | $ 1,206,120 |
| **Discrete Component Units:** | | | | | | |
| Virginia Housing Development Authority | $ 1,277 | $ 4,831 | $ - | $ 12,725 | $ - | $ 18,833 |
| Virginia Public School Authority | 14 | - | - | - | - | 14 |
| Virginia Resources Authority | 75 | 3 | - | - | - | 78 |
| Virginia College Building Authority | 77 | - | - | - | - | 77 |
| Nonmajor Component Units | 582,634 | 454,968 | 41,712 | 7,560 | 115,043 | 1,201,917 |
| **Total Component Units** | $ 584,077 | $ 459,802 | $ 41,712 | $ 20,285 | $ 115,043 | $ 1,220,919 |

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

Note (2): Other Accounts Payable for the Virginia Lottery represents surety bonds, player taxes, and player subscription wallets.

Note (3): Other Accounts Payable for the Pension and Other Employee Benefit Trust Fund consists of $20,995 (dollars in thousands) in investment management fees and $16,508 (dollars in thousands) in program benefit liabilities.

Note (4): Fiduciary liabilities of $55,569 (dollars in thousands) are not included in the Government-wide Statement of Net Position. In addition, governmental fund liabilities of $140,945 (dollars in thousands) are included in the Government-wide Statement of Net Position, but excluded from the above amounts.

## 26. OTHER LIABILITIES

The following tables (dollars in thousands) summarize Other Liabilities as of June 30, 2018.

| | Primary Government | | | | | |
|---|---|---|---|---|---|---|
| | General | Commonwealth Transportation | Federal Trust | Nonmajor Governmental Funds | Virginia Lottery | Virginia College Savings Plan (1) |
| Lottery Prizes Payable | $ - | $ - | $ - | $ - | $ 74,067 | $ - |
| Medicaid Payable | 549,382 | - | 610,687 | - | - | - |
| Family Access to Medical Insurance Security Payable | 1,856 | - | 13,612 | - | - | - |
| Tax Refunds Payable | 422,106 | - | - | - | - | - |
| Insurance Carrier Surety Deposit | - | - | - | - | - | - |
| Deposits Pending Distribution | 4,122 | 2,251 | - | 6,864 | - | - |
| Car Tax Payable | 263,025 | - | - | - | - | - |
| Other Liabilities | 272 | 26 | 7 | 1,211 | - | 35,091 |
| Total Other Liabilities | $ 1,240,763 | $ 2,277 | $ 624,306 | $ 8,075 | $ 74,067 | $ 35,091 |

| | Primary Government | | | | |
|---|---|---|---|---|---|
| | Nonmajor Enterprise Funds | Internal Service Funds | Pension and Other Employee Benefit Trust Funds (2) | Agency Funds | Total Primary Government (3) |
| Lottery Prizes Payable | $ - | $ - | $ - | $ - | $ 74,067 |
| Medicaid Payable | - | - | - | - | 1,160,069 |
| Family Access to Medical Insurance Security Payable | - | - | - | - | 15,468 |
| Tax Refunds Payable | - | - | - | - | 422,106 |
| Insurance Carrier Surety Deposit | - | - | - | 444,914 | 444,914 |
| Deposits Pending Distribution | 153 | 1,046 | - | 84,827 | 99,263 |
| Car Tax Refund Payable | - | - | - | - | 263,025 |
| Other Liabilities | 83 | - | 64,393 | 1,834 | 102,917 |
| Total Other Liabilities | $ 236 | $ 1,046 | $ 64,393 | $ 531,575 | $ 2,581,829 |

Note (1): Other Liabilities of $35,091 (dollars in thousands) reported by the Virginia College Savings Plan represent amounts associated with pending investment trades and program distributions payable

Note (2): Other Liabilities of $64,393 (dollars in thousands) reported in Pension and Other Employee Benefit Trust Funds are made up of $37,167 (dollars in thousands) in other funds managed by the System; $19,197 (dollars in thousands) in pending investment transactions, including $11,544 (dollars in thousands) in net foreign exchange contracts payable, and $7,653 (dollars in thousands) in other investment payables; $4,486 (dollars in thousands) in other payables related to the System benefit plans; $2,476 (dollars in thousands) in foreign taxes payables related to the System benefit plans, and $1,067 (dollars in thousands) in dividends payable related to the System benefit plans.

Note (3): Fiduciary liabilities of $595,968 (dollars in thousands) are not included in the Government-wide Statement of Net Position. Governmental fund liabilities of $75,229 (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 (4) | Total Component Units |
| Accrued Interest Payable | $ 30,634 | $ 57,035 | $ 27,261 | $ 92,477 | $ 90,368 | $ 297,775 |
| Deposits Pending Distribution | - | - | - | - | 493,168 | 493,168 |
| Short-term Debt | 445,300 | - | - | - | 234,916 | 680,216 |
| Grants Payable | - | - | - | - | 1,876 | 1,876 |
| Other Liabilities | 1,357 | - | 3,747 | - | 207,204 | 212,308 |
| Total Other Liabilities | $ 477,291 | $ 57,035 | $ 31,008 | $ 92,477 | $ 1,027,532 | $ 1,685,343 |

Note (4): Other Liabilities of nonmajor component units are predominantly comprised of derivative instruments reported by the following: University of Virginia of $27,890 (dollars in thousands), Virginia Commonwealth University of $5,074 (dollars in thousands), Virginia Commonwealth University Health System Authority (blended component unit of VCU) of $34,552 (dollars in thousands), and foundations of higher education institutions of $44,035 (dollars in thousands).

**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. As of June 30, 2018, the estimated liability related to Medicaid claims totaled $1.2 billion. Of this amount, $549.4 million is reflected in the General Fund (major governmental) and $610.7 million in the Federal Trust Special Revenue Fund (major governmental).

**Family Access to Medical Insurance Security Payable**

DMAS estimates the total amount of claims that will be paid from the Family Access to Medical Insurance Security program in the future which relate to services provided before year-end. As of June 30, 2018, the estimated liability related to claims totaled $15.5 million. Of this amount, $1.9 million is reflected in the General Fund (major governmental) and $13.6 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, 2017, and on business tax returns filed for corporate fiscal years ending on or before June 30, 2018. 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 2018, the Commonwealth laid off 312 employees. The affected employees had the option of volunteering for enhanced retirement benefits or severance benefits. The enhanced retirement benefits option was elected by 135 employees, and the remaining 177 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 2018 and will end no later than June 30, 2019. The benefit cost expended and the outstanding liability as of June 30, 2018 for governmental funds, are $2.5 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 2018, 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 $228.9 million primarily to provide bridge financing for capital projects, property acquisition, and operations. The Virginia Housing Development Authority (major component unit) and the Virginia Museum of Fine Arts Foundation (nonmajor component unit) have borrowings from lines of credit in the amount of $445.3 million and $860,000, respectively. Additionally, Fort Monroe Authority (nonmajor component unit) has short-term debt of $226,453 and the Library of Virginia Foundation (nonmajor component unit) has a $23,000 note with a related party.

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

## 27. 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, such as certain debt of the Virginia Port Authority (nonmajor component unit) and the Commonwealth Transportation Board (primary government). Other 9(d) revenue bonds are payable from general revenues of the component units, or from revenues of specific revenue-producing capital projects, such as the teaching hospitals, dormitories, student centers, and dining halls at the various colleges and universities (nonmajor component units).

Certain 9(d) bonds are considered, along 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, 2018

| *(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) | $ 457,764 | $ 48,090 |
| 9(c) Parking Facilities (3) | 9,850 | 985 |
| 9(c) Transportation Facilities (3) | 8,914 | 2,560 |
| Total General Obligation Bonds | 476,528 | 51,635 |
| ***Nongeneral Obligation Bonds - 9(d):*** | | |
| Transportation Debt (3) (4) | 4,028,729 | 206,910 |
| Virginia Public Building Authority (3) | 2,663,808 | 157,140 |
| Hampton Roads Transportation Accountability Commission (3) (5) | 582,425 | - |
| Total Nongeneral Obligation Bonds | 7,274,962 | 364,050 |
| ***Other Long-term Obligations:*** | | |
| Net Pension Liability (6) | 4,082,682 | - |
| Net OPEB Liability (7) | 775,186 | - |
| Total OPEB Liability (7) | 735,108 | 25,203 |
| Compensated Absences | 307,329 | 162,261 |
| Capital Lease Obligations | 36,742 | 5,983 |
| Pollution Remediation Obligations | 6,963 | 1,918 |
| Installment Purchase Obligations | 103,655 | 12,695 |
| Economic Development Authority Obligations (3) | 30,783 | 6,470 |
| Other Liabilities | 30,948 | 5,277 |
| Total Other Long-term Obligations | 6,109,396 | 219,807 |
| Total Governmental Activities (3) | 13,860,886 | 635,492 |
| Business-type Activities: (1) (5) | | |
| ***Other Long-term Obligations:*** | | |
| Net Pension Liability | 135,629 | - |
| Net OPEB Liability | 21,680 | - |
| Total OPEB Liability | 25,434 | - |
| Compensated Absences | 10,546 | 7,726 |
| Tuition Benefits Payable | 2,135,222 | 281,415 |
| Lottery Prizes Payable | 116,484 | 10,550 |
| Total Other Long-term Obligations | 2,444,995 | 299,691 |
| Total Business-type Activities | 2,444,995 | 299,691 |
| **Total Primary Government** | 16,305,881 | 935,183 |

*Continued on next page*

**Total Long-term Liabilities**
June 30, 2018

| *(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) | 836,874 | 52,010 |
| ***Nongeneral Obligation Bonds:*** | | |
| Higher Education Institutions - 9(d) (3) (5) | 2,817,992 | 23,713 |
| Virginia College Building Authority (3) | 4,305,134 | 273,705 |
| Virginia Port Authority (3) (8) | 535,433 | 15,070 |
| Virginia Housing Development Authority (3) (5) | 3,301,380 | 131,093 |
| Virginia Resources Authority (3) (9) | 3,630,130 | 182,142 |
| Virginia Public School Authority (3) (5) | 3,641,402 | 248,275 |
| Hampton Roads Sanitation District Commission (3) (5) | 891,442 | 77,108 |
| Virginia Biotechnology Research Partnership Authority (3) | 18,561 | 3,990 |
| Foundations (5) (10) | 991,603 | 43,975 |
| Total Nongeneral Obligation Bonds | 20,133,077 | 999,071 |
| ***Other Long-term Obligations:*** | | |
| Net Pension Liability (11) | 2,688,728 | - |
| Net OPEB Liability (12) | 783,799 | - |
| Total OPEB Liability (13) | 639,434 | - |
| Compensated Absences | 323,953 | 247,152 |
| Capital Lease Obligations (14) | 2,295,765 | 2,691 |
| Notes Payable (5) | 1,948,362 | 181,533 |
| Installment Purchase Obligations | 63,050 | 8,124 |
| Trust and Annuity Obligations (5) (15) | 62,979 | - |
| Other Liabilities (5) | 307,305 | 42,317 |
| Total Other Long-term Obligations (Excluding Foundations) | 9,113,375 | 481,817 |
| ***Other Long-term Obligations (Foundations): (5) (10)*** | | |
| Compensated Absences | 15,873 | 12,497 |
| Capital Lease Obligations | 357 | 125 |
| Notes Payable | 293,663 | 16,196 |
| Trust and Annuity Obligations (15) | 71,995 | 1,756 |
| Other Liabilities | 313,019 | 18,096 |
| Total Other Long-term Obligations - Foundations | 694,907 | 48,670 |
| Total Other Long-term Obligations | 9,808,282 | 530,487 |
| **Total Component Units** | 30,778,233 | 1,581,568 |
| **Total Long-term Liabilities** | $ 47,084,114 | $ 2,516,751 |

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 $1.3 billion.
3. Amounts are net of any unamortized discounts and premiums.
4. This debt includes $1.2 billion that is not supported by taxes.
5. This debt is not supported by taxes.
6. This does not include net pension liabilities from fiduciary funds of $67,324. It includes $3,331 from the Hampton Roads Transportation Accountability Commission that does not relate to the Virginia Retirement System's State Plan and is not supported by taxes.
7. This does not include Net OPEB obligations of $11,897 or Total OPEB obligations of $9,080 from fiduciary funds.
8. This debt includes $292.0 million for bonds that is not supported by taxes.
9. This debt is not supported by taxes; however, $927.8 million is considered moral obligation debt.
10. Foundations represent FASB reporting entities defined in Note 1.B.
11. This includes net pension liabilities that do not relate to the Virginia Retirement System's State Plan from the Hampton Roads Sanitation District Commission and the Virginia Port Authority of $22.1 million and $16.3 million, respectively. This debt is not supported by taxes.
12. This includes OPEB obligations that do not relate to the Virginia Retirement System's State Plan from the Hampton Roads Sanitation District, Virginia Port Authority, Virginia Resources Authority, Roanoke Higher Education Authority, and Virginia Biotechnology Research Partnership Authority of $13.2 million, $1.3 million, $110,000, $79,349, and $43,000, respectively. This debt is not supported by taxes.
13. This includes OPEB obligations that do not relate to the Department of Human Resource Management from the University of Virginia of $101.1 million. This debt is not supported by taxes.
14. This includes $5.9 million that is supported by taxes.
15. 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 $8.9 million of Section 9(c) general obligation bonds and $4.0 billion of Transportation Facilities Section 9(d) debt. The Section 9(d) debt includes $2.8 billion of Section 9(d) revenue bonds and $1.2 billion of Grant Anticipation Revenue Notes (GARVEES) in addition to the outstanding Section 9(d) revenue bonds. Section 9(c) principal and interest requirements for the current year totaled $3.0 million. Section 9(d) principal and interest requirements for the current year totaled $351.4 million. The Section 9(c) Transportation Facilities Bonds were issued to fund the construction and improvement of the George P. Coleman Bridge. The Section 9(d) Transportation Facilities Bonds were issued to fund the construction of State Route 28, U.S. Route 58, the Northern Virginia Transportation District Program, the Oak Grove Connector (Chesapeake), and costs of certain transportation projects in the Commonwealth. The GARVEES were issued to finance various Federal Aid Transportation projects throughout the Commonwealth. The interest rates for these bonds range from 1.0 percent to 6.0 percent and the issuance dates range from October 10, 2002 to June 14, 2018.

On July 12, 2017, the Commonwealth Transportation Board issued $260.7 million of Commonwealth of Virginia Transportation Capital Projects Revenue Bonds, Series 2017. Series 2017 will be maturing in annual installments on May 15 in the years 2018 to 2042 and interest is payable on May 15 and November 15 at rates varying from 3.0 to 5.0 percent. The net proceeds of the Series 2017 bonds will be used to pay for the costs of certain transportation projects in the Commonwealth and certain costs related to the issuance of the 2017 bonds.

On December 7, 2017 the Commonwealth Transportation Board issued $483.0 million of Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue and Refunding Bonds, Series 2017. Series 2017 Revenue and Refunding Bonds will be maturing in semi-annual installments on March 15 and September 15 in the years 2018 to 2032 and interest is payable annually on the same dates at rates varying from 2.0 to 5.0 percent. The 2017 Series bonds were issued to partially advance refund Series 2012A, 2012B, and 2013A, to pay for the costs of certain eligible transportation projects in the Commonwealth, and to pay for costs related to the issuance of the Series 2017 new money.

On December 14, 2017, the Commonwealth Transportation Board issued $629.2 million of Commonwealth of Virginia Transportation Capital Projects Revenue Refunding Bonds, Series 2017A. Series 2017A Refunding Revenue Bonds will be maturing in annual installments on May 15 in the years 2022 to 2036 and interest is payable annually on the same dates at rates varying from 4.0 to 5.0 percent. The 2017A Series bonds were issued to partially advance refund outstanding Series 2011 and Series 2012.

On June 14, 2018, the Commonwealth Transportation Board issued $145.5 million of Commonwealth of Virginia Transportation Capital Projects Revenue Bonds, Series 2018. Series 2018 will be maturing in annual installments on May 15 in the years 2019 to 2043 and interest is payable on May 15 and November 15 at rates varying from 3.0 to 5.0 percent. The net proceeds of the Series 2018 bonds will be used to pay for the costs of certain transportation projects in the Commonwealth and certain costs related to the issuance of the 2018 bonds.

The following schedules detail the annual funding requirements necessary to amortize Transportation Facilities 9(c) bonds and 9(d) debt. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $77.5 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. Additionally, the Commonwealth will receive the amounts required to pay the debt service on outstanding Series 2002 and Series 2012 bonds from the Route 28 Transportation Improvement District annually.

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

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2019 | $ 2,560,000 | $ 403,000 | $ 2,963,000 |
| 2020 | 2,685,000 | 275,000 | 2,960,000 |
| 2021 | 2,815,000 | 140,750 | 2,955,750 |
| Add: | | | |
| Unamortized Premium | 854,107 | - | 854,107 |
| Total | $ 8,914,107 | $ 818,750 | $ 9,732,857 |

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

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2019 | $ 206,910,483 | $ 162,828,427 | $ 369,738,910 |
| 2020 | 191,543,337 | 153,323,846 | 344,867,183 |
| 2021 | 194,820,956 | 144,052,371 | 338,873,327 |
| 2022 | 187,955,226 | 134,608,689 | 322,563,915 |
| 2023 | 195,840,351 | 125,499,351 | 321,339,702 |
| 2024-2028 | 1,007,704,917 | 481,301,096 | 1,489,006,013 |
| 2029-2033 | 841,860,000 | 253,896,763 | 1,095,756,763 |
| 2034-2038 | 558,275,000 | 85,639,335 | 643,914,335 |
| 2039-2043 | 166,380,000 | 14,329,075 | 180,709,075 |
| Less: | | | |
| Unamortized Discount | (81,186) | - | (81,186) |
| Add: | | | |
| Accretion on Capital Appreciation Bonds | 31,001,626 | - | 31,001,626 |
| Unamortized Premium | 446,517,798 | - | 446,517,798 |
| Total | $ 4,028,728,508 | $ 1,555,478,953 | $ 5,584,207,461 |

**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 refunded Series 2006 revenue bonds. The Commonwealth's obligation is set out in a payment agreement between Fairfax County EDA and the Commonwealth of Virginia, Department of Transportation, in which the Commonwealth agrees to make payments equal to the debt service from amounts appropriated by the General Assembly. The interest rates for these bonds range from 1.0 percent to 5.0 percent and the issue date was March 26, 2014. The principal and interest requirements for the current year totaled $7.8 million. The following schedule details the annual funding requirements necessary to repay these bonds.

**FAIRFAX COUNTY ECONOMIC DEVELOPMENT AUTHORITY**
**Debt Service Requirements to Maturity**

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2019 | $ 6,470,000 | $ 1,355,750 | $ 7,825,750 |
| 2020 | 6,795,000 | 1,032,250 | 7,827,250 |
| 2021 | 7,135,000 | 692,500 | 7,827,500 |
| 2022 | 6,715,000 | 335,750 | 7,050,750 |
| Add: | | | |
| Unamortized Premium | 3,668,357 | - | 3,668,357 |
| Total | $ 30,783,357 | $ 3,416,250 | $ 34,199,607 |

## Public Facilities Bonds

Section 9(b) general obligation bonds consist of Public Facilities Bonds, Series 2009A, Series 2009D Refunding, Series 2009E, Series 2012A Refunding, Series 2013B Refunding, Series 2015B Refunding, and Series 2016B Refunding. Bonds were issued to fund construction projects for higher educational institutions, behavioral health, and/or park facilities. The Series 2009D bonds were issued to advance refund outstanding Series 2004A, Series 2005A, and Series 2006B bonds. The Series 2012A bonds were issued to advance refund outstanding Series 2002, Series 2003A, Series 2004A, and Series 2005A bonds. The Series 2013B bonds were issued to advance refund outstanding Series 2005A, Series 2006B, Series 2007A, and Series 2007B. The Series 2015B bonds were issued to advance refund certain maturities of outstanding Series 2007B, Series 2008A, and Series 2008B bonds. The Series 2016B bonds were issued to advance refund certain maturities of outstanding Series 2009A bonds. Principal and interest requirements for the current year totaled $70.1 million. The interest rates for all bonds range from 2.0 percent to 5.0 percent and the issuance dates range from June 24, 2009, to November 10, 2016. 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 $2.5 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* |
|---|---|---|---|
| 2019 | $ 48,090,000 | $ 18,848,098 | $ 66,938,098 |
| 2020 | 48,140,000 | 16,562,795 | 64,702,795 |
| 2021 | 48,140,000 | 14,270,895 | 62,410,895 |
| 2022 | 48,260,000 | 11,885,225 | 60,145,225 |
| 2023 | 48,200,000 | 9,610,635 | 57,810,635 |
| 2024-2028 | 156,640,000 | 19,313,240 | 175,953,240 |
| 2029-2033 | 6,390,000 | 272,225 | 6,662,225 |
| Add: | | | |
| Unamortized Premium | 53,904,387 | - | 53,904,387 |
| Total | $ 457,764,387 | $ 90,763,113 | $ 548,527,500 |

## Parking Facilities Bonds

Section 9(c) general obligation bonds consist of Parking Facilities Bonds, Series 2009B and 2009D Refunding, 2012A Refunding, and Series 2016B Refunding. The Series 2009B bonds were issued to fund the construction of a 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 Series 2016B Refunding bonds were issued to advance refund certain maturities of outstanding Series 2009B bonds. The interest rate for these bonds range from 2.0 percent to 5.0 percent, and the issuance dates range from October 21, 2009, to November 10, 2016. Current year principal and interest requirements totaled $1.4 million. The following schedule details the annual funding requirements necessary to repay these bonds.

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

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2019 | $ 985,000 | $ 392,560 | $ 1,377,560 |
| 2020 | 785,000 | 343,310 | 1,128,310 |
| 2021 | 825,000 | 304,060 | 1,129,060 |
| 2022 | 865,000 | 262,810 | 1,127,810 |
| 2023 | 906,257 | 223,652 | 1,129,909 |
| 2024-2028 | 3,422,789 | 522,889 | 3,945,678 |
| 2029-2033 | 675,000 | 27,000 | 702,000 |
| Add: | | | |
| Unamortized Premium | 1,385,718 | - | 1,385,718 |
| Total | $ 9,849,764 | $ 2,076,281 | $ 11,926,045 |

## Virginia Public Building Authority

Virginia Public Building Authority Section 9(d) bonds consist of 2005D, 2008B, 2009A, 2009B, 2009C, 2009D Refunding, 2010A, 2010B-1, 2010B-2, 2010B-3 Refunding, 2011A, 2011B, 2012A Refunding, 2013A, 2013B Refunding, 2014A, 2014B, 2014C Refunding, 2015A, 2015B Refunding, 2016A, 2016B Refunding, 2016C (AMT), 2016D (Taxable), 2017A Refunding, 2018A, and 2018B (Taxable). All bonds were issued for the purpose of constructing, improving, furnishing, maintaining, and acquiring public buildings for the use of the Commonwealth and also to reimburse localities, regional jail authorities or other combination of localities under the Regional Jail Financing Program. The Series 2009D bonds were issued to advance refund outstanding

series 2001A and 2002A Revenue bonds. The Series 2010B-3 bonds were issued to advance refund outstanding series 2002A and 2004B Revenue bonds. The Series 2012A bonds were issued to advance refund outstanding series 2004B and 2005C Revenue bonds. The Series 2013B bonds were issued to advance refund 2006A and 2006B revenue bonds. The Series 2014C bonds were issued to advance refund outstanding Series 2004A Refunding, 2004B, 2004C Refunding, and 2004D Refunding bonds, and certain maturities of the 2005C, 2006A, 2006B, and 2007A bonds. The Series 2015B bonds were issued to advance refund outstanding series 2005A Refunding, 2005B Refunding, and 2006A bonds and certain maturities of the series 2008B bonds. The Series 2016B bonds were issued to advance refund certain maturities of the series 2009B and 2011A bonds. The Series 2017A bonds were issued to advance refund certain maturities of the 2011A, 2013A, and 2014A bonds. The interest rates range from 0.9 percent to 5.9 percent and the issuance dates range from December 7, 2005, to May 8, 2018. The Series 2005D bonds are demand bonds with variable rates which are reset weekly by the remarketing agent. The 2005D bonds are subject to optional redemption. The principal balance outstanding on June 30, 2018 of $50.0 million is scheduled to be paid based on mandatory sinking fund requirements and included in the following schedule. Additional information on these demand bonds may be obtained from the audited financial statements on the Department of the Treasury website at www.trs.virginia.gov.

Current year principal and interest requirements for all VPBA bonds totaled $275.2 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 $56.4 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* |
|---|---|---|---|
| 2019 | $ 157,140,000 | $ 103,575,064 | $ 260,715,064 |
| 2020 | 164,670,000 | 98,012,042 | 262,682,042 |
| 2021 | 158,795,000 | 90,345,388 | 249,140,388 |
| 2022 | 157,345,000 | 82,788,711 | 240,133,711 |
| 2023 | 161,420,000 | 75,172,275 | 236,592,275 |
| 2024-2028 | 820,020,000 | 260,254,524 | 1,080,274,524 |
| 2029-2033 | 546,265,000 | 97,156,126 | 643,421,126 |
| 2034-2038 | 239,560,000 | 19,149,739 | 258,709,739 |
| 2039-2043 | 12,785,000 | 197,220 | 12,982,220 |
| Add: | | | |
| Unamortized Premium | 245,808,123 | - | 245,808,123 |
| Total | $ 2,663,808,123 | $ 826,651,089 | $ 3,490,459,212 |

## Hampton Roads Transportation Accountability Commission

Hampton Roads Transportation Accountability Commission Section 9(d) bonds consists of Senior Lien Revenue Bonds, Series 2018A. The bonds were issued to pay for the costs of planning, design, and construction of transportation infrastructure in the localities comprising Planning District 23. The interest rates for this bond series ranges from 5.0 percent to 5.5 percent and the issue date was February 14, 2018.

Current year interest requirements totaled $9.8 million.

**9(d) HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION BONDS**
**Debt Service Requirements to Maturity**

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2019 | $ - | $ 9,838,912 | $ 9,838,912 |
| 2020 | - | 25,854,075 | 25,854,075 |
| 2021 | - | 25,854,075 | 25,854,075 |
| 2022 | - | 25,854,075 | 25,854,075 |
| 2023 | - | 25,854,075 | 25,854,075 |
| 2024-2028 | 14,965,000 | 128,546,625 | 143,511,625 |
| 2029-2033 | 30,365,000 | 122,640,625 | 153,005,625 |
| 2034-2038 | 38,760,000 | 114,250,625 | 153,010,625 |
| 2039-2043 | 49,460,000 | 103,542,875 | 153,002,875 |
| 2044-2048 | 63,125,000 | 89,877,875 | 153,002,875 |
| 2049-2053 | 132,510,000 | 67,496,625 | 200,006,625 |
| 2054-2058 | 170,815,000 | 29,189,325 | 200,004,325 |
| Add: | | | |
| Unamortized Premium | 82,424,692 | - | 82,424,692 |
| Total | $ 582,424,692 | $ 768,799,787 | $ 1,351,224,479 |

## 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 | $ 2,207,901 |
| College and university debt backed exclusively by pledged revenues of an institution | 610,091 |
| Total Higher Education Institution 9(d) debt | $ 2,817,992 |

The interest rates for these bonds range from 1.3 percent to 6.2 percent and the issuance dates range from April 15, 2009, to June 6, 2018. The Virginia Commonwealth University Series 2012A and 2012B bonds and the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – nonmajor) Series 2013A and 2013B bonds are variable rate bonds and the rates are reset weekly by the remarketing agent.

The following schedules detail the annual funding requirements necessary to amortize Higher Education Institution 9(c) and 9(d) bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $276.2 million for Build America Bonds (BABs) issued. The BABs are applicable to General Obligation Series 2010A Bonds, Series 2009F and 2010B 21st Century Virginia College Building Authority Education Facilities Bonds, and the University of Virginia's Series 2009 and 2010 General Revenue Bonds.

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

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 52,010,000 | $ 32,384,621 | $ 84,394,621 |
| 2020 | 51,785,000 | 30,051,451 | 81,836,451 |
| 2021 | 53,880,000 | 27,775,433 | 81,655,433 |
| 2022 | 52,180,000 | 25,377,988 | 77,557,988 |
| 2023 | 52,778,743 | 23,013,777 | 75,792,520 |
| 2024-2028 | 269,117,211 | 78,856,097 | 347,973,308 |
| 2029-2033 | 175,760,000 | 29,045,945 | 204,805,945 |
| 2034-2038 | 54,465,000 | 4,799,465 | 59,264,465 |
| 2039-2043 | 3,515,000 | 249,100 | 3,764,100 |
| Add: | | | |
| Unamortized Premium | 71,383,325 | - | 71,383,325 |
| Total | $ 836,874,279 | $ 251,553,877 | $ 1,088,428,156 |

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

| Maturity | Principal | Interest (1) | Total |
|---|---|---|---|
| 2019 | $ 23,713,195 | $ 116,720,763 | $ 140,433,958 |
| 2020 | 26,235,983 | 117,893,739 | 144,129,722 |
| 2021 | 26,484,966 | 116,980,371 | 143,465,337 |
| 2022 | 132,640,178 | 113,464,955 | 246,105,133 |
| 2023 | 26,661,657 | 109,952,466 | 136,614,123 |
| 2024-2028 | 190,049,353 | 527,418,257 | 717,467,610 |
| 2029-2033 | 178,366,243 | 497,285,191 | 675,651,434 |
| 2034-2038 | 312,521,523 | 460,373,714 | 772,895,237 |
| 2039-2043 | 731,835,000 | 315,904,069 | 1,047,739,069 |
| 2044-2048 | 616,060,000 | 141,939,362 | 757,999,362 |
| 2049-2053 | 105,920,000 | 64,685,000 | 170,605,000 |
| 2054-2058 | - | 62,685,000 | 62,685,000 |
| 2059-2063 | - | 62,685,000 | 62,685,000 |
| 2064-2068 | - | 62,685,000 | 62,685,000 |
| 2069-2073 | - | 62,685,000 | 62,685,000 |
| 2074-2078 | - | 62,685,000 | 62,685,000 |
| 2079-2083 | - | 62,685,000 | 62,685,000 |
| 2084-2088 | - | 62,685,000 | 62,685,000 |
| 2089-2093 | - | 62,685,000 | 62,685,000 |
| 2094-2098 | - | 62,685,000 | 62,685,000 |
| 2099-2103 | - | 62,685,000 | 62,685,000 |
| 2104-2108 | - | 62,685,000 | 62,685,000 |
| 2109-2113 | - | 62,685,000 | 62,685,000 |
| 2114-2118 | 300,000,000 | 56,416,500 | 356,416,500 |
| Add: | | | |
| Unamortized Premium | 147,503,900 | - | 147,503,900 |
| Total | $ 2,817,991,998 | $ 3,391,254,387 | $ 6,209,246,385 |

Note (1): The future interest requirements exclude any net payments associated with hedging derivative instruments. See Note 15 for more details on hedging derivative instruments.

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

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 273,705,000 | $ 168,410,098 | $ 442,115,098 |
| 2020 | 266,335,000 | 157,056,970 | 423,391,970 |
| 2021 | 276,905,000 | 144,831,140 | 421,736,140 |
| 2022 | 267,310,000 | 132,307,849 | 399,617,849 |
| 2023 | 262,245,000 | 120,228,319 | 382,473,319 |
| 2024-2028 | 1,195,135,000 | 435,169,541 | 1,630,304,541 |
| 2029-2033 | 1,002,020,000 | 181,368,929 | 1,183,388,929 |
| 2034-2038 | 351,165,000 | 26,109,200 | 377,274,200 |
| Add: | | | |
| Unamortized Premium | 410,314,233 | - | 410,314,233 |
| Total | $ 4,305,134,233 | $ 1,365,482,046 | $ 5,670,616,279 |

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 |
|---|---|
| 2019 | $ 43,974,997 |
| 2020 | 33,304,401 |
| 2021 | 45,031,367 |
| 2022 | 35,413,952 |
| 2023 | 58,599,791 |
| Thereafter | 775,278,292 |
| Total | $ 991,602,800 |

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

## Virginia Port Authority

The Virginia Port Authority (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 1.3 percent to 5.0 percent, and the issuance dates range from July 27, 2011, to November 17, 2016. The following schedule details the annual funding requirements necessary to amortize these bonds.

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

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 15,070,000 | $ 21,237,828 | $ 36,307,828 |
| 2020 | 15,435,000 | 20,846,144 | 36,281,144 |
| 2021 | 15,845,000 | 20,409,739 | 36,254,739 |
| 2022 | 16,310,000 | 19,931,344 | 36,241,344 |
| 2023 | 16,805,000 | 19,414,752 | 36,219,752 |
| 2024-2028 | 92,855,000 | 87,924,382 | 180,779,382 |
| 2029-2033 | 105,945,000 | 67,417,651 | 173,362,651 |
| 2034-2038 | 95,160,000 | 44,524,421 | 139,684,421 |
| 2039-2043 | 91,345,000 | 21,214,138 | 112,559,138 |
| 2044-2048 | 48,045,000 | 3,440,170 | 51,485,170 |
| Add: | | | |
| Unamortized Premium | 22,617,753 | - | 22,617,753 |
| Total | $ 535,432,753 | $ 326,360,569 | $ 861,793,322 |

## Virginia Housing Development Authority

The Virginia Housing Development Authority (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 2.1 percent to 6.8 percent and the issuance dates range from December 17, 2002, to June 5, 2018. 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 |
|---|---|---|---|
| 2019 | $ 131,093,288 | $ 124,490,185 | $ 255,583,473 |
| 2020 | 119,320,000 | 120,716,006 | 240,036,006 |
| 2021 | 106,265,000 | 117,986,555 | 224,251,555 |
| 2022 | 114,010,000 | 115,099,560 | 229,109,560 |
| 2023 | 93,595,000 | 111,930,249 | 205,525,249 |
| 2024-2028 | 444,115,000 | 513,209,488 | 957,324,488 |
| 2029-2033 | 478,263,316 | 427,284,517 | 905,547,833 |
| 2034-2038 | 589,658,863 | 321,370,764 | 911,029,627 |
| 2039-2043 | 886,215,419 | 170,189,671 | 1,056,405,090 |
| 2044-2048 | 319,642,101 | 15,880,230 | 335,522,331 |
| 2049-2053 | 20,350,000 | 1,653,385 | 22,003,385 |
| Less: Unamortized Discount | (1,208,592) | - | (1,208,592) |
| Add: Unamortized Premium | 60,938 | - | 60,938 |
| Total | $ 3,301,380,333 | $ 2,039,810,610 | $ 5,341,190,943 |

## Virginia Resources Authority

The Virginia Resources Authority (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 0.2 percent to 6.3 percent and the issuance dates range from July 31, 2002, to May 23, 2018. 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 |
|---|---|---|---|
| 2019 | $ 182,141,743 | $ 141,202,669 | $ 323,344,412 |
| 2020 | 184,861,531 | 133,413,930 | 318,275,461 |
| 2021 | 191,803,621 | 124,921,012 | 316,724,633 |
| 2022 | 190,967,050 | 116,264,767 | 307,231,817 |
| 2023 | 191,434,860 | 107,464,901 | 298,899,761 |
| 2024-2028 | 933,835,157 | 408,962,527 | 1,342,797,684 |
| 2029-2033 | 765,090,176 | 218,875,928 | 983,966,104 |
| 2034-2038 | 430,383,039 | 98,889,701 | 529,272,740 |
| 2039-2043 | 245,040,000 | 31,477,748 | 276,517,748 |
| 2044-2048 | 49,600,000 | 3,359,570 | 52,959,570 |
| Less: Unaccreted Capital Appreciation Bonds | (27,576,308) | - | (27,576,308) |
| Add: Unamortized Premium | 292,549,585 | - | 292,549,585 |
| Total | $ 3,630,130,454 | $ 1,384,832,753 | $ 5,014,963,207 |

## Virginia Public School Authority

The Virginia Public School Authority (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 0.0 percent to 5.5 percent, and the issuance dates range from December 11, 2003, to May 24, 2018. 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 $145.3 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 |
|---|---|---|---|
| 2019 | $ 248,275,000 | $ 141,034,111 | $ 389,309,111 |
| 2020 | 247,660,000 | 130,153,513 | 377,813,513 |
| 2021 | 238,865,000 | 118,696,917 | 357,561,917 |
| 2022 | 232,695,000 | 107,480,914 | 340,175,914 |
| 2023 | 220,085,000 | 96,507,159 | 316,592,159 |
| 2024-2028 | 1,160,201,000 | 329,762,801 | 1,489,963,801 |
| 2029-2033 | 729,610,000 | 121,845,422 | 851,455,422 |
| 2034-2038 | 305,305,000 | 30,028,102 | 335,333,102 |
| 2039-2043 | 38,850,000 | 4,763,925 | 43,613,925 |
| 2044-2048 | 13,395,000 | 1,116,197 | 14,511,197 |
| Add: Unamortized Premium | 206,461,043 | - | 206,461,043 |
| Total | $ 3,641,402,043 | $ 1,081,389,061 | $ 4,722,791,104 |

## 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 1.2 percent to 5.1 percent. The following schedule details the annual funding requirements necessary to amortize these bonds. The fiscal year 2018 principal amount includes $50.0 million for demand bonds, which are also classified as “due within one year” in the accompanying financial statements.

**HAMPTON ROADS SANITATION DISTRICT COMMISSION**
**Debt Service Requirements to Maturity**

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 77,108,000 | $ 34,621,000 | $ 111,729,000 |
| 2020 | 28,610,000 | 33,142,000 | 61,752,000 |
| 2021 | 28,972,000 | 31,976,000 | 60,948,000 |
| 2022 | 29,816,000 | 30,755,000 | 60,571,000 |
| 2023 | 31,034,000 | 29,493,000 | 60,527,000 |
| 2024-2028 | 168,922,000 | 127,000,000 | 295,922,000 |
| 2029-2033 | 179,912,000 | 88,345,000 | 268,257,000 |
| 2034-2038 | 167,096,000 | 46,713,000 | 213,809,000 |
| 2039-2043 | 75,438,000 | 16,842,000 | 92,280,000 |
| 2044-2048 | 30,701,000 | 3,281,000 | 33,982,000 |
| Add: Unamortized Premium | 73,833,000 | - | 73,833,000 |
| Total | $ 891,442,000 | $ 442,168,000 | $ 1,333,610,000 |

## 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 BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY**
**Debt Service Requirements to Maturity**

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 3,990,000 | $ 762,500 | $ 4,752,500 |
| 2020 | 4,200,000 | 557,750 | 4,757,750 |
| 2021 | 4,415,000 | 342,375 | 4,757,375 |
| 2022 | 4,640,000 | 116,000 | 4,756,000 |
| Add: Unamortized Premium | 1,315,935 | - | 1,315,935 |
| Total | $ 18,560,935 | $ 1,778,625 | $ 20,339,560 |

Total principal outstanding as of June 30, 2018, on all component unit bonds amounted to $21.0 billion.

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

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

*(Dollars in Thousands)*

| | Balance July 1, 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 | $ 452,855 | $ - | $ (48,995) | $ 403,860 |
| Parking Facilities Bonds | 9,404 | - | (940) | 8,464 |
| Transportation Facilities Bonds | 10,495 | - | (2,435) | 8,060 |
| Add: Unamortized Premium | 65,457 | - | (9,313) | 56,144 |
| Total General Obligation Bonds | 538,211 | - | (61,683) | 476,528 |
| **Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:** | | | | |
| Transportation Facilities Bonds | 3,206,520 | 1,518,330 | (1,173,560) | 3,551,290 |
| Virginia Public Building Authority Bonds | 2,432,665 | 323,330 | (337,995) | 2,418,000 |
| Hampton Roads Transportation Accountability Commission | - | 500,000 | - | 500,000 |
| Economic Development Authority Obligations | 33,280 | - | (6,165) | 27,115 |
| Add: Unamortized Premium | 582,272 | 366,658 | (170,511) | 778,419 |
| Accretion on Capital Appreciation Bonds | 28,253 | 2,749 | - | 31,002 |
| Less: Unamortized Discount | (86) | 5 | - | (81) |
| Installment Purchase Obligations | 109,721 | 22,753 | (28,819) | 103,655 |
| Compensated Absences | 300,501 | 181,587 | (174,759) | 307,329 |
| Capital Lease Obligations | 41,024 | 639 | (4,921) | 36,742 |
| Net Pension Liability* | 4,721,816 | - | (639,134) | 4,082,682 |
| Net OPEB Liability* | 833,073 | - | (57,887) | 775,186 |
| Total OPEB Liability* | 893,067 | - | (157,959) | 735,108 |
| Pollution Remediation Obligations | 9,437 | - | (2,474) | 6,963 |
| Other | 33,680 | - | (2,732) | 30,948 |
| Total Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth | 13,225,223 | 2,916,051 | (2,756,916) | 13,384,358 |
| **Total Governmental Activities** | 13,763,434 | 2,916,051 | (2,818,599) | 13,860,886 |
| **Business-type Activities:** | | | | |
| **Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:** | | | | |
| Capital Lease Obligations | 5,025 | - | (5,025) | - |
| Compensated Absences | 10,096 | 4,292 | (3,842) | 10,546 |
| Net Pension Liability* | 151,486 | - | (15,857) | 135,629 |
| Net OPEB Liability* | 23,525 | - | (1,845) | 21,680 |
| Total OPEB Liability* | 30,110 | - | (4,676) | 25,434 |
| Lottery Prizes Payable | 122,009 | 205 | (5,730) | 116,484 |
| Tuition Benefits Payable | 2,048,168 | 266,025 | (178,971) | 2,135,222 |
| **Total Business-type Activities** | 2,390,419 | 270,522 | (215,946) | 2,444,995 |
| **Total Primary Government** | $ 16,153,853 | $ 3,186,573 | $ (3,034,545) | $ 16,305,881 |

*Net decrease is shown.

| Foundations (4) | Balance June 30 | Due Within One Year |
|---|---|---|
| $ - | $ 403,860 | $ 48,090 |
| - | 8,464 | 985 |
| - | 8,060 | 2,560 |
| - | 56,144 | - |
| - | 476,528 | 51,635 |
| - | 3,551,290 | 206,910 |
| - | 2,418,000 | 157,140 |
| - | 500,000 | - |
| - | 27,115 | 6,470 |
| - | 778,419 | - |
| - | 31,002 | - |
| - | (81) | - |
| - | 103,655 | 12,695 |
| - | 307,329 | 162,261 |
| - | 36,742 | 5,983 |
| - | 4,082,682 | - |
| - | 775,186 | - |
| - | 735,108 | 25,203 |
| - | 6,963 | 1,918 |
| - | 30,948 | 5,277 |
| - | 13,384,358 | 583,857 |
| - | 13,860,886 | 635,492 |
| - | - | - |
| - | 10,546 | 7,726 |
| - | 135,629 | - |
| - | 21,680 | - |
| - | 25,434 | - |
| - | 116,484 | 10,550 |
| - | 2,135,222 | 281,415 |
| - | 2,444,995 | 299,691 |
| $ - | $ 16,305,881 | $ 935,183 |

*Continued on next page*

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

*(Dollars in Thousands)*

| | Balance July 1 as restated (3) | 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) | $ 897,018 | $ - | $ (60,144) | $ 836,874 |
| **Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:** | | | | |
| Bonds (5) | 18,470,256 | 3,208,380 | (2,537,162) | 19,141,474 |
| Installment Purchase Obligations | 35,818 | 33,218 | (5,986) | 63,050 |
| Capital Lease Obligations | 2,271,382 | 32,431 | (8,048) | 2,295,765 |
| Notes Payable | 1,938,288 | 207,545 | (197,471) | 1,948,362 |
| Compensated Absences | 300,591 | 334,006 | (310,644) | 323,953 |
| Net Pension Liability* | 3,059,817 | - | (371,089) | 2,688,728 |
| Net OPEB Liability* | 805,798 | - | (21,999) | 783,799 |
| Total OPEB Liability* | 735,550 | - | (96,116) | 639,434 |
| Trust and Annuity Obligations | 50,993 | 13,435 | (1,449) | 62,979 |
| Other | 288,060 | 738,323 | (719,078) | 307,305 |
| **Total Component Units** | $ 28,853,571 | $ 4,567,338 | $ (4,329,186) | $ 29,091,723 |

*Net decrease is shown.

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) As a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the OPEB Liability line item reported in prior years has been removed from the above and replaced with the Net OPEB Liability and Total OPEB Liability line items. Accordingly, the beginning balances associated with the OPEB liability have been restated by $911,580 (dollars in thousands), $25,577 (dollars in thousands), and $441,545 (dollars in thousands) for the governmental activities, business-type activities, and component units, respectively. See Note 18 for additional information related to the new line items. Additionally, component unit Installment Purchase Obligations, Trust and Annuity Obligations, and Other Liabilities have been restated by $5,859 (dollars in thousands), $9,027 (dollars in thousands), and $5,859 (dollars in thousands), respectively, for nonmajor component units.

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

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

| Foundations (4) | Balance June 30 | Due Within One Year |
|---|---|---|
| $ - | $ 836,874 | $ 52,010 |
| 991,603 | 20,133,077 | 999,071 |
| - | 63,050 | 8,124 |
| 357 | 2,296,122 | 2,816 |
| 293,663 | 2,242,025 | 197,729 |
| 15,873 | 339,826 | 259,649 |
| - | 2,688,728 | - |
| - | 783,799 | - |
| - | 639,434 | - |
| 71,995 | 134,974 | 1,756 |
| 313,019 | 620,324 | 60,413 |
| $ 1,686,510 | $ 30,778,233 | $ 1,581,568 |

**Bond and Note Defeasance**

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, 2018, there were $1.5 billion in bonds from the primary government that have been refunded and defeased in-substance from the governmental activities column by placing existing assets and the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments. In addition, there were $2.6 billion in bonds and notes outstanding considered defeased from the component units.

**Primary Government**

In November 2017, the Commonwealth sold real estate, which had been financed and refinanced in part with tax-exempt bonds issued by the Virginia Public Building Authority (VPBA). Of the sale proceeds, $12.7 million was transferred to VPBA for its use to defease $10.5 million of outstanding Virginia Public Building Authority Revenue and Revenue Refunding Bonds, Series 2010A-2, 2010B-1, 2010B-2, 2011A, 2012A, 2014C, 2015B and 2016B (the "Defeased Bonds") and to pay transaction costs of $96,512. The remaining amount, $12.6 million, was deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the Defeased Bonds until the earliest redemption dates. Of the deposit, $5.3 million was initially held as cash by the escrow agent, of which a portion was used to redeem $4.0 million of Series 2010B-2 Bonds in December 2017, and $7.3 million was used to purchase escrow securities consisting of State and Local Government Series Securities Certificates of Indebtedness and Notes. The debt defeasance resulted in an accounting loss of $1.4 million.

In December 2017, VPBA issued $145.3 million of Series 2017A Public Facilities Revenue Refunding Bonds with a true interest cost (TIC) of 2.5 percent to refund $155.2 million of certain outstanding bonds. The bonds that were refunded include Public Facilities Revenue Bonds, Series 2011A, 2013A and 2014A. The net proceeds from the sale of the Refunding Bonds of $172.6 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 $2.2 million. It will, however, reduce total debt service payments over the next 15 years by $13.4 million, resulting in an economic gain of $11.3 million discounted at the rate of 2.3 percent.

In December 2017, the Commonwealth Transportation Board of the Commonwealth of Virginia issued $629.2 million in Transportation Capital Project Revenue Refunding Bonds Series 2017A with an interest rate ranging from 4.0 to 5.0 percent and $287.7 million in Federal Transportation Grant Anticipation Revenue Refunding Notes Series 2017 with an interest rate ranging from 2.0 to 5.0 percent. The Capital Projects bonds that were partially refunded include $443.8 million of Series 2011 and $227.1 million of Series 2012. The Federal Transportation Grant Anticipation Revenue and Refunding Notes that were partially refunded with the Series 2017 Note included $130.8 million of Series 2012A, $50.5 million of Series 2012B, and $123.1 million of Series 2013A. The unspent proceeds included $301,163 to refund Series 2012B and $1.5 million in Series 2013A. The net proceeds from the sale of the Refunding Bonds and unspent funds of $1.1 billion (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 $111.0 million. The Capital Projects debt defeasance resulted in an accounting loss of $69.9 million. It will, however, reduce total debt service payments over the next 18 years by $72.6 million, resulting in an economic gain of $56.6 million, discounted at the rate of 2.5 percent. The Federal Transportation Grant Anticipation Revenue debt defeasance resulted in an accounting loss of $41.1 million. It will, however, reduce total debt service payments over the next 11 years by $25.2 million, resulting in an economic gain of $22.2 million, discounted at the rate of 2.2 percent.

**Component Units**

For fiscal year 2018, the Virginia Public School Authority (VPSA) (major) issued $109.8 million of Series 2017B refunding bonds. The net proceeds have been placed with an escrow agent to provide for all future debt service on the defeased bonds. This debt defeasance resulted in an accounting loss of $11.0 million. Total debt service payments over the next 19 years will be reduced by $7.7 million. Present value savings of $6.4 million reflect the True Interest Cost of each component of the refunding at the discount rate.

In December 2017, the Virginia College Building Authority (VCBA) (major) issued $560.6 million of Series 2017E 21st Century Program refunding bonds. The bonds were issued to refund $4.7 million of its 2008A bonds, $14.5 million of its 2009A bonds, $75.6 million of its 2011A bonds, $116.0 million of its 2012A bonds, $96.7 million of its 2012B bonds, $108.5 million of its 2013A bonds, $57.5 million of its 2014A bonds, and $121.8 million of its 2015A bonds. The net proceeds from the sale of the refunding bonds of $672.9 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 $12.2 million. Total debt service payments over the next 15 years will be reduced by $38.1 million resulting in a present value savings of $31.5 million discounted at the rate of 2.3 percent.

In December 2017, Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University - major component unit) issued $97.9 million of Series 2017A General Revenue Refunding Bonds to advance refund the 2022 through 2041 maturities of its Series 2011 General Revenue Bonds. For information regarding this refunding, see the Authority's separately issued financial statements.

**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 earnings on investments purchased with bond proceeds in excess of the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, be subject to rebate 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 at the time of issuance elect to pay a penalty in lieu of rebate. Bonds may be exempt from the rebate requirements if they qualify for certain exceptions under the regulations. If the issuer meets one of the exceptions, the issuer retains any arbitrage earnings. Rebate and penalty payments are calculated and paid as required by law on bond issues that do not qualify for an exception.

Rebate liability on bonds of the VPSA (major component unit) issued under its Pooled Bond Programs is payable from earnings on related bond funds and from local issuers whose local school bonds were purchased by the VPSA. During fiscal year 2018, no rebate payments were owed on VPSA bonds issued under its Pooled Bonds Programs. Rebate liability on notes of the VPSA issued under its School Technology and Security Notes Program is payable from earnings on related note funds and funds of the Commonwealth. During fiscal year 2018, a final arbitrage rebate calculation for VPSA's School Technology and Security Notes, Series I identified a yield reduction payment of $10,538 due to the Federal government in fiscal year 2018. The liability was paid in fiscal year 2018 by the Virginia Department of Education.

Rebatable arbitrage need only be calculated for tax purposes every fifth year that debt is outstanding. Consistent with modified accrual basis of accounting, it is not recognized as a liability in governmental funds until amounts actually become due and payable; however, a liability is recognized in accrual basis government-wide statements as soon as the underlying event has occurred. Accordingly, as of June 30, 2018, the Virginia Resources Authority (major component unit) has recognized a liability of $183,640.

Amounts remitted to the Federal government for rebate liability are generally paid from earnings derived from the issue. However, if all proceeds have been expended and depending on the type of issue, it may be necessary to use project revenues or general or non-general fund appropriations to satisfy any rebate liability. During fiscal year 2018, no rebate payments were owed on the Commonwealth's General Obligation Bonds, Virginia Public Building Authority, Commonwealth Transportation Board, the Virginia College Building Authority 21st Century or Pooled Bond Programs, or the Virginia Port Authority.

**Capital Leases**

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

Gross minimum lease payments, together with the present value of the net minimum lease payments as of June 30, 2018, are shown in the following table (dollars in thousands).

| | Governmental Activities | Business-Type Activities | Component Units (1) |
|---|---|---|---|
| 2019 | $ 8,487 | $ - | $ 89,629 |
| 2020 | 8,052 | - | 94,757 |
| 2021 | 7,877 | - | 95,392 |
| 2022 | 7,831 | - | 97,196 |
| 2023 | 2,610 | - | 99,046 |
| 2024-2028 | 10,380 | - | 520,572 |
| 2029-2033 | 3,646 | - | 563,010 |
| 2034-2038 | 2,253 | - | 586,110 |
| 2039-2043 | 1,846 | - | 634,574 |
| 2044-2048 | - | - | 686,874 |
| 2049-2053 | - | - | 743,874 |
| 2054-2058 | - | - | 804,305 |
| 2059-2063 | - | - | 870,741 |
| 2064-2068 | - | - | 494,175 |
| Total Gross Minimum Lease Payments | 52,982 | - | 6,380,255 |
| Less: Amount Representing Executory Costs | (5,460) | - | - |
| Net Minimum Lease Payments | 47,522 | - | 6,380,255 |
| Less: Amount Representing Interest | (10,780) | - | (4,084,490) |
| Present Value of Net Minimum Lease Payments | $ 36,742 | $ - | $ 2,295,765 |

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

| | Foundations (2) |
|---|---|
| 2019 | $ 130 |
| 2020 | 122 |
| 2021 | 112 |
| Net Minimum Lease Payments | 364 |
| Less: Amount Representing Interest | (7) |
| Present Value of Net Minimum Lease Payments | $ 357 |

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

As of June 30, 2018, 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 | Infrastructure | Total |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Gross Capital Assets | $ 161,767 | $ 3,687 | $ - | $ 165,454 |
| Less: Accumulated Depreciation | (72,088) | (1,680) | - | (73,768) |
| **Total Governmental Activities** | $ 89,679 | $ 2,007 | $ - | $ 91,686 |
| **Business-Type Activities:** | | | | |
| Gross Capital Assets | $ - | $ - | $ - | $ - |
| Less: Accumulated Depreciation | - | - | - | - |
| **Total Business-Type Activities** | $ - | $ - | $ - | $ - |
| **Component Units:** | | | | |
| Gross Capital Assets | $ 2,226,624 | $ 121,191 | $ 2,116,678 | $ 4,464,493 |
| Less: Accumulated Depreciation | (76,098) | (7,937) | (45,083) | (129,118) |
| Subtotal (excluding Foundations) | 2,150,526 | 113,254 | 2,071,595 | 4,335,375 |
| Foundations: | | | | |
| Gross Capital Assets | - | 817 | - | 817 |
| Less: Accumulated Depreciation | - | (444) | - | (444) |
| Subtotal Foundations | - | 373 | - | 373 |
| **Total Component Units (3)** | $ 2,150,526 | $ 113,627 | $ 2,071,595 | $ 4,335,748 |

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

## Notes Payable

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

| | |
|---|---|
| **Primary Government** | |
| Installment Notes | 103,655 |
| **Total Primary Government** | 103,655 |
| **Component Units** | |
| Virginia Public School Authority | 196,305 |
| Nonmajor Component Units | 1,752,057 |
| Installment Notes | 63,050 |
| Subtotal (excluding Foundations) | 2,011,412 |
| Foundations: | |
| Notes Payable | 293,663 |
| Subtotal - Foundations | 293,663 |
| **Total Component Units** | 2,305,075 |
| **Total Notes Payable** | $ 2,408,730 |

The Virginia Public School Authority (major component unit) notes of $196.3 million are for the School Technology and Security Notes Program. The note proceeds were used to finance technology equipment purchases and to make grants to school divisions for the purchase of security equipment. The notes will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund (major special revenue).

An additional amount of $1.7 billion is comprised primarily of higher education institutions' (nonmajor component units) promissory notes with the Virginia College Building Authority (VCBA) (major component unit) to finance the construction of various higher education facilities pursuant to the Pooled Bond Program. Interest rates range from 2.0 percent to 5.6 percent and shall be paid semi-annually and the planned interest payments total

$502.1 million. Additionally, in accordance with the American Recovery and Reinvestment Act, the Commonwealth expects to receive a Build America Bonds (BABs) interest subsidy to reimburse interest payments of $26.3 million. The final principal payment is due in fiscal year 2046.

The following higher education institutions (nonmajor component units) reported notes payables primarily for construction: Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – nonmajor component unit) $20.0 million, which includes $11.7 million reported by the University Health Services (a component unit of the Authority); Virginia State University $635,968; and Norfolk State University $4,951.

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, 2018, are shown in the following table (dollars in thousands).

**Foundations' Notes Payable (Component Units) (1)**

| Maturity | Principal |
|---|---|
| 2019 | $ 16,196 |
| 2020 | 47,922 |
| 2021 | 11,319 |
| 2022 | 12,215 |
| 2023 | 21,276 |
| Thereafter | 184,735 |
| Total | $ 293,663 |

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 $166.7 million of the total outstanding debt of the Commonwealth. Presented in the following tables are repayment schedules for installment purchase obligations as of June 30, 2018.

**Installment Purchase Obligations - Governmental Funds**
June 30, 2018

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 12,695,176 | $ 2,152,954 | $ 14,848,130 |
| 2020 | 14,331,338 | 2,239,938 | 16,571,276 |
| 2021 | 14,355,426 | 1,881,381 | 16,236,807 |
| 2022 | 13,676,207 | 1,522,389 | 15,198,596 |
| 2023 | 11,594,766 | 1,176,524 | 12,771,290 |
| 2024-2028 | 31,434,624 | 2,560,354 | 33,994,978 |
| 2029-2033 | 5,528,269 | 249,685 | 5,777,954 |
| 2034-2038 | 21,374 | 598 | 21,972 |
| 2039-2043 | 17,765 | 256 | 18,021 |
| Total | $ 103,654,945 | $ 11,784,079 | $ 115,439,024 |

**Installment Purchase Obligations - Component Units**
June 30, 2018

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 8,124,109 | $ 1,327,490 | $ 9,451,599 |
| 2020 | 10,512,687 | 1,223,349 | 11,736,036 |
| 2021 | 10,058,621 | 1,058,484 | 11,117,105 |
| 2022 | 5,249,942 | 897,812 | 6,147,754 |
| 2023 | 4,324,032 | 777,478 | 5,101,510 |
| 2024-2028 | 15,822,624 | 2,440,563 | 18,263,187 |
| 2029-2033 | 8,957,714 | 687,856 | 9,645,570 |
| Total | $ 63,049,729 | $ 8,413,032 | $ 71,462,761 |

The foundations (component units) had no installment purchase obligations as of June 30, 2018.

On May 23, 2016, the Virginia Department of Transportation (VDOT) (primary government) and Chesterfield County (County) signed a memorandum of understanding concerning payment of interest relating to the County's contribution to VDOT for the construction of the Powhite Parkway Extension Project. The parties agreed that the interest to be paid by VDOT on the County's contribution to the construction of the Powhite Parkway Extension is $18.5 million. The interest requirement paid during fiscal year 2018 totaled $1.2 million. The remaining outstanding interest amount of $6.1 million is payable in annual installments on September 1 in the years 2018 to 2022. This interest is applicable to a note payable that VDOT repaid to the County in fiscal year 2014.

### Lottery Prizes Payable

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

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

Lottery prizes payable for the fiscal year ended June 30, 2018, are shown in the following table:

| | Jackpot | Win For Life | Total |
|---|---|---|---|
| Due within one year | $ 5,651,509 | $ 4,898,136 | $ 10,549,645 |
| Due in subsequent years | 45,333,154 | 60,601,670 | 105,934,824 |
| Total (current value) | 50,984,663 | 65,499,806 | 116,484,469 |
| Add: Interest to Maturity | 17,752,337 | 29,881,194 | 47,633,531 |
| Lottery Prizes Payable at Maturity | $ 68,737,000 | $ 95,381,000 | $ 164,118,000 |

**Tuition Benefits Payable**

The Virginia College Savings Plan administers the Prepaid529 program. Prepaid529 offers contracts at actuarially determined amounts that provide for future tuition and mandatory fee payments at state higher education institutions. The contract provisions also allow the benefits to be used for private or out-of-state institutions at differing amounts.

As of June 30, 2018, tuition benefits payable of $2.1 billion have been recorded for the Prepaid529 program on the statement of net position for the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for the Prepaid529 program. In addition, a receivable in the amount of $194.2 million has been recorded to reflect the actuarially determined present value of future payments anticipated from contract holders.

## 28. OTHER REVENUE

The following table (dollars in thousands) summarizes Other Revenue for the fiscal year ended June 30, 2018.

| | 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 | $ 5,088 | $ 211,128 | $ 11,089 | $ 542 | $ 45,740 |
| Major Special Revenue Funds: | | | | | |
| Commonwealth Transportation | 16,929 | 17,324 | 261,479 | 43,395 | 770 |
| Federal Trust | - | 848 | - | - | 2 |
| Literary | - | 50,711 | - | - | - |
| Nonmajor Governmental Funds | 127,818 | 63,060 | 62,234 | 6,031 | 7,073 |
| Major Enterprise Funds: | | | | | |
| Virginia College Savings Plan | - | - | - | - | - |
| Unemployment Compensation | - | 193 | - | - | - |
| Nonmajor Enterprise Funds | - | 14,562 | - | - | - |
| Private Purpose Trust Funds | - | - | - | - | - |
| Pension and Other Employee Benefit Trust Funds | - | - | - | - | - |
| Total Primary Government | $ 149,835 | $ 357,826 | $ 334,802 | $ 49,968 | $ 53,585 |

| | Tobacco Master Settlement | Taxes | Other (1) | Total Other Revenue |
|---|---|---|---|---|
| **Primary Government:** | | | | |
| General | $ 58,267 | $ - | $ 323,030 | $ 654,884 |
| Major Special Revenue Funds: | | | | |
| Commonwealth Transportation | - | - | 583,976 | 923,873 |
| Federal Trust | - | - | 233,689 | 234,539 |
| Literary | - | - | 3,556 | 54,267 |
| Nonmajor Governmental Funds | - | - | 261,552 | 527,768 |
| Major Enterprise Funds: | | | | |
| Virginia College Savings Plan | - | - | 27 | 27 |
| Unemployment Compensation | - | - | - | 193 |
| Nonmajor Enterprise Funds | - | 4,517 | 1,788 | 20,867 |
| Private Purpose Trust Funds | - | - | 2 | 2 |
| Pension and Other Employee Benefit Trust Funds | - | - | 3,626 | 3,626 |
| Total Primary Government | $ 58,267 | $ 4,517 | $ 1,411,246 | $ 2,420,046 |

Note (1): $263,260 (dollars in thousands), $568,071 (dollars in thousands), and $192,589 (dollars in thousands) are related to prior year expenditures refunded in the current fiscal year for the General Fund, the Commonwealth Transportation Fund, and the Federal Trust Fund, respectively. The total amount recorded for the Literary Fund is related to unclaimed prizes in the Virginia Lottery. $116,265 (dollars in thousands) is related to proceeds from unclaimed property in the Unclaimed Property Fund, $44,571 (dollars in thousands) is related to indirect costs and court collection fees in the Other Special Revenue Fund, and the remaining $66,476 (dollars in thousands) is related to other miscellaneous activities in the nonmajor governmental funds.

## 29. TAX ABATEMENTS

GASB Statement No. 77, *Tax Abatements*, requires disclosures to be made for tax abatements. These arise from agreements between the Commonwealth and taxpayers and result in reduced tax revenue when the taxpayer promises to provide economic benefits to the Commonwealth. As of June 30, 2018, the Commonwealth participates in the following tax abatements programs in excess of $1.0 million. There are no provisions for recapturing abated taxes since the requirements must be met prior to receiving the abatement.

- The Retail Sales and Use Tax Data Center Exemptions are intended to attract data centers to the Commonwealth pursuant to Title 58.1-609.3(18) of the *Code of Virginia*. Qualifying entities may purchase or lease certain computer equipment, enabling software and other enabling hardware for use in the data center exempt from the retail sales and use tax. Each recipient's retail sales and use taxes are reduced by being able to purchase qualifying items for use in the data center without having to pay the retail sales and use tax on the purchase price. The amount of the abatement for each recipient is determined by multiplying the purchase price of the qualifying computer equipment, enabling software and other enabling hardware purchased by the recipient by the rate of the retail sales and use tax that would be imposed on the purchase if the exemption was not available. The rate of the retail sales and use tax is 6.0 percent in the Northern Virginia and Hampton Roads localities and 5.3 percent in the remainder of the state. The exemption is available for data centers that (i) are located in a Virginia locality; (ii) result in a new capital investment of at least $150.0 million on or after January 1, 2009; and (iii) meet specified employment and salary requirements. On or after July 1, 2009, the data center or tenants must result in the creation of at least 50 new jobs paying at least one and one-half the prevailing average wage in the locality, or 25 new jobs paying at least one and one-half the prevailing average wage in the locality if the data center is located in a locality that has an unemployment rate for the preceding year of at least 150.0 percent of the average statewide unemployment rate or is located in an enterprise zone. Effective July 1, 2012, the exemption was extended to purchases and leases made by tenants of a data center that meets the requirements of the data center exemption.

  In order to qualify for the exemption, the data center operator must enter into a memorandum of understanding with the Virginia Economic Development Partnership Authority (component unit). The exemption is scheduled to sunset June 30, 2035. The amount of abated taxes for fiscal year 2018 is $79.2 million.

- The Motion Picture Production Tax Credit is intended to encourage the filming of motion picture productions in the Commonwealth. Pursuant to Section 58.1-439.12:03 of the *Code of Virginia*, a motion picture production company with qualifying expenses of at least $250,000 may abate its individual income tax or corporate income tax liability by the amount of the Motion Picture Production Tax Credit. The amount of the tax credit is equal to (i) 15.0 percent of the production company's qualifying expenses or (ii) 20.0 percent of such expenses if the production is filmed in an economically distressed area of the Commonwealth. In addition to the credit for the qualifying expenses incurred by a motion picture production company, such company may receive an Additional Virginia Resident Credit and an Additional Virginia Resident First-Time Industry Employee Credit. The Additional Virginia Resident Credit equals (i) 10.0 percent of the total aggregate payroll for Virginia residents employed in connection with the production of a film in Virginia when total production costs in Virginia are at least $250,000, but not more than $1.0 million or (ii) 20.0 percent of the total aggregate payroll of such residents when total production costs in Virginia exceed $1.0 million. The Additional Virginia Resident First-Time Industry Employee Credit is equal to 10.0 percent of the total aggregate payroll for Virginia residents employed for the first time as actors or members of a production crew in connection with the production of a film in Virginia.

  The Motion Picture Production Tax Credit is a refundable tax credit. Therefore, if the amount of credit that a company is allowed to claim exceeds the company's tax liability for the taxable year, the excess amount of credit will be refunded to the company.

  The credit is scheduled to sunset January 1, 2022. The annual cap on the amount of credits granted during a fiscal year is $6.5 million. The credits will be claimed by the taxpayer when filing a return. As a result, the credits claimed in a fiscal year may exceed $6.5 million. The amount of taxes abated for fiscal year 2018 is $6.1 million. Companies must have a memorandum of understanding with the Virginia Film Office (part of primary government) in order to participate in this program.

## 30. PRIZES AND CLAIMS

The following table summarizes Prizes and Claims Expense for the fiscal year ended June 30, 2018.

*(Dollars in Thousands)*

| | Insurance Claims | Lottery Prize Expense | Total Prizes and Claims |
|---|---|---|---|
| **Proprietary Funds:** | | | |
| Major Enterprise Funds: | | | |
| Virginia Lottery | $ - | $ 1,293,568 | $ 1,293,568 |
| Unemployment Compensation | 323,214 | - | 323,214 |
| Nonmajor Enterprise Funds | 459,493 | - | 459,493 |
| Total Enterprise Funds | $ 782,707 | $ 1,293,568 | $ 2,076,275 |
| Internal Service Funds | $ 1,422,178 | $ - | $ 1,422,178 |

## 31. OTHER EXPENSES

The following table summarizes Other Expenses for the fiscal year ended June 30, 2018.

*(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 | $ - | $ 255 | $ 2,084 | $ 2,339 |
| Nonmajor Enterprise Funds | 86 | 2,868 | 794 | 3,748 |
| Total Enterprise Funds | $ 86 | $ 3,123 | $ 2,878 | $ 6,087 |
| Internal Service Funds | $ 1,879 | $ 2,026 | $ 6,093 | $ 9,998 |
| Pension and Other Employee Benefit Trust Funds (2) | $ - | $ - | $ 10,868 | $ 10,868 |

Note (1): $2,084 (dollars in thousands) can be attributed to the Prepaid529 Program for the SOAR scholarship program and other promotional scholarships. $5,578 (dollars in thousands) can be attributed to expenses related to cyber insurance in the Risk Management internal service fund and $418,497 can be attributed to Affordable Care Act related fees in the Health Care Fund internal service fund.

Note (2): Fiduciary expenses of $10,868 (dollars in thousands) are not included in the Government-wide Statement of Activities.

## 32. OTHER NON-OPERATING REVENUE/EXPENSES

The following table summarizes Other Non-Operating Revenue/Expenses for the fiscal year ended June 30, 2018.

*(Dollars in Thousands)*

| | Gain/ (Loss) on Sale of Capital Assets | Securities Lending | Interest Expense | Other (1) | Total Other Non-Operating Revenue/ (Expenses) |
|---|---|---|---|---|---|
| **Proprietary Funds:** | | | | | |
| Major Enterprise Funds: | | | | | |
| Virginia Lottery | $ (466) | $ (68) | $ - | $ 265 | $ (269) |
| Virginia College Savings Plan | (2,441) | (2) | (269) | - | (2,712) |
| Nonmajor Enterprise Funds | - | (90) | - | 9,384 | 9,294 |
| Total Enterprise Funds | $ (2,907) | $ (160) | $ (269) | $ 9,649 | $ 6,313 |
| Internal Service Funds | $ 71 | $ (270) | $ (2,354) | $ 113 | $ (2,440) |

Note (1): Other Non-Operating Revenue/Expenses of the nonmajor enterprise funds are primarily comprised of amounts reported by Alcoholic Beverage Control.

## 33. TRANSFERS

The following table summarizes Transfers In and Transfers Out for the fiscal year ended June 30, 2018 (dollars in thousands).

| | Transfers In (Reported In): | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Transfers Out** (Reported In): | General | Commonwealth Transportation | Federal Trust | Literary | Nonmajor Governmental Funds | Unemployment Compensation Fund | Nonmajor Enterprise Funds | Internal Service Funds | Total Primary Government |
| **Primary Government** | | | | | | | | | |
| General | $ - | $ 3,582 | $ - | $ - | $ 441,078 | $ - | $ - | $ 18 | $ 444,678 |
| Major Special Revenue Funds: | | | | | | | | | |
| Commonwealth Transportation | 29,633 | - | 6 | - | 374,188 | - | - | 388 | 404,215 |
| Federal Trust | 5 | 13,987 | - | - | 3,258 | 167 | 109 | - | 17,526 |
| Nonmajor Governmental Funds | 40,647 | 417 | 916 | 165,000 | 12,281 | - | - | - | 219,261 |
| Major Enterprise Funds: | | | | | | | | | |
| Virginia Lottery | 606,222 | - | - | 14,131 | - | - | - | - | 620,353 |
| Virginia College Savings Plan | 646 | - | - | - | - | - | - | - | 646 |
| Unemployment Compensation | - | - | 1,371 | - | - | - | - | - | 1,371 |
| Nonmajor Enterprise Funds | 188,829 | - | - | - | 15,896 | - | - | - | 204,725 |
| Internal Service Funds | 1,352 | - | - | - | 136 | - | 171 | - | 1,659 |
| **Total Primary Government** | $ 867,334 | $ 17,986 | $ 2,293 | $ 179,131 | $ 846,837 | $ 167 | $ 280 | $ 406 | $ 1,914,434 |

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

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

Various nongeneral funds transferred approximately $3.3 million to the General Fund as required by Chapter 1, 2018 Virginia Acts of Assembly Special Session 1.

## 34. ENDOWMENTS

Donor restricted endowments reside primarily within the higher education institutions. The net appreciation available for expenditure is $1.6 billion as of June 30, 2018. Of this amount, $1.4 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, 2018.

| | Virginia Lottery | Virginia College Savings Plan | Unemployment Compensation | Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|---|---|---|---|---|---|---|
| Cash Flows Resulting from: | | | | | | |
| Payments for Prizes, Claims, and Loss Control: | | | | | | |
| Lottery Prizes | $ (1,318,959) | $ - | $ - | $ - | $ (1,318,959) | $ - |
| Claims and Loss Control | - | - | (324,886) | (446,730) | (771,616) | (1,398,120) |
| Total | $ (1,318,959) | $ - | $ (324,886) | $ (446,730) | $ (2,090,575) | $ (1,398,120) |
| Other Operating Revenue: | | | | | | |
| Other Operating Revenue | $ - | $ 27 | $ 234 | $ 4,323 | $ 4,584 | $ 58 |
| Total | $ - | $ 27 | $ 234 | $ 4,323 | $ 4,584 | $ 58 |
| Other Operating Expense: | | | | | | |
| Other Operating Expenses (1) | $ - | $ (2,084) | $ - | $ (2,509) | $ (4,593) | $ (8,179) |
| Total | $ - | $ (2,084) | $ - | $ (2,509) | $ (4,593) | $ (8,179) |
| Other Noncapital Financing Receipt Activities: | | | | | | |
| Advances/Contributions from the Commonwealth | $ - | $ - | $ - | $ 40,535 | $ 40,535 | $ 92,731 |
| Receipts from Taxes | - | - | - | 243,918 | 243,918 | - |
| Other Noncapital Financing Receipt Activities | 151 | - | 6 | 357 | 514 | 803 |
| Total | $ 151 | $ - | $ 6 | $ 284,810 | $ 284,967 | $ 93,534 |
| Other Noncapital Financing Disbursement Activities: | | | | | | |
| Repayments of Advances/Contributions from the Commonwealth | $ - | $ - | $ - | $ (34,054) | $ (34,054) | $ (54,270) |
| Other Noncapital Financing Disbursement Activities | - | - | - | (106) | (106) | (528) |
| Total | $ - | $ - | $ - | $ (34,160) | $ (34,160) | $ (54,798) |
| Other Capital and Related Financing Receipt Activities: | | | | | | |
| Other Capital and Related Financing Receipt Activities | $ - | $ - | $ - | $ 335 | $ 335 | $ 1,785 |
| Total | $ - | $ - | $ - | $ 335 | $ 335 | $ 1,785 |
| Other Capital and Related Financing Disbursement Activities: | | | | | | |
| Other Capital and Related Financing Disbursement Activities | $ (466) | $ - | $ - | $ - | $ (466) | $ (397) |
| Total | $ (466) | $ - | $ - | $ - | $ (466) | $ (397) |

Note (1): $2,084 (dollars in thousands) can be attributed to SOAR scholarship expenses and other scholarships and awards. Also, $5,612 (dollars in thousands) can be attributed to expenses related to cyber insurance in the Risk Management internal service fund and $418,497 can be attributed to Affordable Care Act related fees in the Health Care Fund internal service fund.

## 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 healthcare programs. At the time of the settlement, it was estimated that the Commonwealth could receive approximately $4.1 billion over the duration of the settlement. The settlement was approved in a Consent Decree in December 1998. On March 29, 1999, the General Assembly enacted a law approving the establishment of the Tobacco Region Revitalization Commission (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.

### Primary Government

The Commonwealth of Virginia has five SCAs as of June 30, 2018: Pocahontas 895, the 495 Express Lanes, Elizabeth River – Midtown Tunnel, the 95 Express Lanes, and the I-66 Outside the Beltway. 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 $500.7 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. In December 2016, the majority owner of toll rights, Macquarie and other rights owners closed on the sale of 100.0 percent of the tolling rights to Globalvia.

**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 $853.5 million and deferred inflows of $982.1 million 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 Martin Luther King Jr. (MLK) Freeway and I-264. As of January 1, 2017 all project components of this agreement have reached substantial completion and are in service.

During the agreement, Elizabeth River Crossings OPCO, LLC will operate and maintain the road. The revenue source for the concessionaire will be toll collections, excluding the MLK Freeway, which will be used for maintenance, operating and return on investment for constructing the project. At the end of the 58-year term, control of and the rights to operate the facilities will revert back to VDOT. Capital assets of $902.9 million and deferred inflow balances of $899.7 million are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement. In July 2017, VDOT issued a Department Project Enhancement directive for Elizabeth River Crossings OPCO LLC, to design and build noise barrier walls for the MLK Freeway. VDOT is committed for these costs estimated at $23.1 million. This enhancement was still in the design phase as of June 30, 2018. An additional project enhancement commitment for VDOT is a lighting project on the Downtown Tunnel also still in the design phase and no estimate is available as of June 30, 2018. In addition to these project enhancements, the Federal Highway Administration has also required an annual traffic study over the next seven fiscal years for a total commitment of $875,000 for VDOT.

**95 Express Lanes**

On July 31, 2012, VDOT signed a 73-year public private partnership agreement with 95 Express Lanes, LLC. This project will create approximately 29 miles of Express Lanes on I-95 in Northern Virginia. The project will also add capacity to the existing HOV Lanes. The construction of the express lanes was completed in December 2014.

During the agreement, 95 Express Lanes LLC will operate and maintain the road. The revenue source for the concessionaire will be toll collections which will be used for maintenance, operating and return on investment for constructing the project. At the end of the 73-year term, control of and the rights to operate the facilities will revert back to VDOT. The lanes will remain open for the public as long as the applicable tolls are paid. Capital assets of $581.9 million and deferred inflows balances of $601.5 million are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement.

During fiscal year 2016, the Commonwealth Transportation Board awarded a contract to design and construct a reversible extension of the 95 Express Lanes at the southern terminus in Stafford County. The approximately 2.5-mile extension will carry traffic beyond the location where the 95 Express Lanes currently end. The construction began in fiscal year 2017 and lanes opened to traffic on October 31, 2017. This 2.5-mile extension resulted in an increased value of $25.7 million to the 95 Express Lanes SCA. In addition, plans were announced by VDOT during fiscal year 2016, to extend the 95 Express Lanes north to I-395. This project involves expanding and converting two high occupancy vehicle (HOV) lanes to three express lanes near the Pentagon. Construction on this eight-mile extension began in summer of 2017 with completion scheduled for fall 2019.

VDOT reached commercial close with Transurban on June 8, 2017, and financial close was completed on July 25, 2017, for this project.

On June 8, 2017, an amended and restated Comprehensive Agreement was signed between VDOT and 95 Express Lanes LLC to include the scope of the project work for the I-395 northern extension. The Comprehensive Agreement was updated to include this addition to the project and features payments to the Department for Transit Improvements. In consideration for the rights granted by VDOT to 95 Express Lanes LLC, solely in respect of the 395 Project, 95 Express Lanes LLC will agree to make a payment to VDOT of $15.0 million on the 395 Project service commencement date and escalating annually thereafter at a rate of 2.5 percent per annum as such amounts per payment year are set forth in the Amended and Restated Comprehensive Agreement (ARCA).

In fiscal year 2017, planning was initiated on the additional extension of the Express Lanes from Garrisonville Road to Route 17 in Stafford County, which is about 10 miles. It will have direct connection with both the northbound and southbound Rappahannock River crossing projects and will be analyzing access points and operational improvements with the project. VDOT is currently working with Transurban under an Advanced Development Framework Agreement for the Fredericksburg extension of the I-95 HOV/HOT Lanes. As of June 30, 2018, no final agreements have been signed between Transurban and VDOT for this project.

**I-66 Outside the Beltway Express Lanes**

On December 8, 2016, a 50-year Public Private Partnership Agreement (the Agreement) between VDOT, the Department of Rail and Public Transportation (DRPT), and private partner, I-66 Express Mobility Partners, was signed.

The $2.2 billion I-66 Outside the Beltway Project with Express Mobility Partners is to build express lanes on I-66 outside the I-495 Capital Beltway. During the 50-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 purpose of this Agreement is to build new express lanes to provide users with a faster and more reliable travel option.

The I-66 Outside the Beltway Project will include 22.5 miles of new express lanes alongside three regular lanes from I-495 to University Boulevard in Gainesville, Virginia. The project will also provide new and improved bus service and transit routes, new and improved park and ride lots, and interchange improvements to enhance safety and reduce congestion.

Express Mobility Partners will be responsible for all costs to design, build, operate and maintain the I-66 Express Lanes, without any upfront public contribution.

Financial close on the project occurred on November 9, 2017. The express lanes will open to traffic in mid-2022. These lanes will remain open for the public as long as the applicable tolls are paid. Liabilities for VDOT from the Agreement are contingent on specific events occurring pursuant to the Agreement.

Express Mobility Partners provided $578.9 million as of June 30, 2018, as an up-front concession payment to the Commonwealth. Pending approval by the Commonwealth Transportation Board, these funds will be used for project oversight by VDOT, contingency risk during construction that is released during the construction period, and projects in the corridor as selected by the Commonwealth Transportation Board. Deferred inflows balance of $571.2 million is included in the fund financial statements.

Additional consideration to be provided by Express Mobility Partners includes several components of the permit fee established in the Agreement. A description of these components and the stipulations around receiving is provided below.

Express Mobility Partners is required to pay VDOT a permit fee that consists of transit funding payments, support for corridor improvements, and revenue sharing as further described below.

The transit funding payment portion of the permit fee that becomes due during the operating period will be payable after debt service and required reserve accounts, and will be subject to the lock-up provisions required in the Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Agreement, but prior to support for corridor improvements and distributions. If funds are insufficient to make scheduled transit funding payments at the time due, such payments or any unpaid portion thereof will be considered past due and will remain due and payable without interest charges. The net present value of these payments is $768.0 million.

The support for corridor improvements are to be paid as indicated in the Agreement. Amounts to be paid annually are contingent on actual toll revenues. The net present value of the support for corridor improvements is expected to total $350.0 million. At the end of the term of the Agreement, any unpaid balance of these payments is to be forgiven or cancelled.

Express Mobility Partners will make revenue sharing payments in amounts calculated based on actual cumulative net present value of gross revenue at the end of each year of the Agreement. The percentage of gross revenue to be paid by Express Mobility Partners to VDOT increases in accordance with a five-tier revenue sharing scale. Revenue sharing payments do not have to be made if transit funding payments or support for corridor improvements are past due or unpaid.

Additional information on these payments can be found in the Agreement executed between VDOT, DRPT, and Express Mobility Partners.

**Component Units**

**Aramark – Dining Services**

During the year ended June 30, 2015, the University of Virginia (nonmajor) entered into an agreement with Aramark Educational Services, LLC (Aramark) for Aramark to provide dining services to the University. In return for use of University facilities, Aramark is required to make certain payments to the University and the University is required to provide certain repair and maintenance services related to the facilities during the term of the agreement. As of June 30, 2018, the University has accrued a $13.0 million receivable, a $11.2 million liability and a $65.5 million deferred inflow of resources related to the service concession arrangement.

## 38. INFORMATION TECHNOLOGY INFRASTRUCTURE

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

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

In 2015, in anticipation of a June 30, 2019, contract expiration, and with recognition of the complexity of the change in such a large shared services environment, VITA engaged a consulting firm to help develop sourcing strategies to better align with current best practices and future customer requirements. After evaluating options and engaging numerous Commonwealth stakeholders, VITA determined that it should start disentangling services from the CIA and transition services to a new, multi-supplier model. The first contract was signed with Tempus Nova for messaging services; most messaging services were transitioned from Northrop Grumman effective April 30, 2018. The Commonwealth also signed a contract with Perspecta for IBM mainframe services; those services were transitioned from Northrop Grumman effective June 3, 2017. On May 18, 2018, the Commonwealth notified Northrop Grumman that all remaining services would be terminated for convenience effective August 17, 2018. At the termination date, the Commonwealth issued a payment for the contractually required resolution fees, totaling approximately $65.4 million. The Commonwealth may also be required to pay exit fees; however, exit fees are subject to the appropriation, allocation and availability of Commonwealth funds.

Payments continued to Northrop Grumman for most infrastructure services in fiscal year 2018, totaling $252.2 million, with other infrastructure services payments going to new providers as noted above. Furthermore, certain services and transition work are now the subject of litigation between NG and VITA in Richmond Circuit Court.

In addition to the two contracts signed above, the Commonwealth has signed a contract with Atos for managed security services; Unisys for server, storage, and data center services; and Verizon for voice and data network services. Additional contract awards for end user computing and managed print services are still pending. The contract terms range from five years to seven years, with additional renewal options on each. The Commonwealth expects to spend an additional $503.4 million over the next two fiscal years, either with NG or new providers.

## 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 and portions of selected rebates. The Commonwealth has paid the amount it believes is owed for fiscal years 2009-2014, and appealed a DHHS determination letter indicating that an additional amount is owed for this time period. While the DHHS Departmental Appeals Board upheld the DHHS determination, the Commonwealth is currently continuing the appeal process. In October 2018, the Commonwealth paid an additional $10.3 million in order to cease interest assessment and prevent potential debt-set off actions on future federal drawdowns. The Commonwealth still disputes that this amount is owed and expects to recover this amount from the appeal settlement.

Accordingly, this amount is not included in the accompanying financial statements.

Additionally, the DHHS has received the 2017 and 2016 payback schedules which are based on fiscal year 2016 and 2015 data, respectively. Further, the Commonwealth has computed a payback schedule for 2018 which is based on fiscal year 2017 data. The Commonwealth has computed a liability of $13.6 million representing the amounts owed to the federal government for internal service fund over-recoveries and transfers, as well as the federal share of various rebates received. This amount has been reflected in the accompanying financial statements.

The Virginia Tourism Authority (nonmajor component unit) had unclaimed awards totaling $1.9 million payable to awardees upon submission of proper claims for reimbursement for the Marketing Leverage Program, in addition to, unclaimed awards totaling $192,456 payable to awardees upon submission of proper claims for reimbursement for the World War Tourism Program and Music Festival Program. Additionally, property at the Virginia/Maryland border to be used for the Gateway Welcome Center was donated to the Authority in July 2008. The deed to the property includes a covenant requiring any or all land to revert to the U.S. Government should it become needed for national defense. The net book value of the property as of June 30, 2018 was $815,300.

**B. Litigation**

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

**C. Subject to Appropriation**

Both the primary government and the discretely presented component units enter into agreements and issue debt secured solely by future appropriations from the General Fund of the Commonwealth. The primary government has leases and other agreements of such debt of $2.7 billion. The discretely presented component units have such debt of $4.3 billion.

**D. Bailment Inventory**

The Virginia Alcoholic Beverage Control Authority (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. As of June 30, 2018, the bailment inventory was valued at $43.0 million.

**E. Loan Guarantees**

The Virginia Small Business Financing Authority (VSBFA) (nonmajor component unit) has a loan guaranty program which provides guarantees up to the lesser of $500,000, or 75.0 percent, of a bank loan for lines of credit and short-term working capital loans for small businesses authorized by Section 2.2-2285 of the *Code of Virginia*. The relationship of the Commonwealth to the issuer or issuers of the obligations are private banks that contact VSBFA to obtain guarantees if they deem it necessary to approve the loan. The VSBFA staff underwrites the request for guarantees, and the Board of Directors makes the credit decision to approve or decline the loan. The Board has given VSBFA staff delegated authority to approve requests up to, and including, $500,000. The Board reviews all loan packages and ratifies all decisions. The length of time for the guarantees is up to five years for lines of credit and seven years for term loans. Upon a default or event of default under the loan documents and payment by VSBFA under the Guaranty Agreement, the borrower and the guarantor(s), jointly and severally, acknowledge and agree that VSBFA may set off, collect and retain any payments or monies due or owing the borrower or any guarantor from the Commonwealth of Virginia, and/or any governmental authority or agency of the Commonwealth. VSBFA submits collections to the Office of the Attorney General, Division of Debt Collection for legal action and collection of debt. As of June 30, 2018, the loan guaranty program has guarantees outstanding of $7.2 million and restricted assets pledged as collateral of $13.6 million.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* requires that certain information be disclosed regarding selected nonexchange financial guarantees. As of June 30, 2018, the VSBFA recognized a nonexchange financial guarantee liability of $143,287. This is a decrease of $183,615 from the beginning balance of $326,902. There were no required payments made during fiscal year 2018. Additionally, there have been no cumulative amounts paid on these outstanding loan guarantees nor are there any expected recoveries.

**F. Regional Wet Weather Management Plan**

Hampton Roads Sanitation District (HRSD) (nonmajor component unit) is party to a federal consent decree with the federal and state governments (the Consent Decree), which requires the HRSD to evaluate the wet weather capacity of the regional sewer system, including collection systems owned by 14 of the localities which the HRSD serves in the Hampton Roads area. Based

upon that evaluation, the HRSD, in consultation with the localities, is required to develop a regional wet weather management plan (RWWMP) for submittal to the federal and state environmental agencies for their approval.

The HRSD and the localities believe that addressing wet weather capacity issues from a regional perspective will result in the most affordable and cost-effective approach for rate payers throughout the region. Toward that end, the HRSD and the localities entered into a legally binding Memorandum of Agreement in March of 2014 (the MOA). The MOA commits HRSD to (1) develop the RWWMP in consultation with the localities, (2) fund the approved plan through a regional rate imposed on all regional ratepayers, (3) design and construct the necessary improvements, and (4) assume responsibility for wet weather capacity throughout the region in each area once the RWWMP is implemented. In exchange, the localities have agreed to (1) cooperate with the HRSD, (2) facilitate the construction of and accept ownership of any improvements which the HRSD may need to construct in the localities' systems, and (3) maintain the integrity of their systems to industry standards. The Consent Decree and MOA also contemplate that the localities' obligation to maintain the integrity of their sewer systems to industry standards was embodied in a State administrative order. While the HRSD is preparing the RWWMP, the Consent Decree also requires the HRSD to implement approximately $200.0 million in priority capital system upgrade projects over a 10-year period, which is included in the capital improvement and expansion program. The HRSD is on schedule to complete these projects. The HRSD has a major capital improvement and expansion program funded through the issuance of debt and its own resources. As of June 30, 2018, the HRSD has outstanding commitments for contracts in progress of approximately $106.2 million.

## 40. SUBSEQUENT EVENTS

### Primary Government

#### Debt

On August 14, 2018, the Commonwealth of Virginia issued $106.9 million of General Obligation Bonds, Series 2018A. These bonds will provide funding for authorized 9(c) projects.

On December 5, 2018, the Commonwealth Transportation Board issued $75.8 million of Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes (GARVEEs), Series 2018 to provide for the payment of certain transportation projects.

### Component Units

#### Debt

On July 2, 2018, an election was certified that resulted in the determination of International Longshoremen Association (ILA) Local 970 and Local 1248 as exclusive collective-bargaining representatives of crane technicians, crane mechanics, crane electronic technicians, light equipment mechanics and vehicle maintenance employees who are employed by VIT, a blended component unit of Virginia Port Authority (VPA) (nonmajor).

On July 24, 2018, Virginia Biotechnology Research Partnership Authority (nonmajor) legally formed Lighthouse Labs, Inc.

On July 26, 2018, VPA issued $60.3 million of Commonwealth Port Fund Revenue Refunding Bonds, Series 2018 (Taxable) to refund VPA's Commonwealth Port Fund Revenue Bonds, Series 2011 (Non-AMT).

On August 2, 2018, a local borrower prepaid an outstanding obligation with the Virginia Resources Authority (VRA) (major) in the amount of $35.3 million. It is VRA's intention to defease the related bonds (VPFP Series 2010C) with prepayment proceeds. Additionally, VRA issued revenue bonds in the amount of $28.0 million dated August 6, 2018 through VPFP. Interest rates range from 3.0 percent to 5.0 percent with a final maturity date of November 1, 2038.

On October 2, 2018, the Virginia Housing Development Authority (VHDA) (major) redeemed Rental Housing Bond 2018 Series D (Non-AMT) in the amount of $74.4 million.

On November 1, 2018, VHDA redeemed Commonwealth Mortgage Bonds 2012 Series C in the amount of $67.7 million, and Homeownership Mortgage Bonds 2010 Series A and B in the amount of $6.2 million.

On November 6, 2018, the Virginia Public School Authority (VPSA) (major) issued School Financing Bonds Series 2018B in the amount of $109.1 million. The proceeds will be used to purchase certain general obligation local school bonds to finance capital projects for schools.

On December 4, 2018, VCBA issued $134.5 million in Educational Facilities Revenue Bonds, Series 2018A and $76.7 million in Educational Facilities Revenue Bonds, Series 2018B (Taxable) under the Public Higher Education Financing Program (the Pool Program). The VCBA used the proceeds of the Series 2018A and Series 2018B 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.

**Other**

On July 1, 2018, the University of Virginia Medical Center (part of the University of Virginia – nonmajor component unit) entered into a 50/50 joint venture with Kings Daughters Children's Hospital to establish a limited liability company called Fortify Children's Health. Fortify Children's Health is a statewide pediatric physician network created in order to provide better access to pediatric care throughout the Commonwealth.

Virginia Tech Carillon School of Medicine officially became part of the Virginia Polytechnic Institute and State University (nonmajor) on July 1, 2018. It now functions as a college within the university.

From time-to-time the Virginia Commonwealth University (nonmajor) treasury office will review opportunities to refinance existing debt. During August 2018, the University treasury office provided a compelling analysis to refinance existing debt from a privately placed variable rate bond with a related fixed-payer swap to a true fixed rate refunding bond sold in the public markets. Subject to continued favorable market conditions, the Executive Committee of the School of Business Foundation approved a conceptual plan to refinance the Snead Hall bonds on September 7, 2018 and the Executive Committee of the College of Engineering Foundation Board approved a conceptual plan to refinance the East Hall bonds on September 28, 2018. The University Board of Visitors approved the bond financing in a meeting of the Executive Committee on October 8, 2018. The bonds closed on November 1, 2018. Included in the debt issuance mentioned above, the University issued bonds in the amount of $56.8 million. Proceeds of the bonds, together with other available funds, will be used to finance the acquisition, construction and equipping of one or more research facilities and to refund the University's obligations related to an existing line of credit which was used for the acquisition, construction and equipping of the University's basketball practice facilities.

Radford University (nonmajor) continues the merger of Jefferson College of Health Sciences with Radford University. As announced in January 2018, the merger process is expected to be completed by Fall 2019. Jefferson College of Health Sciences is currently owned and operated by Carilion Clinic, a tax-exempt healthcare organization.

# Required Supplementary Information

## Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds

Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | General Fund | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Final/Actual Variance Positive (Negative) |
| **Revenues:** | | | | |
| Taxes: | | | | |
| Individual and Fiduciary Income | $ 13,390,000 | $ 13,491,900 | $ 14,105,766 | $ 613,866 |
| Sales and Use | 3,824,890 | 3,837,300 | 3,827,078 | (10,222) |
| Corporation Income | 840,600 | 874,000 | 861,897 | (12,103) |
| Motor Fuel | - | - | - | - |
| Motor Vehicle Sales and Use | - | - | - | - |
| Communications Sales and Use | 407,000 | 396,500 | 384,162 | (12,338) |
| Deeds, Contracts, Wills, and Suits | 407,900 | 407,200 | 403,236 | (3,964) |
| Premiums of Insurance Companies | 364,800 | 362,100 | 337,947 | (24,153) |
| Alcoholic Beverage Sales | 233,700 | 232,000 | 231,836 | (164) |
| Tobacco Products | 175,800 | 176,500 | 160,383 | (16,117) |
| Estate | - | 800 | 932 | 132 |
| Public Service Corporations | 97,800 | 98,000 | 98,672 | 672 |
| Other Taxes | 33,850 | 35,191 | 39,392 | 4,201 |
| Rights and Privileges | 87,655 | 90,089 | 90,780 | 691 |
| Sales of Property and Commodities | 43,914 | 58,183 | 62,597 | 4,414 |
| Assessments and Receipts for Support of Special Services | 3,350 | 4,340 | 5,230 | 890 |
| Institutional Revenue | 44,681 | 41,278 | 37,926 | (3,352) |
| Interest, Dividends, and Rents | 62,554 | 69,406 | 72,083 | 2,677 |
| Fines, Forfeitures, Court Fees, Penalties, and Escheats | 220,905 | 213,405 | 209,869 | (3,536) |
| Federal Grants and Contracts | 6,160 | 6,230 | 6,796 | 566 |
| Receipts from Cities, Counties, and Towns | 19,390 | 11,116 | 11,084 | (32) |
| Private Donations, Gifts and Contracts | 237 | 705 | 540 | (165) |
| Tobacco Master Settlement | 48,496 | 48,000 | 58,267 | 10,267 |
| Other | 181,117 | 180,616 | 316,477 | 135,861 |
| Total Revenues | 20,494,799 | 20,634,859 | 21,322,950 | 688,091 |
| | | | | |
| **Expenditures:** | | | | |
| Current: | | | | |
| General Government | 2,672,465 | 2,524,715 | 2,405,220 | 119,495 |
| Education | 8,699,487 | 8,819,740 | 8,740,117 | 79,623 |
| Transportation | 58 | 233 | 202 | 31 |
| Resources and Economic Development | 430,423 | 471,601 | 397,794 | 73,807 |
| Individual and Family Services | 6,844,106 | 6,988,389 | 6,904,011 | 84,378 |
| Administration of Justice | 2,771,756 | 2,878,675 | 2,848,951 | 29,724 |
| Capital Outlay | 56,663 | 12,429 | 4,658 | 7,771 |
| Total Expenditures | 21,474,958 | 21,695,782 | 21,300,953 | 394,829 |
| Revenues Over (Under) Expenditures | (980,159) | (1,060,923) | 21,997 | 1,082,920 |
| | | | | |
| **Other Financing Sources (Uses):** | | | | |
| Transfers: | | | | |
| Transfers In | 813,721 | 855,267 | 869,785 | 14,518 |
| Transfers Out | (443,350) | (432,042) | (444,678) | (12,636) |
| Bonds Issued | - | - | - | - |
| Premium on Debt Issuance | - | - | - | - |
| Total Other Financing Sources (Uses) | 370,371 | 423,225 | 425,107 | 1,882 |
| Revenues and Other Sources Over (Under) Expenditures and Other Uses | (609,788) | (637,698) | 447,104 | 1,084,802 |
| **Fund Balance, July 1, as restated** | 1,339,860 | 1,339,860 | 1,339,860 | - |
| **Fund Balance, June 30** | $ 730,072 | $ 702,162 | $ 1,786,964 | $ 1,084,802 |

See notes on page 201 in this section.

| Special Revenue Funds | | | |
|---|---|---|---|
| Commonwealth Transportation Fund | | | |
| Original Budget | Final Budget | Actual | Final/Actual Variance Positive (Negative) |
| | | | |
| | | | |
| $ - | $ - | $ - | $ - |
| 1,427,841 | 1,457,673 | 1,411,437 | (46,236) |
| - | - | - | - |
| 1,004,149 | 1,015,873 | 979,147 | (36,726) |
| 947,300 | 922,400 | 935,158 | 12,758 |
| - | - | - | - |
| 101,200 | 101,000 | 101,133 | 133 |
| 168,018 | 168,018 | 168,017 | (1) |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 74,950 | 77,790 | 82,928 | 5,138 |
| 581,413 | 695,670 | 1,225,286 | 529,616 |
| 556 | 556 | 2,915 | 2,359 |
| 14,926 | 14,204 | 16,908 | 2,704 |
| - | - | - | - |
| 17,557 | 12,220 | 44,205 | 31,985 |
| 7,828 | 13,707 | 17,296 | 3,589 |
| 1,080,507 | 1,269,522 | 954,746 | (314,776) |
| 153,573 | 153,544 | 260,655 | 107,111 |
| 25 | 25 | 43,104 | 43,079 |
| - | - | - | - |
| 31,752 | 640,749 | 585,805 | (54,944) |
| 5,611,595 | 6,542,951 | 6,828,740 | 285,789 |
| | | | |
| | | | |
| | | | |
| 84,723 | 84,723 | 59,641 | 25,082 |
| 2,648 | 2,364 | 2,341 | 23 |
| 5,597,524 | 7,061,850 | 6,006,043 | 1,055,807 |
| 16,032 | 15,333 | 15,325 | 8 |
| - | - | - | - |
| 9,882 | 9,882 | 9,880 | 2 |
| 95,833 | 145,103 | 68,717 | 76,386 |
| 5,806,642 | 7,319,255 | 6,161,947 | 1,157,308 |
| (195,047) | (776,304) | 666,793 | 1,443,097 |
| | | | |
| | | | |
| | | | |
| 1,000 | 2,000 | 17,986 | 15,986 |
| (396,729) | (402,741) | (400,363) | 2,378 |
| 601,500 | 601,500 | 601,500 | - |
| 70,301 | 70,301 | 70,301 | - |
| 276,072 | 271,060 | 289,424 | 18,364 |
| | | | |
| 81,025 | (505,244) | 956,217 | 1,461,461 |
| 2,153,428 | 2,153,428 | 2,153,428 | - |
| $ 2,234,453 | $ 1,648,184 | $ 3,109,645 | $ 1,461,461 |

*Continued on next page*

**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds** *(Continued from previous page)*

Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| | Federal Trust | | | |
| | Original Budget | Final Budget | Actual | Final/Actual Variance Positive (Negative) |
| **Revenues:** | | | | |
| Taxes: | | | | |
| Individual and Fiduciary Income | $ - | $ - | $ - | $ - |
| Sales and Use | - | - | - | - |
| Corporation Income | - | - | - | - |
| Motor Fuel | - | - | - | - |
| Motor Vehicle Sales and Use | - | - | - | - |
| Communications Sales and Use | - | - | - | - |
| Deeds, Contracts, Wills, and Suits | - | - | - | - |
| Premiums of Insurance Companies | - | - | - | - |
| Alcoholic Beverage Sales | - | - | - | - |
| Tobacco Products | - | - | - | - |
| Estate | - | - | - | - |
| Public Service Corporations | - | - | - | - |
| Other Taxes | - | - | - | - |
| Rights and Privileges | - | - | 91 | 91 |
| Sales of Property and Commodities | - | - | 2 | 2 |
| Assessments and Receipts for Support of Special Services | - | - | - | - |
| Institutional Revenue | - | - | 5 | 5 |
| Interest, Dividends, and Rents | 3,399 | 2,369 | 547 | (1,822) |
| Fines, Forfeitures, Court Fees, Penalties, and Escheats | 3,662 | 1,955 | 849 | (1,106) |
| Federal Grants and Contracts | 8,348,516 | 8,756,004 | 9,229,381 | 473,377 |
| Receipts from Cities, Counties, and Towns | - | - | - | - |
| Private Donations, Gifts and Contracts | - | - | - | - |
| Tobacco Master Settlement | - | - | - | - |
| Other | 58,789 | 218,166 | 250,282 | 32,116 |
| Total Revenues | 8,414,366 | 8,978,494 | 9,481,157 | 502,663 |
| | | | | |
| **Expenditures:** | | | | |
| Current: | | | | |
| General Government | 158,420 | 168,430 | 135,498 | 32,932 |
| Education | 948,551 | 1,079,449 | 1,077,016 | 2,433 |
| Transportation | 34,533 | 30,731 | 21,925 | 8,806 |
| Resources and Economic Development | 182,944 | 200,068 | 148,977 | 51,091 |
| Individual and Family Services | 6,983,718 | 7,301,109 | 7,974,178 | (673,069) |
| Administration of Justice | 51,385 | 101,864 | 78,416 | 23,448 |
| Capital Outlay | 54,815 | 96,843 | 31,175 | 65,668 |
| Total Expenditures | 8,414,366 | 8,978,494 | 9,467,185 | (488,691) |
| Revenues Over (Under) Expenditures | - | - | 13,972 | 13,972 |
| | | | | |
| **Other Financing Sources (Uses):** | | | | |
| Transfers: | | | | |
| Transfers In | - | - | 3,386 | 3,386 |
| Transfers Out | - | - | (17,358) | (17,358) |
| Bonds Issued | - | - | - | - |
| Premium on Debt Issuance | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | (13,972) | (13,972) |
| Revenues and Other Sources Over (Under) Expenditures and Other Uses | - | - | - | - |
| **Fund Balance, July 1, as restated** | - | - | - | - |
| **Fund Balance, June 30** | $ - | $ - | $ - | $ - |

See notes on page 201 in this section.

## Notes for Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds

### 1. Basis of Budgeting vs. Modified Accrual Basis Fund Balance (1)

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2018, to the fund balance on a modified accrual basis follows.

**Fund Balance Comparison**

**Budgetary Basis to GAAP Basis**

*(Dollars in Thousands)*

| | General Fund | Commonwealth Transportation Fund | Federal Trust Fund |
|---|---|---|---|
| Fund Balance, Basis of Budgeting | $ 1,786,964 | $ 3,109,645 | $ - |
| Adjustments from Budget to Modified Accrual: | | | |
| Accrued Revenues: | | | |
| Taxes | 685,980 | 161,074 | - |
| Tax Refunds | (422,106) | - | - |
| Other Revenue/Other Sources | 43,095 | 46,197 | 855,758 |
| Deferral of Up-front SCA payment | - | (578,919) | - |
| Medicaid Payable | (549,382) | - | (610,687) |
| Accrued Expenditures/Other Uses | (701,097) | (404,827) | (137,538) |
| Fund Reclassification - Budget to Modified Accrual | - | (5,892) | - |
| Fund Balance, Modified Accrual Basis | $ 843,454 | $ 2,327,278 | $ 107,533 |

1. As discussed in Note 1.E., the Literary Fund has no approved budget.

### 2. Appropriations

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the General Fund and Major Special Revenue Funds, at June 30, 2018, except the Literary Fund which has no approved budget.

| *(Dollars in Thousands)* | General Fund (8) | Commonwealth Transportation Fund | Federal Trust Fund (9) |
|---|---|---|---|
| Appropriations (1) | $ 21,474,958 | $ 5,806,642 | $ 8,414,366 |
| Supplemental Appropriations: | | | |
| Reappropriations (2) | 193,450 | 102,585 | 58,983 |
| Subsequent Executive (3) | 114,661 | 1,088,380 | 342,129 |
| Subsequent Legislative (4) | 205,951 | 381,444 | 248,307 |
| Capital Outlay and Operating Reversions (5) | (2,672) | (1) | (1,373) |
| Transfers (6) | (250,195) | 10,147 | (28,256) |
| Capital Outlay Adjustment (7) | (40,371) | (69,942) | (55,662) |
| Appropriations, as adjusted | $ 21,695,782 | $ 7,319,255 | $ 8,978,494 |

1. Represents the budget appropriated through Chapter 836, 2017 Acts of Assembly, as amended by Chapter 1, 2018 Acts of Assembly Special Session 1.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to carry forward any prior year unexpended balances, sum sufficient authority, and year 2 to year 1 reductions (General Fund) and actions taken to appropriate any additional revenues collected so that they can be legally spent (Special Revenue Funds).
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay and operating balances.
6. Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately $1.6 billion (General Fund) and $775,000 (Commonwealth Transportation Fund) for transfers to component units and fiduciary funds that have been reclassified as expenditures in accordance with GASB Statement No. 34.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.
8. Budgetary reductions totaling $288.7 million are excluded since they were not available for disbursement during the current fiscal year.
9. Appropriations do not include food stamp issuances of $1.1 billion since this is a noncash item; however, this amount is included in actual expenditures.

## Schedule of Changes in Employers' Net Pension Liability (1) (2)

Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | VRS State | | | |
|---|---|---|---|---|
| **Change in the Net Pension Liability** | **2018** | **2017** | **2016** | **2015** |
| **Total pension liability:** | | | | |
| Service cost | $ 370,235 | $ 369,779 | $ 375,149 | $ 369,120 |
| Interest | 1,562,819 | 1,533,764 | 1,482,951 | 1,436,064 |
| Benefit changes | - | - | - | - |
| Difference between actual and expected experience | (85,975) | (245,642) | 59,923 | - |
| Assumption changes | 76,965 | - | - | - |
| Benefit payments | (1,234,388) | (1,195,198) | (1,136,102) | (1,081,866) |
| Refunds of contributions | (30,837) | (25,240) | (27,724) | (25,036) |
| Net change in total pension liability | 658,819 | 437,463 | 754,197 | 698,282 |
| **Total pension liability - beginning** | 22,958,593 | 22,521,130 | 21,766,933 | 21,068,651 |
| **Total pension liability - ending (a)** | $ 23,617,412 | $ 22,958,593 | $ 22,521,130 | $ 21,766,933 |
| **Plan fiduciary net position:** | | | | |
| Contributions - employer | $ 535,424 | $ 722,617 | $ 480,657 | $ 343,259 |
| Contributions - member | 201,391 | 200,184 | 195,582 | 198,035 |
| Net investment income | 1,963,811 | 277,166 | 728,083 | 2,243,999 |
| Benefit payments | (1,234,388) | (1,195,198) | (1,136,102) | (1,081,866) |
| Refunds of contributions | (30,837) | (25,240) | (27,724) | (25,036) |
| Administrative expense | (11,612) | (10,140) | (10,302) | (12,341) |
| Other | (1,743) | (122) | (154) | 123 |
| Net change in plan fiduciary net position | 1,422,046 | (30,733) | 230,040 | 1,666,173 |
| **Plan fiduciary net position - beginning** | 16,367,842 | 16,398,575 | 16,168,535 | 14,502,362 |
| **Plan fiduciary net position - ending (b)** | 17,789,888 | 16,367,842 | 16,398,575 | 16,168,535 |
| **Net pension liability - ending (a-b)** | $ 5,827,524 | $ 6,590,751 | $ 6,122,555 | $ 5,598,398 |
| Plan fiduciary net position as a percentage of the total pension liability (b/a) | 75.3% | 71.3% | 72.8% | 74.3% |
| Covered payroll (c) | $ 4,020,893 | $ 3,977,759 | $ 3,878,632 | $ 3,861,712 |
| Net pension liability as a percentage of covered payroll ((a-b)/c) | 144.9% | 165.7% | 157.9% | 145.0% |

(1) The Commonwealth implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* effective for the fiscal year ended June 30, 2015, therefore, ten years of data is unavailable.

(2) The Commonwealth's fiscal year 2018 net pension measurement date is June 30, 2017, as reported in Note 16.

See notes on page 210 in this section.

| VRS Teacher | | | |
|---|---|---|---|
| 2018 | 2017 | 2016 | 2015 |
| $ 830,475 | $ 828,856 | $ 828,901 | $ 831,501 |
| 3,016,207 | 2,931,065 | 2,834,138 | 2,722,788 |
| - | - | - | - |
| (642,745) | (391,881) | (212,089) | - |
| 218,559 | - | - | - |
| (2,147,781) | (2,081,069) | (1,980,353) | (1,874,636) |
| (39,521) | (35,067) | (36,058) | (36,103) |
| 1,235,194 | 1,251,904 | 1,434,539 | 1,643,550 |
| 44,182,326 | 42,930,422 | 41,495,883 | 39,852,333 |
| $ 45,417,520 | $ 44,182,326 | $ 42,930,422 | $ 41,495,883 |
| $ 1,137,976 | $ 1,062,338 | $ 1,267,250 | $ 853,634 |
| 392,730 | 380,314 | 373,525 | 371,241 |
| 3,632,291 | 516,704 | 1,327,047 | 4,042,441 |
| (2,147,781) | (2,081,069) | (1,980,353) | (1,874,636) |
| (39,521) | (35,067) | (36,058) | (36,103) |
| (21,123) | (18,859) | (18,238) | (22,036) |
| (3,238) | (222) | (284) | 217 |
| 2,951,334 | (175,861) | 932,889 | 3,334,758 |
| 30,168,211 | 30,344,072 | 29,411,183 | 26,076,425 |
| 33,119,545 | 30,168,211 | 30,344,072 | 29,411,183 |
| $ 12,297,975 | $ 14,014,115 | $ 12,586,350 | $ 12,084,700 |
| 72.9% | 68.3% | 70.7% | 70.9% |
| $ 7,891,783 | $ 7,624,612 | $ 7,434,932 | $ 7,313,025 |
| 155.8% | 183.8% | 169.3% | 165.2% |

*Continued on next page*

**Schedule of Changes in Employers' Net Pension Liability (1) (2)** *(Continued from previous page)*

Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | VRS Political Subdivisions | | | |
|---|---|---|---|---|
| **Change in the Net Pension Liability** | **2018** | **2017** | **2016** | **2015** |
| **Total pension liability:** | | | | |
| Service cost | $ 541,594 | $ 535,322 | $ 530,945 | $ 524,758 |
| Interest | 1,422,753 | 1,362,892 | 1,309,484 | 1,243,386 |
| Benefit changes | 36,652 | 2,053 | 1,135 | - |
| Difference between actual and expected experience | (205,649) | (87,268) | (185,419) | - |
| Assumption changes | (64,510) | - | - | - |
| Benefit payments | (941,856) | (893,585) | (819,201) | (754,706) |
| Refunds of contributions | (42,068) | (37,380) | (36,898) | (36,876) |
| Net change in total pension liability | 746,916 | 882,034 | 800,046 | 976,562 |
| **Total pension liability - beginning** | 20,817,088 | 19,935,054 | 19,135,008 | 18,158,446 |
| **Total pension liability - ending (a)** | $ 21,564,004 | $ 20,817,088 | $ 19,935,054 | $ 19,135,008 |
| **Plan fiduciary net position:** | | | | |
| Contributions - employer | $ 477,563 | $ 543,947 | $ 533,877 | $ 539,366 |
| Contributions - member | 238,636 | 231,934 | 227,060 | 225,555 |
| Net investment income | 2,113,973 | 300,995 | 761,164 | 2,272,284 |
| Benefit payments | (941,856) | (893,585) | (819,201) | (754,706) |
| Refunds of contributions | (42,068) | (37,380) | (36,898) | (36,876) |
| Administrative expense | (12,220) | (10,696) | (10,358) | (12,153) |
| Other | (1,887) | (130) | (162) | 120 |
| Net change in plan fiduciary net position | 1,832,141 | 135,085 | 655,482 | 2,233,590 |
| **Plan fiduciary net position - beginning** | 17,418,106 | 17,283,021 | 16,627,539 | 14,393,949 |
| **Plan fiduciary net position - ending (b)** | 19,250,247 | 17,418,106 | 17,283,021 | 16,627,539 |
| **Net pension liability - ending (a-b)** | $ 2,313,757 | $ 3,398,982 | $ 2,652,033 | $ 2,507,469 |
| Plan fiduciary net position as a percentage of the total pension liability (b/a) | 89.3% | 83.7% | 86.7% | 86.9% |
| Covered payroll (c) | $ 4,765,842 | $ 4,628,806 | $ 4,513,335 | $ 4,434,764 |
| Net pension liability as a percentage of covered payroll ((a-b)/c) | 48.5% | 73.4% | 58.8% | 56.5% |

| SPORS | | | |
|---|---|---|---|
| 2018 | 2017 | 2016 | 2015 |
| $ 18,880 | $ 18,700 | $ 18,847 | $ 18,341 |
| 74,042 | 72,618 | 70,350 | 67,978 |
| - | - | - | - |
| (5,327) | (14,711) | (2,890) | - |
| (68,707) | - | - | - |
| (57,814) | (53,515) | (53,338) | (50,467) |
| (630) | (584) | (375) | (685) |
| (39,556) | 22,508 | 32,594 | 35,167 |
| 1,086,958 | 1,064,450 | 1,031,856 | 996,689 |
| $ 1,047,402 | $ 1,086,958 | $ 1,064,450 | $ 1,031,856 |
| | | | |
| $ 31,888 | $ 33,655 | $ 28,427 | $ 42,683 |
| 5,701 | 5,759 | 5,680 | 5,646 |
| 87,265 | 12,634 | 32,466 | 98,682 |
| (57,814) | (53,515) | (53,338) | (50,467) |
| (630) | (584) | (375) | (685) |
| (926) | (590) | (471) | (431) |
| (99) | (23) | (27) | - |
| 65,385 | (2,664) | 12,362 | 95,428 |
| 730,688 | 733,352 | 720,990 | 625,562 |
| 796,073 | 730,688 | 733,352 | 720,990 |
| $ 251,329 | $ 356,270 | $ 331,098 | $ 310,866 |
| | | | |
| 76.0% | 67.2% | 68.9% | 69.9% |
| | | | |
| $ 111,395 | $ 114,395 | $ 110,059 | $ 112,010 |
| | | | |
| 225.6% | 311.4% | 300.8% | 277.5% |

*Continued on next page*

## Schedule of Changes in Employers' Net Pension Liability (1) (2) *(Continued from previous page)*

Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | VaLORS | | | |
|---|---|---|---|---|
| **Change in the Net Pension Liability** | **2018** | **2017** | **2016** | **2015** |
| **Total pension liability:** | | | | |
| Service cost | $ 47,189 | $ 45,608 | $ 47,531 | $ 46,504 |
| Interest | 135,453 | 129,756 | 124,579 | 119,040 |
| Benefit changes | - | - | - | - |
| Difference between actual and expected experience | (1,457) | 4,997 | (4,849) | - |
| Assumption changes | (63,457) | - | - | - |
| Benefit payments | (96,224) | (92,270) | (84,990) | (78,412) |
| Refunds of contributions | (4,938) | (4,524) | (4,797) | (4,665) |
| Net change in total pension liability | 16,566 | 83,567 | 77,474 | 82,467 |
| **Total pension liability - beginning** | 1,985,618 | 1,902,051 | 1,824,577 | 1,742,110 |
| **Total pension liability - ending (a)** | $ 2,002,184 | $ 1,985,618 | $ 1,902,051 | $ 1,824,577 |
| **Plan fiduciary net position:** | | | | |
| Contributions - employer | $ 73,816 | $ 79,392 | $ 62,084 | $ 67,483 |
| Contributions - member | 17,598 | 17,574 | 17,081 | 17,908 |
| Net investment income | 146,039 | 20,899 | 52,312 | 156,786 |
| Benefit payments | (96,224) | (92,270) | (84,990) | (78,412) |
| Refunds of contributions | (4,938) | (4,524) | (4,797) | (4,665) |
| Administrative expense | (1,540) | (940) | (743) | (681) |
| Other | (310) | (38) | (44) | - |
| Net change in plan fiduciary net position | 134,441 | 20,093 | 40,903 | 158,419 |
| **Plan fiduciary net position - beginning** | 1,211,446 | 1,191,353 | 1,150,450 | 992,031 |
| **Plan fiduciary net position - ending (b)** | 1,345,887 | 1,211,446 | 1,191,353 | 1,150,450 |
| **Net pension liability - ending (a-b)** | $ 656,297 | $ 774,172 | $ 710,698 | $ 674,127 |
| Plan fiduciary net position as a percentage of the total pension liability (b/a) | 67.2% | 61.0% | 62.6% | 63.1% |
| Covered payroll (c) | $ 344,468 | $ 345,504 | $ 338,562 | $ 352,492 |
| Net pension liability as a percentage of covered payroll ((a-b)/c) | 190.5% | 224.1% | 209.9% | 191.2% |

| JRS | | | |
|---|---|---|---|
| 2018 | 2017 | 2016 | 2015 |
| $ 22,144 | $ 21,978 | $ 23,254 | $ 24,024 |
| 42,081 | 42,820 | 41,759 | 40,013 |
| - | (15,552) | - | - |
| (14,774) | (18,681) | (9,107) | - |
| 16,114 | - | - | - |
| (40,895) | (41,341) | (40,205) | (37,984) |
| - | - | - | - |
| 24,670 | (10,776) | 15,701 | 26,053 |
| 621,605 | 632,381 | 616,680 | 590,627 |
| $ 646,275 | $ 621,605 | $ 632,381 | $ 616,680 |
| | | | |
| $ 27,612 | $ 41,502 | $ 31,503 | $ 27,727 |
| 3,272 | 3,236 | 3,015 | 3,051 |
| 56,029 | 8,112 | 20,051 | 60,833 |
| (40,895) | (41,341) | (40,205) | (37,984) |
| - | - | - | - |
| (594) | (363) | (283) | (268) |
| (64) | (15) | (17) | - |
| 45,360 | 11,131 | 14,064 | 53,359 |
| 467,389 | 456,258 | 442,194 | 388,835 |
| 512,749 | 467,389 | 456,258 | 442,194 |
| $ 133,526 | $ 154,216 | $ 176,123 | $ 174,486 |
| | | | |
| 79.3% | 75.2% | 72.1% | 71.7% |
| | | | |
| $ 66,826 | $ 66,621 | $ 61,092 | $ 61,020 |
| | | | |
| 199.8% | 231.5% | 288.3% | 285.9% |

## Schedule of Employer Contributions – Pension Plans (1)

(Dollars in Thousands)

| Year Ended June 30 | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contributions Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| **VIRGINIA RETIREMENT SYSTEM (VRS) – STATE** | | | | | |
| 2018 | $ 560,154 | $ 560,154 | $ - | $ 4,152,368 | 13.49% |
| 2017 | 542,418 | 542,418 | - | 4,020,893 | 13.49% |
| 2016 | 628,486 | 557,160 | 71,326 | 3,977,759 | 14.01% |
| 2015 | 612,824 | 478,235 | 134,589 | 3,878,632 | 12.33% |
| 2014 | 504,726 | 338,286 | 166,440 | 3,861,712 | 8.76% |
| 2013 | 485,577 | 325,452 | 160,125 | 3,715,205 | 8.76% |
| 2012 | 309,930 | 117,696 | 192,234 | 3,663,475 | 3.21% |
| 2011 | 294,363 | 74,113 | 220,250 | 3,479,484 | 2.13% |
| 2010 | 285,209 | 176,751 | 108,458 | 3,556,222 | 4.97% |
| 2009 | 290,653 | 225,782 | 64,871 | 3,624,109 | 6.23% |
| **VIRGINIA RETIREMENT SYSTEM (VRS) – TEACHER** | | | | | |
| 2018 | $ 1,319,796 | $ 1,319,796 | $ - | $ 8,086,986 | 16.32% |
| 2017 | 1,287,939 | 1,156,935 | 131,004 | 7,891,783 | 14.66% |
| 2016 | 1,344,981 | 1,072,020 | 272,961 | 7,624,612 | 14.06% |
| 2015 | 1,353,158 | 1,078,065 | 275,093 | 7,434,932 | 14.50% |
| 2014 | 1,226,394 | 852,699 | 373,695 | 7,313,025 | 11.66% |
| 2013 | 1,203,856 | 837,028 | 366,828 | 7,178,629 | 11.66% |
| 2012 | 903,655 | 443,078 | 460,577 | 6,999,653 | 6.33% |
| 2011 | 891,237 | 271,306 | 619,931 | 6,903,465 | 3.93% |
| 2010 | 839,550 | 450,218 | 389,332 | 7,090,791 | 6.35% |
| 2009 | 845,999 | 629,497 | 216,502 | 7,145,260 | 8.81% |
| **VIRGINIA RETIREMENT SYSTEM (VRS) – POLITICAL SUBDIVISIONS** | | | | | |
| 2018 | $ 504,955 | $ 505,603 | $ (648) | $ 4,932,344 | 10.25% |
| 2017 | 487,067 | 487,702 | (635) | 4,765,842 | 10.23% |
| 2016 | 554,335 | 549,408 | 4,927 | 4,628,806 | 11.87% |
| 2015 | 540,859 | 535,919 | 4,940 | 4,513,335 | 11.87% |
| 2014 | 551,822 | 539,131 | 12,691 | 4,434,764 | 12.16% |
| 2013 | 537,657 | 525,385 | 12,272 | 4,321,565 | 12.16% |
| 2012 | 400,879 | 400,879 | - | 4,142,150 | 9.68% |
| 2011 | 391,531 | 391,531 | - | 4,078,580 | 9.60% |
| 2010 | 363,982 | 363,982 | - | 4,125,087 | 8.82% |
| 2009 | 364,366 | 364,366 | - | 4,144,638 | 8.79% |

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

See notes on page 210 in this section.

| Year Ended June 30 | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contributions Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| **STATE POLICE OFFICERS' RETIREMENT SYSTEM (SPORS)** | | | | | |
| 2018 | $ 35,391 | $ 35,391 | $ - | $ 124,003 | 28.54% |
| 2017 | 31,792 | 31,792 | - | 111,395 | 28.54% |
| 2016 | 35,211 | 31,561 | 3,650 | 114,395 | 27.59% |
| 2015 | 33,876 | 28,417 | 5,459 | 110,059 | 25.82% |
| 2014 | 36,538 | 27,711 | 8,827 | 112,010 | 24.74% |
| 2013 | 34,535 | 26,193 | 8,342 | 105,872 | 24.74% |
| 2012 | 26,250 | 11,441 | 14,809 | 102,701 | 11.14% |
| 2011 | 24,570 | 7,460 | 17,110 | 96,128 | 7.76% |
| 2010 | 23,791 | 15,714 | 8,077 | 98,757 | 15.91% |
| 2009 | 24,241 | 20,175 | 4,066 | 100,626 | 20.05% |
| **VIRGINIA LAW OFFICERS' RETIREMENT SYSTEM (VaLORS)** | | | | | |
| 2018 | $ 72,734 | $ 72,734 | $ - | $ 345,531 | 21.05% |
| 2017 | 72,511 | 72,511 | - | 344,468 | 21.05% |
| 2016 | 72,763 | 65,101 | 7,662 | 345,504 | 18.84% |
| 2015 | 71,301 | 59,824 | 11,477 | 338,562 | 17.67% |
| 2014 | 68,806 | 52,169 | 16,637 | 352,492 | 14.80% |
| 2013 | 66,463 | 50,392 | 16,071 | 340,489 | 14.80% |
| 2012 | 55,306 | 24,481 | 30,825 | 347,181 | 7.05% |
| 2011 | 53,686 | 17,255 | 36,431 | 337,010 | 5.12% |
| 2010 | 57,894 | 39,027 | 18,867 | 345,020 | 11.31% |
| 2009 | 60,059 | 50,932 | 9,127 | 357,922 | 14.23% |
| **JUDICIAL RETIREMENT SYSTEM (JRS)** | | | | | |
| 2018 | $ 28,642 | $ 28,642 | $ - | $ 68,244 | 41.97% |
| 2017 | 28,047 | 28,047 | - | 66,826 | 41.97% |
| 2016 | 37,008 | 33,291 | 3,717 | 66,621 | 49.97% |
| 2015 | 35,336 | 31,560 | 3,776 | 61,092 | 51.66% |
| 2014 | 33,018 | 27,728 | 5,290 | 61,020 | 45.44% |
| 2013 | 32,185 | 27,028 | 5,157 | 59,481 | 45.44% |
| 2012 | 27,631 | 18,907 | 8,724 | 59,053 | 32.02% |
| 2011 | 28,101 | 17,303 | 10,798 | 60,058 | 28.81% |
| 2010 | 23,638 | 17,065 | 6,573 | 62,139 | 27.46% |
| 2009 | 23,148 | 21,000 | 2,148 | 60,853 | 34.51% |

| | VRS | | | | | |
|---|---|---|---|---|---|---|
| | **State** | **Teacher** | **Political Subdivisions** | **SPORS** | **VaLORS** | **JRS** |
| **Valuation Date** | June 30, 2017 | June 30, 2017 | June 30, 2017 | June 30, 2017 | June 30, 2017 | June 30, 2017 |
| **Actuarial Cost Method** | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| **Actuarial Assumptions:** | | | | | | |
| Investment Rate of Return* | 7.00% | 7.00% | 7.00% | 7.00% | 7.00% | 7.00% |
| Projected Salary Increases:* | | | | | | |
| State Employees/Teachers | 3.50% to 5.35% | 3.50% to 5.95% | N/A | 3.50% to 4.75% | 3.50% to 4.75% | 4.50% |
| Political Subdivision – Non-Hazardous Duty Employees | N/A | N/A | 3.50% to 5.35% | N/A | N/A | N/A |
| Political Subdivision – Hazardous Duty Employees | N/A | N/A | 3.50% to 4.75% | N/A | N/A | N/A |
| Post-Retirement Benefits Increases** | | | | | | |
| Plan 1 | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Plan 2 | 2.25% | 2.25% | 2.25% | 2.25% | 2.25% | 2.25% |

* *Includes inflation at 2.50%.*
** *Compounded annually.*

As discussed in Note 16, visit the Virginia Retirement System's website at www.varetire.org to obtain a copy of the individually published financial statements.

## Schedule of Changes in Employers' Net Other Postemployment Benefit Liability (Asset) (1) (2)

Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| Change in the Net OPEB Liability | RHIC 2018 | VSDP 2018 |
|---|---|---|
| **Total OPEB liability:** | | |
| Service cost | $ 19,231 | $ 27,884 |
| Interest | 66,641 | 15,810 |
| Benefit changes | - | - |
| Difference between actual and expected experience | - | - |
| Assumption changes | (12,229) | (17,511) |
| Benefit payments | (71,256) | (30,056) |
| Refunds of contributions | - | - |
| Net change in total OPEB liability | 2,387 | (3,873) |
| **Total OPEB liability - beginning** | 987,641 | 240,886 |
| **Total OPEB liability - ending (a)** | $ 990,028 | $ 237,013 |
| **Plan fiduciary net position:** | | |
| Contributions - employer | $ 75,058 | $ 24,130 |
| Contributions - member | - | - |
| Net investment income | 7,706 | 48,206 |
| Benefit payments | (71,256) | (30,056) |
| Third-party administrator charges | - | (7,001) |
| Administrative expense | (131) | (717) |
| Other | (546) | (54) |
| Net change in plan fiduciary net position | 10,831 | 34,508 |
| **Plan fiduciary net position - beginning** | 68,685 | 407,826 |
| **Plan fiduciary net position - ending (b)** | 79,516 | 442,334 |
| **Net OPEB liability (asset) - ending (a-b)** | $ 910,512 | $ (205,321) |
| Plan fiduciary net position as a percentage of the total OPEB liability (b/a) | 8.0% | 186.6% |
| Covered payroll (c) | $ 6,489,069 | $ 3,779,590 |
| Net OPEB liability (asset) as a percentage of covered payroll ((a-b)/c) | 14.0% | (5.4%) |

(1) The Commonwealth implemented GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits*, as amended by GASB Statement No. 85, *Omnibus 2017*, effective for fiscal year 2018, therefore, ten years of data is unavailable.

(2) The Commonwealth's fiscal year 2018 net OPEB liability measurement date is June 30, 2017, as reported in Note 18.

See notes on page 216 in this section.

## Schedule of the Commonwealth's Proportionate Share of the Net Other Postemployment Benefit Liability (1) (2)

Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | | | RHIC: Non-State (3) | | |
|---|---|---|---|---|---|
| | GLI | LODA | Constitutional Officers | Social Service Employees | Registrars |
| | 2018 | 2018 | 2018 | 2018 | 2018 |
| Commonwealth's proportion of the net OPEB liability | 30.3% | 60.9% | 100.0% | 100.0% | 100.0% |
| Commonwealth's proportionate share of the net OPEB liabiity | $ 456,387 | $ 160,064 | $ 25,766 | $ 12,725 | $ 486 |
| Commonwealth's covered payroll | $ 5,621,670 | N/A | N/A | N/A | N/A |
| Commonwealth's covered employee payroll | N/A | $ 431,978 | N/A | N/A | N/A |
| Commonwealth's proportionate share of the net OPEB liability as a percentage of its covered payroll / covered employee payroll | 8.1% | 37.1% | N/A | N/A | N/A |
| Plan fiduciary net position as a percentage of the total OPEB liability | 48.9% | 1.3% | 8.6% | 7.9% | 6.5% |

(1) The Commonwealth implemented GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits*, and GASB Statement No. 85, *Omnibus 2017*, effective for fiscal year 2018, therefore, ten years of data is unavailable.

(2) The Commonwealth's fiscal year 2018 net OPEB liability measurement date is June 30, 2017, as reported in Note 18.

(3) Since the Commonwealth is considered the governmental nonemployer contributing entity for the state-funded Retiree Health Insurance Credit for constitutional officers, social services employees and registrars (RHIC: Non-State), the covered payroll information is not applicable.

See notes on page 216 in this section.

## Schedule of Employer Contributions – Other Postemployment Benefit Plans

(Dollars in Thousands)

| Year Ended June 30 | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contributions Deficiency (Excess) | Covered Payroll | Covered Employee Payroll | Contributions as a Percentage of Covered Payroll / Covered Employee Payroll |
|---|---|---|---|---|---|---|
| **RETIREE HEALTH INSURANCE CREDIT** | | | | | | |
| 2018 | $ 79,802 | $ 79,802 | $ - | $ 6,762,917 | N/A | 1.2% |
| 2017 | 76,571 | 76,571 | - | 6,489,069 | N/A | 1.2% |
| 2016 | 73,961 | 66,375 | 7,586 | 6,321,454 | N/A | 1.0% |
| 2015 | 71,522 | 64,186 | 7,336 | 6,112,951 | N/A | 1.1% |
| 2014 | 63,385 | 60,367 | 3,018 | 6,036,629 | N/A | 1.0% |
| 2013 | 59,618 | 56,779 | 2,839 | 5,677,848 | N/A | 1.0% |
| 2012 | 60,222 | 7,686 | 52,536 | 5,681,295 | N/A | 0.1% |
| 2011 | 57,193 | 5,395 | 51,798 | 5,395,598 | N/A | 0.1% |
| 2010 | 66,523 | 43,195 | 23,328 | 5,452,717 | N/A | 0.8% |
| 2009 | 67,137 | 64,935 | 2,202 | 5,502,925 | N/A | 1.2% |
| **VIRGINIA SICKNESS AND DISABILITY PROGRAM (Also referred to Disability Insurance Trust Fund)** | | | | | | |
| 2018 | $ 26,219 | $ 26,219 | $ - | $ 3,972,637 | N/A | 0.7% |
| 2017 | 25,077 | 25,077 | - | 3,799,590 | N/A | 0.7% |
| 2016 | 27,187 | 24,580 | 2,607 | 3,724,248 | N/A | 0.7% |
| 2015 | 26,244 | 23,728 | 2,516 | 3,595,080 | N/A | 0.7% |
| 2014 | 20,610 | 16,701 | 3,909 | 3,553,444 | N/A | 0.5% |
| 2013 | 21,032 | 17,043 | 3,989 | 3,626,208 | N/A | 0.5% |
| 2012 | 30,285 | 1,096 | 29,189 | 4,037,955 | N/A | 0.0% |
| 2011 | 28,646 | - | 28,646 | 3,819,462 | N/A | 0.0% |
| 2010 | 76,530 | 30,861 | 45,669 | 3,904,606 | N/A | 0.8% |
| 2009 | 78,120 | 71,344 | 6,776 | 3,985,719 | N/A | 1.8% |
| **GROUP LIFE INSURANCE (1)** | | | | | | |
| 2018 | $ 30,349 | $ 30,349 | $ - | $ 5,836,331 | N/A | 0.5% |
| 2017 | 29,089 | 29,089 | - | 5,621,670 | N/A | 0.5% |
| 2016 | 29,358 | 26,588 | 2,770 | 5,539,210 | N/A | 0.5% |
| 2015 | 28,487 | 25,799 | 2,688 | 5,374,853 | N/A | 0.5% |
| 2014 | 28,248 | 25,583 | 2,665 | 5,329,884 | N/A | 0.5% |
| 2013 | 27,002 | 24,455 | 2,547 | 5,094,773 | N/A | 0.5% |
| 2012 | 22,039 | 15,527 | 6,512 | 5,008,786 | N/A | 0.3% |
| 2011 | 21,052 | 13,397 | 7,655 | 4,784,622 | N/A | 0.3% |
| 2010 | 17,496 | 9,899 | 7,597 | 4,859,947 | N/A | 0.2% |
| 2009 | 17,717 | 13,288 | 4,429 | 5,001,367 | N/A | 0.3% |

(1) The Group Life Insurance and the Line of Duty Trust Fund (Line of Duty Act) are cost-sharing plans and amounts in this schedule are only for the Commonwealth and does not include other employers.

(2) Covered employee payroll is provided since the contributions are not based on a measure of pay. Ten years of data is not available for this plan.

(3) Although the Retiree Health Insurance Credit program for constitutional officers, social services employees, and registrars existed prior to fiscal year 2016, the program was funded in a different manner and the results do not provide comparability with the current presentations. Since the Commonwealth is considered the governmental nonemployer contributing entity, the column regarding covered payroll is not applicable.

See notes on page 216 in this section.

| Year Ended June 30 | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contributions Deficiency (Excess) | Covered Payroll | Covered Employee Payroll | Contributions as a Percentage of Covered Payroll / Covered Employee Payroll |
|---|---|---|---|---|---|---|
| | | | **LINE OF DUTY TRUST FUND (1) (2)** | | | |
| 2018 | $ 13,870 | $ 6,364 | $ 7,506 | N/A | $ 440,535 | 1.4% |
| 2017 | 14,275 | 6,550 | 7,725 | N/A | 431,978 | 1.5% |
| | | | **RETIREE HEALTH INSURANCE CREDIT: NON-STATE (3)** **For Constitutional Officers** | | | |
| 2018 | $ 2,362 | $ 2,362 | $ - | N/A | N/A | N/A |
| 2017 | 2,280 | 2,280 | - | N/A | N/A | N/A |
| 2016 | 1,950 | 1,830 | 120 | N/A | N/A | N/A |
| | | | **RETIREE HEALTH INSURANCE CREDIT: NON-STATE (3)** **(For Social Services Employees)** | | | |
| 2018 | $ 1,106 | $ 1,106 | $ - | N/A | N/A | N/A |
| 2017 | 1,055 | 1,055 | - | N/A | N/A | N/A |
| 2016 | 961 | 824 | 137 | N/A | N/A | N/A |
| | | | **RETIREE HEALTH INSURANCE CREDIT: NON-STATE (3)** **(For Registrars)** | | | |
| 2018 | $ 47 | $ 47 | $ - | N/A | N/A | N/A |
| 2017 | 45 | 45 | - | N/A | N/A | N/A |
| 2016 | 36 | 30 | 6 | N/A | N/A | N/A |

| | Group Life Insurance Fund | Retiree Health Insurance Credit Fund | Disability Insurance Trust Fund | Line of Duty Act Trust Fund |
|---|---|---|---|---|
| **Valuation Date** | June 30, 2017 | June 30, 2017 | June 30, 2017 | June 30, 2017 |
| **Actuarial Cost Method** | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| **Amortization Method** | Level Percent of Pay, Closed | Level Percent of Pay, Closed | Level Percent of Pay, Closed | Level Percent of Pay, Open |
| **Payroll Growth Rate:** | | | | |
| State Employees | 3.0% | 3.0% | 3.0% | 3.0% |
| Teachers | 3.0% | 3.0% | N/A | N/A |
| Political Subdivision Employees | 3.0% | 3.0% | N/A | 3.0% |
| State Police / Virginia Law Officers | 3.0% | 3.0% | 3.0% | 3.0% |
| Judges | 3.0% | 3.0% | N/A | N/A |
| **Effective Amortization Period (1)** | | | | |
| State Employees | 27.2 years | 26.1 years | 22.9 years | 30.0 years |
| Teachers | 27.2 years | 25.7 years | N/A | N/A |
| Political Subdivision Employees | 27.2 years | 25.7 years | N/A | 30.0 years |
| **Asset Valuation Method** | | | | |
| State Employees and Teachers | 5-Year, Smoothed Market | 5-Year, Smoothed Market | 5-Year, Smoothed Market | Market Value |
| Political Subdivision Employees and State-Funded Local Employees | 5-Year, Smoothed Market | Market Value | N/A | Market Value |
| **Actuarial Assumptions:** | | | | |
| Investment Rate of Return (2) | 7.0% | 7.0% | 7.0% | 4.8% |
| Projected Salary Increases (3) | | | | |
| State Employees | 3.5% to 5.4% | 3.5% to 5.4% | 3.5% to 5.4% | N/A |
| Teachers | 3.5% to 6.0% | 3.5% to 6.0% | N/A | N/A |
| Political Subdivision Employees (Non-Hazardous Duty Employees) | 3.5% to 5.4% | 3.5% to 5.4% | N/A | N/A |
| Political Subdivision Employees (Hazardous Duty Employees) | 3.5% to 4.8% | 3.5% to 4.8% | N/A | N/A |
| State Police / Virginia Law Officers | 3.5% to 4.8% | 3.5% to 4.8% | 3.5% to 4.8% | N/A |
| Judges | 4.5% | 4.5% | N/A | N/A |
| Medical Trend Assumptions (Under Age 65) | N/A | N/A | N/A | 7.8% to 5.0% |
| Medical Trend Assumptions (Ages 65 and Older) | N/A | N/A | N/A | 5.8% to 5.0% |
| Year of Ultimate Trend Rate | N/A | N/A | N/A | 2023 |

(1) The amortization period of the Unfunded Actuarial Accrued Liability (UAAL) was a closed 30-year period for the June 30, 2013 balance and closed 20-year period for each subsequent year. The Line of Duty Act Program amortization period is 30 years for the UAAL.

(2) Includes inflation rate of 2.5 percent. The Line of Duty Act Program uses 4.8% for the investment rate of return.

(3) Projected salary increases for the Retiree Health Insurance Credit Fund are used in the application of the actuarial cost method. Projected salary increase factors are not applicable to the Line of Duty Act Program since neither the benefit nor the cost is salary-based.

## Schedule of Changes in Employers' Total Other Postemployment Benefit Liability (1) (2)

Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| Change in the OPEB Liability | PMRH 2018 |
|---|---|
| **Total OPEB liability:** | |
| Service cost | $ 116,627 |
| Interest cost | 47,346 |
| Changes of benefit terms | - |
| Difference between expected and actual experience | (61,865) |
| Changes of assumptions | (326,082) |
| Benefit payments | (43,244) |
| Net change in total OPEB liability | (267,218) |
| **Total OPEB liability - beginning** | 1,566,122 |
| **Total OPEB liability - ending (a)** | $ 1,298,904 |
| Covered employee payroll (b) | $ 5,229,024 |
| Total OPEB liability as a percentage of covered employee payroll (a/b) | 24.8% |

(1) The Commonwealth implemented GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits*, as amended by GASB Statement No. 85, *Omnibus 2017*, effective for fiscal year 2018, therefore, ten years of data is unavailable.

(2) The Commonwealth's fiscal year 2018 total OPEB liability measurement date is June 30, 2017, as reported in Note 18. There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms – There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following assumptions were updated since the June 30, 2016 valuation based on the results of a Virginia Retirement System actuarial experience study performed for the period of July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates - updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates - lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates - adjusted rates to better fit experience at each year age and service through 9 years of service

The discount rate was increased from 2.9% to 3.6% based on the Bond Buyers GO 20 Municipal Bond Index. Spousal coverage was reduced from 70.0% to 50.0% based on a blend of recent spousal coverage election rates and the prior year assumption. Based on the 2017 census, new retirees since January 1, 2015 have chosen to cover their spouses approximately 20.0% of the time. However, active employees cover their spouses at a rate close to 53.0%.

## Claims Development Information – Risk Management

(Dollars in Thousands)

**Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses**

| Fiscal and Policy Year Ended | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| 1. Required contribution and investment revenue: | | | | |
| Earned | $ 6,197 | $ 5,485 | $ 4,131 | $ 5,019 |
| Ceded (a) | - | - | - | - |
| Net earned | 6,197 | 5,485 | 4,131 | 5,019 |
| 2. Unallocated expenses | 1,272 | 1,269 | 1,310 | 1,382 |
| 3. Estimated incurred claims and expenses, end of policy year: | | | | |
| Incurred | 3,681 | 3,404 | 3,213 | 5,390 |
| Ceded (a) | - | - | - | - |
| Net incurred | 3,681 | 3,404 | 3,213 | 5,390 |
| 4. Net paid (cumulative) as of: | | | | |
| End of policy year | 300 | 412 | 396 | 1,677 |
| One year later | 1,858 | 2,236 | 1,940 | 4,468 |
| Two years later | 2,690 | 5,237 | 3,943 | 7,554 |
| Three years later | 3,679 | 6,744 | 4,317 | 8,137 |
| Four years later | 3,867 | 7,013 | 4,380 | 8,991 |
| Five years later | 3,928 | 7,653 | 4,392 | 9,034 |
| Six years later | 3,928 | 7,937 | 4,401 | 9,200 |
| Seven years later | 3,930 | 7,951 | 4,417 | |
| Eight years later | 3,930 | 7,951 | | |
| Nine years later | 3,930 | | | |
| 5. Reestimated ceded claims and expenses (a) | - | - | - | - |
| 6. Reestimated incurred claims and expenses: | | | | |
| End of policy year | 3,681 | 3,404 | 3,213 | 5,390 |
| One year later | 3,742 | 6,096 | 3,919 | 8,704 |
| Two years later | 3,943 | 8,428 | 4,523 | 9,107 |
| Three years later | 4,721 | 8,640 | 4,570 | 9,727 |
| Four years later | 4,555 | 8,692 | 4,474 | 9,368 |
| Five years later | 4,000 | 7,894 | 4,444 | 9,307 |
| Six years later | 3,936 | 8,108 | 4,456 | 9,206 |
| Seven years later | 3,936 | 7,978 | 4,417 | |
| Eight years later | 3,936 | 7,966 | | |
| Nine years later | 3,930 | | | |
| 7. Increase (decrease) in estimated net incurred claims and expense from end of policy year | 249 | 4,562 | 1,204 | 3,816 |

The Commonwealth, through the Department of the Treasury, Division of Risk Management, provides errors and omissions liability insurance and law enforcement professional liability insurance for local governmental units, which went into effect in fiscal year 1987. Some prior year numbers have been revised to reflect the incorporation of newly available and revised source data.

See Notes on page 224 in this section.

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| $ 5,043 | $ 8,500 | $ 8,487 | $ 8,733 | $ 13,213 | $ 13,232 |
| - | - | - | - | - | - |
| 5,043 | 8,500 | 8,487 | 8,733 | 13,213 | 13,232 |
| 1,273 | 1,435 | 1,331 | 1,357 | 1,460 | 1,603 |
| 3,394 | 4,025 | 4,664 | 6,893 | 4,235 | 10,155 |
| - | - | - | - | - | - |
| 3,394 | 4,025 | 4,664 | 6,893 | 4,235 | 10,155 |
| 335 | 367 | 922 | 1,206 | 836 | 1,979 |
| 3,401 | 3,210 | 3,270 | 4,680 | 3,195 | |
| 8,118 | 4,291 | 5,844 | 6,557 | | |
| 8,278 | 5,002 | 8,280 | | | |
| 7,702 | 5,386 | | | | |
| 7,747 | | | | | |
| - | - | - | - | - | - |
| 3,394 | 4,025 | 4,664 | 6,893 | 4,235 | 10,155 |
| 9,397 | 6,454 | 6,775 | 10,307 | 4,820 | |
| 9,939 | 6,979 | 8,961 | 9,908 | | |
| 10,333 | 8,045 | 8,836 | | | |
| 8,213 | 6,771 | | | | |
| 7,980 | | | | | |
| 4,586 | 2,746 | 4,172 | 3,015 | 585 | - |

## Claims Development Information – Health Care

(Dollars in Thousands)

**Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses**

| Fiscal and Policy Year Ended | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| 1. Required contribution and investment revenue: | | | | |
| Earned | $ 222,498 | $ 240,305 | $ 246,730 | $ 259,135 |
| Ceded (a) | - | - | - | - |
| Net earned | 222,498 | 240,305 | 246,730 | 259,135 |
| 2. Unallocated expenses | 16,400 | 15,936 | 15,849 | 16,701 |
| 3. Estimated incurred claims and expenses, end of policy year: | | | | |
| Incurred | 214,411 | 215,376 | 213,694 | 250,019 |
| Ceded (a) | - | - | - | - |
| Net incurred | 214,411 | 215,376 | 213,694 | 250,019 |
| 4. Net paid (cumulative) as of: | | | | |
| End of policy year | 204,655 | 214,371 | 209,365 | 235,058 |
| One year later | N/A | N/A | N/A | N/A |
| Tw o years later | N/A | N/A | N/A | N/A |
| Three years later | N/A | N/A | N/A | N/A |
| Four years later | N/A | N/A | N/A | N/A |
| Five years later | N/A | N/A | N/A | N/A |
| Six years later | N/A | N/A | N/A | N/A |
| Seven years later | N/A | N/A | N/A | |
| Eight years later | N/A | N/A | | |
| Nine years later | N/A | | | |
| 5. Reestimated ceded claims and expenses (a) | - | - | - | - |
| 6. Reestimated incurred claims and expenses: | | | | |
| End of policy year | 214,411 | 215,376 | 213,694 | 250,019 |
| One year later | 214,411 | 215,376 | 213,694 | 250,019 |
| Tw o years later | N/A | N/A | N/A | N/A |
| Three years later | N/A | N/A | N/A | N/A |
| Four years later | N/A | N/A | N/A | N/A |
| Five years later | N/A | N/A | N/A | N/A |
| Six years later | N/A | N/A | N/A | N/A |
| Seven years later | N/A | N/A | N/A | |
| Eight years later | N/A | N/A | | |
| Nine years later | N/A | | | |
| 7. Increase (decrease) in estimated net incurred claims and expense from end of policy year | - | - | - | - |

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

See Notes on page 224 in this section.

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| $ 284,526 | $ 320,678 | $ 343,470 | $ 392,778 | $ 430,247 | $ 464,631 |
| - | - | - | - | - | - |
| 284,526 | 320,678 | 343,470 | 392,778 | 430,247 | 464,631 |
| 18,781 | 17,738 | 22,748 | 25,422 | 26,650 | 27,497 |
| 277,455 | 290,557 | 327,154 | 386,227 | 419,841 | 433,437 |
| - | - | - | - | - | - |
| 277,455 | 290,557 | 327,154 | 386,227 | 419,841 | 433,437 |
| 267,256 | 291,711 | 329,099 | 379,376 | 417,869 | 421,802 |
| N/A | N/A | N/A | N/A | N/A | |
| N/A | N/A | N/A | N/A | | |
| N/A | N/A | N/A | | | |
| N/A | N/A | | | | |
| N/A | | | | | |
| - | - | - | - | - | - |
| 277,455 | 290,557 | 327,154 | 386,227 | 419,841 | 433,437 |
| 277,455 | 290,557 | 327,154 | 386,227 | 419,841 | |
| N/A | N/A | N/A | N/A | | |
| N/A | N/A | N/A | | | |
| N/A | N/A | | | | |
| N/A | | | | | |
| - | - | - | - | - | |

## Claims Development Information – Line of Duty

(Dollars in Thousands)

**Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses**

| Fiscal and Policy Year Ended | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| 1. Required contribution and investment revenue: | | | | |
| Earned | $ N/A | $ N/A | $ N/A | $ N/A |
| Ceded (a) | N/A | N/A | N/A | N/A |
| Net earned | N/A | N/A | N/A | N/A |
| 2. Unallocated expenses | N/A | N/A | N/A | N/A |
| 3. Estimated incurred claims and expenses, end of policy year: | | | | |
| Incurred | N/A | N/A | N/A | N/A |
| Ceded (a) | N/A | N/A | N/A | N/A |
| Net incurred | N/A | N/A | N/A | N/A |
| 4. Net paid (cumulative) as of: | | | | |
| End of policy year | N/A | N/A | N/A | N/A |
| One year later | N/A | N/A | N/A | N/A |
| Tw o years later | N/A | N/A | N/A | N/A |
| Three years later | N/A | N/A | N/A | N/A |
| Four years later | N/A | N/A | N/A | N/A |
| Five years later | N/A | N/A | N/A | N/A |
| Six years later | N/A | N/A | N/A | N/A |
| Seven years later | N/A | N/A | N/A | |
| Eight years later | N/A | N/A | | |
| Nine years later | N/A | | | |
| 5. Reestimated ceded claims and expenses (a) | - | - | - | - |
| 6. Reestimated incurred claims and expenses: | | | | |
| End of policy year | N/A | N/A | N/A | N/A |
| One year later | N/A | N/A | N/A | N/A |
| Tw o years later | N/A | N/A | N/A | N/A |
| Three years later | N/A | N/A | N/A | N/A |
| Four years later | N/A | N/A | N/A | N/A |
| Five years later | N/A | N/A | N/A | N/A |
| Six years later | N/A | N/A | N/A | N/A |
| Seven years later | N/A | N/A | N/A | |
| Eight years later | N/A | N/A | | |
| Nine years later | N/A | | | |
| 7. Increase (decrease) in estimated net incurred claims and expense from end of policy year | - | - | - | - |

The Commonwealth, through its Department of Human Resource Management, provides disability, death, and health benefits to eligible employees and their eligible family members. The Commonwealth began administering the insurance program for localities that do not participate in the State plan effective with fiscal year 2018.

See Notes on page 224 in this section.

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| $ N/A | $ N/A | $ N/A | $ N/A | $ N/A | $ 19,910 |
| N/A | N/A | N/A | N/A | N/A | - |
| N/A | N/A | N/A | N/A | N/A | 19,910 |
| N/A | N/A | N/A | N/A | N/A | 832 |
| N/A | N/A | N/A | N/A | N/A | 17,210 |
| N/A | N/A | N/A | N/A | N/A | - |
| N/A | N/A | N/A | N/A | N/A | 17,210 |
| N/A | N/A | N/A | N/A | N/A | 14,779 |
| N/A | N/A | N/A | N/A | N/A | |
| N/A | N/A | N/A | N/A | | |
| N/A | N/A | N/A | | | |
| N/A | N/A | | | | |
| N/A | | | | | |
| - | - | - | - | - | - |
| N/A | N/A | N/A | N/A | N/A | 17,210 |
| N/A | N/A | N/A | N/A | N/A | |
| N/A | N/A | N/A | N/A | | |
| N/A | N/A | N/A | | | |
| N/A | N/A | | | | |
| N/A | | | | | |
| - | - | - | - | - | - |

## Notes for Claims Development Information Tables

The tables on the previous pages illustrate how the Risk Management, Health Care, and Line of Duty Claims Funds earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the funds as of the end of each of the past several years. The rows of the tables are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

2. This line shows each fiscal year's other operating costs of the funds, including overhead and claims expense not allocable to individual claims.

3. This line shows the funds' gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.

5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.

6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)

7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

**Notes:**

(a) During fiscal year 1997, the Commonwealth implemented GASB Statement No. 30, *Risk Financing Omnibus*. The Commonwealth has no reinsurers; therefore, the ceded amounts on lines 1, 3, and 5 are zero.

# Combining and Individual Fund Statements and Schedules

# Nonmajor Governmental Funds

## Special Revenue Funds

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

**The Health and Social Services Special Revenue Fund** accounts for revenues and expenditures related to local health care assistance.

**The Unclaimed Property Fund** accounts for unclaimed and escheat property that the Commonwealth holds for its rightful owner. Due to the nature of these transactions, the Commonwealth incurs a liability upon receipt of the assets. The accompanying financial statements reflect an estimate of the amount that will be paid to claimants as required by governmental accounting standards.

**The Other Special Revenue Fund** accounts for revenues and expenditures related to business and agricultural activities, and miscellaneous activities throughout the Commonwealth.

## Debt Service Funds

*The Debt Service Funds account for transactions related to resources retained and used for the payment of interest and principal on long-term obligations recorded in the Governmental Activities column on the Government-wide Statement of Net Position. Resources include transfers in from other governmental funds and Federal revenue solely to be used for debt service payments.*

**Primary Government** accounts for the payment of principal and interest on bonds used to acquire, construct, or improve parks, highways, and correctional, behavioral health, and parking facilities owned by the Commonwealth.

**The Virginia Public Building Authority** accounts for the payment of principal and interest on bonds used to acquire, construct, and operate public buildings used by the Commonwealth and its political subdivisions.

**The Hampton Roads Transportation Accountability Commission** accounts for the payment of principal and interest on bonds used for construction projects related to new or existing highways, bridges or tunnels in the localities comprising Planning District 23.

## Capital Project Funds

*The Capital Project Funds are maintained to account for resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental or proprietary funds, with the exception of certain Virginia Public Building Authority disbursements.*

**Primary Government** accounts for the financial resources acquired through the issuance of General Obligation Bonds and Energy Performance Contracts. The resources are used to acquire, construct, or improve land, public buildings, and parking facilities owned by the Commonwealth.

**The Virginia Public Building Authority** accounts for financial resources acquired through the issuance of section 9(d) bonds. These resources are used to acquire, construct, finance, refinance and operate public buildings used by the Commonwealth and any of its political subdivisions. Resources are also used to finance or refinance reimbursements to localities or governmental entities for the Commonwealth's share of the capital costs for certain authorized projects.

**Hampton Roads Transportation Accountability Commission** determines how the sales and use and motor fuels taxes designated for Planning District 23 will be used for construction projects related to new or existing highways, bridges or tunnels in the localities comprising Planning District 23.

## Permanent Funds

*Permanent Funds are funds whose principal must remain intact.*

**Commonwealth Health Research Fund** provides financial grants for human health research benefiting the Commonwealth's citizens. The entire fund balance is restricted for use as such as a condition of a legal settlement.

**Behavioral Health Endowment Funds** provide funds for the welfare of patients in behavioral health facilities. The entire fund balance is restricted for use as such.

## Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2018
(Dollars in Thousands)

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| | Health and Social Services | Unclaimed Property | Other | Total |
| **Assets and Deferred Outflows of Resources** | | | | |
| Cash and Cash Equivalents | $ 186,645 | $ 98,154 | $ 411,005 | $ 695,804 |
| Investments | 5,860 | 293,854 | 17,035 | 316,749 |
| Receivables, Net | 47,013 | - | 29,176 | 76,189 |
| Due from Other Funds | 650 | - | 6,670 | 7,320 |
| Due from External Parties (Fiduciary Funds) | - | - | 163 | 163 |
| Interfund Receivable | - | - | 214,426 | 214,426 |
| Inventory | 6,403 | - | 223 | 6,626 |
| Prepaid Items | 16,239 | 1,534 | 2,718 | 20,491 |
| Other Assets | 6 | - | 605 | 611 |
| Loans Receivable from Component Units | - | - | 22,797 | 22,797 |
| Total Assets | 262,816 | 393,542 | 704,818 | 1,361,176 |
| **Deferred Outflows of Resources** | - | - | - | - |
| Total Assets and Deferred Outflows of Resources | $ 262,816 | $ 393,542 | $ 704,818 | $ 1,361,176 |
| | | | | |
| **Liabilities, Deferred Inflows of Resources, and Fund Balances** | | | | |
| Accounts Payable | $ 17,673 | $ 380 | $ 28,609 | $ 46,662 |
| Amounts Due to Other Governments | 418 | - | 1,637 | 2,055 |
| Due to Other Funds | 2,004 | 60 | 3,115 | 5,179 |
| Due to Component Units | - | - | - | - |
| Due to External Parties (Fiduciary Funds) | 895 | 28 | 1,827 | 2,750 |
| Unearned Revenue | 13,879 | - | 9,175 | 23,054 |
| Obligations Under Securities Lending Program | 3,276 | - | 16,775 | 20,051 |
| Due to Claimants, Participants, Escrows and Providers | - | 489,210 | - | 489,210 |
| Other Liabilities | 265 | - | 7,805 | 8,070 |
| Long-term Liabilities Due Within One Year | 193 | - | 29 | 222 |
| Total Liabilities | 38,603 | 489,678 | 68,972 | 597,253 |
| **Deferred Inflows of Resources** | 24,338 | - | 12,682 | 37,020 |
| Total Liabilities and Deferred Inflows of Resources | 62,941 | 489,678 | 81,654 | 634,273 |
| | | | | |
| Fund Balances: | | | | |
| Nonspendable | 22,642 | 1,534 | 2,897 | 27,073 |
| Restricted | 38,012 | - | 77,621 | 115,633 |
| Committed | 132,986 | - | 516,979 | 649,965 |
| Assigned | 6,235 | - | 25,667 | 31,902 |
| Unassigned | - | (97,670) | - | (97,670) |
| Total Fund Balances (Deficit) | 199,875 | (96,136) | 623,164 | 726,903 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | $ 262,816 | $ 393,542 | $ 704,818 | $ 1,361,176 |

| Debt Service Funds | | | |
|---|---|---|---|
| Primary Government | Virginia Public Building Authority | Hampton Roads Transportation Accountability Commission | Total |
| $ 37,870 | $ 26 | $ - | $ 37,896 |
| - | - | - | - |
| 4,806 | 2,932 | - | 7,738 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 42,676 | 2,958 | - | 45,634 |
| - | - | - | - |
| $ 42,676 | $ 2,958 | $ - | $ 45,634 |
| | | | |
| $ - | $ - | $ - | $ - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 3,810 | - | - | 3,810 |
| 3,810 | - | - | 3,810 |
| | | | |
| - | - | - | - |
| 38,866 | 2,958 | - | 41,824 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 38,866 | 2,958 | - | 41,824 |
| $ 42,676 | $ 2,958 | $ - | $ 45,634 |

*Continued on next page*

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

June 30, 2018
(Dollars in Thousands)

| | Capital Project Funds | | | |
|---|---|---|---|---|
| | Primary Government | Virginia Public Building Authority | Hampton Roads Transportation Accountability Commission | Total |
| **Assets and Deferred Outflows of Resources** | | | | |
| Cash and Cash Equivalents | $ 15,453 | $ 188,300 | $ 789,232 | $ 992,985 |
| Investments | - | - | 325,170 | 325,170 |
| Receivables, Net | - | 450 | - | 450 |
| Due from Other Funds | - | - | 24,183 | 24,183 |
| Due from External Parties (Fiduciary Funds) | - | - | - | - |
| Interfund Receivable | - | - | - | - |
| Inventory | - | - | - | - |
| Prepaid Items | - | - | 5 | 5 |
| Other Assets | - | - | - | - |
| Loans Receivable from Component Units | - | - | - | - |
| Total Assets | 15,453 | 188,750 | 1,138,590 | 1,342,793 |
| **Deferred Outflows of Resources** | - | - | - | - |
| Total Assets and Deferred Outflows of Resources | $ 15,453 | $ 188,750 | $ 1,138,590 | $ 1,342,793 |
| | | | | |
| **Liabilities, Deferred Inflows of Resources, and Fund Balances** | | | | |
| Accounts Payable | $ 363 | $ 5,557 | $ 31 | $ 5,951 |
| Amounts Due to Other Governments | - | - | 69 | 69 |
| Due to Other Funds | - | 1 | 26,841 | 26,842 |
| Due to Component Units | 82 | 17,790 | - | 17,872 |
| Due to External Parties (Fiduciary Funds) | - | 1 | - | 1 |
| Unearned Revenue | - | - | - | - |
| Obligations Under Securities Lending Program | - | - | - | - |
| Due to Claimants, Participants, Escrows and Providers | - | - | - | - |
| Other Liabilities | - | - | 5 | 5 |
| Long-term Liabilities Due Within One Year | - | - | - | - |
| Total Liabilities | 445 | 23,349 | 26,946 | 50,740 |
| **Deferred Inflows of Resources** | - | - | - | - |
| Total Liabilities and Deferred Inflows of Resources | 445 | 23,349 | 26,946 | 50,740 |
| | | | | |
| Fund Balances: | | | | |
| Nonspendable | - | - | 5 | 5 |
| Restricted | 15,008 | 165,401 | 1,111,639 | 1,292,048 |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total Fund Balances (Deficit) | 15,008 | 165,401 | 1,111,644 | 1,292,053 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | $ 15,453 | $ 188,750 | $ 1,138,590 | $ 1,342,793 |

| Permanent Funds | | | |
|---|---|---|---|
| Commonwealth Health Research Board | Behavioral Health Endowment Funds | Total | Total Nonmajor Governmental Funds |
| $ 245 | $ 132 | $ 377 | $ 1,727,062 |
| - | - | - | 641,919 |
| - | - | - | 84,377 |
| - | - | - | 31,503 |
| 39,316 | - | 39,316 | 39,479 |
| - | - | - | 214,426 |
| - | - | - | 6,626 |
| - | - | - | 20,496 |
| - | - | - | 611 |
| - | - | - | 22,797 |
| 39,561 | 132 | 39,693 | 2,789,296 |
| - | - | - | - |
| $ 39,561 | $ 132 | $ 39,693 | $ 2,789,296 |
| | | | |
| $ 13 | $ - | $ 13 | $ 52,626 |
| - | - | - | 2,124 |
| 1 | - | 1 | 32,022 |
| - | - | - | 17,872 |
| 1 | - | 1 | 2,752 |
| - | - | - | 23,054 |
| 17 | - | 17 | 20,068 |
| - | - | - | 489,210 |
| - | - | - | 8,075 |
| - | - | - | 222 |
| 32 | - | 32 | 648,025 |
| - | - | - | 40,830 |
| 32 | - | 32 | 688,855 |
| | | | |
| 37,873 | 48 | 37,921 | 64,999 |
| 1,656 | 84 | 1,740 | 1,451,245 |
| - | - | - | 649,965 |
| - | - | - | 31,902 |
| - | - | - | (97,670) |
| 39,529 | 132 | 39,661 | 2,100,441 |
| $ 39,561 | $ 132 | $ 39,693 | $ 2,789,296 |

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| | Health and Social Services | Unclaimed Property | Other | Total |
| **Revenues** | | | | |
| Taxes | $ 2,821 | $ - | $ 82,691 | $ 85,512 |
| Rights and Privileges | 143,953 | - | 191,814 | 335,767 |
| Institutional Revenue | 170,102 | - | 26,248 | 196,350 |
| Interest, Dividends, Rents, and Other Investment Income | 1,277 | 19,299 | 17,539 | 38,115 |
| Federal Grants and Contracts | - | - | - | - |
| Other | 101,093 | 116,265 | 309,553 | 526,911 |
| Total Revenues | 419,246 | 135,564 | 627,845 | 1,182,655 |
| **Expenditures** | | | | |
| Current: | | | | |
| General Government | 24 | 6,533 | 78,549 | 85,106 |
| Education | 147 | - | 30,287 | 30,434 |
| Transportation | - | - | 7,325 | 7,325 |
| Resources and Economic Development | 41,983 | - | 319,645 | 361,628 |
| Individual and Family Services | 334,772 | - | 77,024 | 411,796 |
| Administration of Justice | 579 | - | 72,576 | 73,155 |
| Capital Outlay | 98 | - | 26,010 | 26,108 |
| Debt Service: | | | | |
| Principal Retirement | - | - | - | - |
| Interest and Charges | - | - | - | - |
| Total Expenditures | 377,603 | 6,533 | 611,416 | 995,552 |
| Revenues Over (Under) Expenditures | 41,643 | 129,031 | 16,429 | 187,103 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers In | 2,475 | - | 47,790 | 50,265 |
| Transfers Out | (22,730) | (165,000) | (21,364) | (209,094) |
| Notes Issued | - | - | - | - |
| Insurance Recoveries | 229 | - | 3,805 | 4,034 |
| Capital Leases Issued | 77 | - | 461 | 538 |
| Bonds Issued | - | - | - | - |
| Premium on Debt Issuance | - | - | - | - |
| Refunding Bonds Issued | - | - | - | - |
| Sale of Capital Assets | - | - | 2,016 | 2,016 |
| Payment to Refunded Bond Escrow Agents | - | - | - | - |
| Total Other Financing Sources (Uses) | (19,949) | (165,000) | 32,708 | (152,241) |
| Net Change in Fund Balances | 21,694 | (35,969) | 49,137 | 34,862 |
| Fund Balance, July 1, as restated | 178,181 | (60,167) | 574,027 | 692,041 |
| Fund Balance (Deficit), June 30 | $ 199,875 | $ (96,136) | $ 623,164 | $ 726,903 |

| Debt Service Funds | | | |
|---|---|---|---|
| Primary Government | Virginia Public Building Authority | Hampton Roads Transportation Accountability Commission | Total |
| $ - | $ - | $ - | $ - |
| - | - | - | - |
| - | - | - | - |
| 259 | 2 | - | 261 |
| 105,253 | 10,094 | - | 115,347 |
| 857 | - | - | 857 |
| 106,369 | 10,096 | - | 116,465 |
| | | | |
| | | | |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| | | | |
| 260,740 | 172,245 | - | 432,985 |
| 180,960 | 104,210 | 9,839 | 295,009 |
| 441,700 | 276,455 | 9,839 | 727,994 |
| (335,331) | (266,359) | (9,839) | (611,529) |
| | | | |
| | | | |
| 336,084 | 281,287 | 9,839 | 627,210 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 169,569 | 27,889 | - | 197,458 |
| 916,830 | 145,325 | - | 1,062,155 |
| - | - | - | - |
| (1,086,267) | (185,192) | - | (1,271,459) |
| 336,216 | 269,309 | 9,839 | 615,364 |
| | | | |
| 885 | 2,950 | - | 3,835 |
| 37,981 | 8 | - | 37,989 |
| $ 38,866 | $ 2,958 | $ - | $ 41,824 |

*Continued on next page*

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

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Capital Project Funds | | | |
|---|---|---|---|---|
| | Primary Government | Virginia Public Building Authority | Hampton Roads Transportation Accountability Commission | Total |
| **Revenues** | | | | |
| Taxes | $ - | $ - | $ - | $ - |
| Rights and Privileges | - | - | - | - |
| Institutional Revenue | - | - | - | - |
| Interest, Dividends, Rents, and Other Investment Income | 232 | 2,802 | 9,031 | 12,065 |
| Federal Grants and Contracts | - | - | - | - |
| Other | - | - | - | - |
| Total Revenues | 232 | 2,802 | 9,031 | 12,065 |
| **Expenditures** | | | | |
| Current: | | | | |
| General Government | - | - | - | - |
| Education | - | - | - | - |
| Transportation | - | - | - | - |
| Resources and Economic Development | - | - | - | - |
| Individual and Family Services | - | - | - | - |
| Administration of Justice | - | - | - | - |
| Capital Outlay | 3,694 | 209,577 | 158,529 | 371,800 |
| Debt Service: | | | | |
| Principal Retirement | - | - | - | - |
| Interest and Charges | - | - | - | - |
| Total Expenditures | 3,694 | 209,577 | 158,529 | 371,800 |
| Revenues Over (Under) Expenditures | (3,462) | (206,775) | (149,498) | (359,735) |
| **Other Financing Sources (Uses)** | | | | |
| Transfers In | - | - | 169,362 | 169,362 |
| Transfers Out | - | (328) | (9,839) | (10,167) |
| Notes Issued | 2,813 | - | - | 2,813 |
| Insurance Recoveries | - | - | - | - |
| Capital Leases Issued | - | - | - | - |
| Bonds Issued | - | 178,005 | 500,000 | 678,005 |
| Premium on Debt Issuance | - | 15,630 | 83,270 | 98,900 |
| Refunding Bonds Issued | - | - | - | - |
| Sale of Capital Assets | - | - | - | - |
| Payment to Refunded Bond Escrow Agents | - | - | - | - |
| Total Other Financing Sources (Uses) | 2,813 | 193,307 | 742,793 | 938,913 |
| Net Change in Fund Balances | (649) | (13,468) | 593,295 | 579,178 |
| Fund Balance, July 1, as restated | 15,657 | 178,869 | 518,349 | 712,875 |
| Fund Balance (Deficit), June 30 | $ 15,008 | $ 165,401 | $ 1,111,644 | $ 1,292,053 |

| Permanent Funds | | | |
|---|---|---|---|
| Commonwealth Health Research Board | Behavioral Health Endowment Funds | Total | Total Nonmajor Governmental Funds |
| $ - | $ - | $ - | $ 85,512 |
| - | - | - | 335,767 |
| - | - | - | 196,350 |
| 2,731 | 3 | 2,734 | 53,175 |
| - | - | - | 115,347 |
| - | - | - | 527,768 |
| 2,731 | 3 | 2,734 | 1,313,919 |
| | | | |
| | | | |
| - | - | - | 85,106 |
| - | - | - | 30,434 |
| - | - | - | 7,325 |
| - | - | - | 361,628 |
| 1,256 | 5 | 1,261 | 413,057 |
| - | - | - | 73,155 |
| - | - | - | 397,908 |
| | | | |
| - | - | - | 432,985 |
| - | - | - | 295,009 |
| 1,256 | 5 | 1,261 | 2,096,607 |
| 1,475 | (2) | 1,473 | (782,688) |
| | | | |
| | | | |
| - | - | - | 846,837 |
| - | - | - | (219,261) |
| - | - | - | 2,813 |
| - | - | - | 4,034 |
| - | - | - | 538 |
| - | - | - | 678,005 |
| - | - | - | 296,358 |
| - | - | - | 1,062,155 |
| - | - | - | 2,016 |
| - | - | - | (1,271,459) |
| - | - | - | 1,402,036 |
| | | | |
| 1,475 | (2) | 1,473 | 619,348 |
| 38,054 | 134 | 38,188 | 1,481,093 |
| $ 39,529 | $ 132 | $ 39,661 | $ 2,100,441 |

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

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Health and Social Services | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Final/Actual Variance Positive (Negative) |
| **Revenues:** | | | | |
| Taxes: | | | | |
| Motor Fuel | $ - | $ - | $ - | $ - |
| Deeds, Contracts, Suits | - | - | - | - |
| Alcoholic Beverage Sales | - | - | - | - |
| Tobacco Products | - | - | - | - |
| Public Service Corporations | 5,830 | 5,830 | 2,821 | (3,009) |
| Other Taxes | - | - | - | - |
| Rights and Privileges | 143,497 | 139,402 | 144,452 | 5,050 |
| Sales of Property and Commodities | 904 | 2,050 | 1,413 | (637) |
| Assessments and Receipts for Support of Special Services | - | - | - | - |
| Institutional Revenue | 167,126 | 174,594 | 171,265 | (3,329) |
| Interest, Dividends, and Rents | 380 | 348 | 1,097 | 749 |
| Fines, Forfeitures, Court Fees, Penalties, and Escheats | 1,660 | 1,840 | 2,130 | 290 |
| Receipts from Cities, Counties, and Towns | 57,475 | 61,796 | 60,035 | (1,761) |
| Private Donations, Gifts and Contracts | 2,862 | 4,507 | 2,546 | (1,961) |
| Other | 33,434 | 33,450 | 34,268 | 818 |
| Total Revenues | 413,168 | 423,817 | 420,027 | (3,790) |
| **Expenditures:** | | | | |
| Current: | | | | |
| General Government | - | - | - | - |
| Education | 216 | 216 | 148 | 68 |
| Transportation | - | - | - | - |
| Resources and Economic Development | 40,356 | 44,391 | 41,668 | 2,723 |
| Individual and Family Services | 448,298 | 456,436 | 351,169 | 105,267 |
| Administration of Justice | 594 | 655 | 563 | 92 |
| Capital Outlay | 2,472 | 3,872 | 52 | 3,820 |
| Total Expenditures | 491,936 | 505,570 | 393,600 | 111,970 |
| Revenues Over (Under) Expenditures | (78,768) | (81,753) | 26,427 | 108,180 |
| **Other Financing Sources (Uses):** | | | | |
| Transfers: | | | | |
| Transfers In | 225 | 225 | 2,475 | 2,250 |
| Transfers Out | (19,492) | (19,492) | (22,730) | (3,238) |
| Total Other Financing Sources (Uses) | (19,267) | (19,267) | (20,255) | (988) |
| Revenues and Other Sources Over (Under) Expenditures and Other Uses | (98,035) | (101,020) | 6,172 | 107,192 |
| **Fund Balance, July 1, as restated** | 176,646 | 176,646 | 176,646 | - |
| **Fund Balance, June 30** | $ 78,611 | $ 75,626 | $ 182,818 | $ 107,192 |

See Notes on page 238 in this section.

| Other | | | |
|---|---|---|---|
| Original Budget | Final Budget | Actual | Final/Actual Variance Positive (Negative) |
| | | | |
| $ 34,324 | $ 33,959 | $ 33,912 | $ (47) |
| 548 | 576 | 1,034 | 458 |
| 836 | 845 | 832 | (13) |
| 113 | 113 | 196 | 83 |
| 10,634 | 10,243 | 10,684 | 441 |
| 24,446 | 25,434 | 35,477 | 10,043 |
| 202,709 | 203,275 | 189,088 | (14,187) |
| 7,460 | 13,275 | 7,255 | (6,020) |
| 121,771 | 124,112 | 127,808 | 3,696 |
| 26,586 | 31,468 | 26,391 | (5,077) |
| 12,668 | 13,858 | 17,329 | 3,471 |
| 46,690 | 46,512 | 60,021 | 13,509 |
| 1,204 | 1,213 | 1,349 | 136 |
| 3,970 | 475 | 3,757 | 3,282 |
| 70,606 | 77,831 | 115,891 | 38,060 |
| 564,565 | 583,189 | 631,024 | 47,835 |
| | | | |
| | | | |
| 83,690 | 91,929 | 80,578 | 11,351 |
| 29,682 | 32,919 | 29,483 | 3,436 |
| 8,114 | 8,176 | 7,297 | 879 |
| 342,661 | 366,476 | 320,555 | 45,921 |
| 81,303 | 85,525 | 76,388 | 9,137 |
| 77,574 | 80,110 | 70,803 | 9,307 |
| 21,710 | 50,527 | 26,075 | 24,452 |
| 644,734 | 715,662 | 611,179 | 104,483 |
| (80,169) | (132,473) | 19,845 | 152,318 |
| | | | |
| | | | |
| 22,291 | 24,809 | 47,790 | 22,981 |
| (37,192) | (15,582) | (21,364) | (5,782) |
| (14,901) | 9,227 | 26,426 | 17,199 |
| | | | |
| (95,070) | (123,246) | 46,271 | 169,517 |
| 587,712 | 587,712 | 587,712 | - |
| $ 492,642 | $ 464,466 | $ 633,983 | $ 169,517 |

## 1. Basis of Budgeting vs. Modified Accrual Basis Fund Balance (1)

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2018, to the fund balance on a modified accrual basis follows.

| *(Dollars in Thousands)* | Health and Social Services | Other |
|---|---|---|
| Fund Balance, Basis of Budgeting | $ 182,818 | $ 633,983 |
| Adjustments from Budget to Modified Accrual: | | |
| Accrued Revenues: | | |
| Taxes | - | 5,712 |
| Other Revenue/Transfers | 9,853 | 6,276 |
| Accrued Expenditures/Transfers | 7,211 | (22,634) |
| Fund Reclassification - Budget to Modified Accrual | (7) | (173) |
| Fund Balance, Modified Accrual Basis | $ 199,875 | $ 623,164 |

1. As discussed in Note 1.E., the Unclaimed Property Fund has no approved budget.

## 2. Appropriations

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Nonmajor Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the Nonmajor Special Revenue Funds, at June 30, 2018, except for the Unclaimed Property Fund which has no approved budget.

| *(Dollars in Thousands)* | Health and Social Services | Other |
|---|---|---|
| Appropriations (1) | $ 491,936 | $ 644,734 |
| Supplemental Appropriations: | | |
| Reappropriations (2) | 2,472 | 52,559 |
| Subsequent Executive (3) | 13,260 | 36,249 |
| Subsequent Legislative (4) | (2,710) | 6,836 |
| Capital Outlay Reversions (5) | - | (35) |
| Transfers (6) | 3,084 | 3,435 |
| Capital Outlay Adjustment (7) | (2,472) | (28,116) |
| Appropriations, as adjusted | $ 505,570 | $ 715,662 |

1. Represents the budget appropriated through Chapter 836, 2017 Acts of Assembly, as amended by Chapter 1, 2018 Acts of Assembly Special Session 1.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to appropriate any additional revenues collected so that they can be legally spent.
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay balances.
6. Represents transfers required by the Appropriation Act.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.

# Nonmajor Enterprise Funds

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

**Alcoholic Beverage Control** operates facilities for the distribution and sale of distilled spirits and wine.

**Risk Management** accounts for pooled resources received and used by the Department of the Treasury for financing local government insurance programs. This includes Local Entities Bond Insurance, Public Officials Insurance and Law Enforcement Insurance.

**Local Choice Health Care** administers a health care plan for the employees of participating local governments.

**Line of Duty** accounts for the disability, death, and health benefits provided to eligible local government employees and their family members.

**Virginia Industries for the Blind** manufactures products for sale to governments, certain private organizations, and the general public.

**Consolidated Laboratory** provides water testing services and a newborn screening program.

**eVA Procurement System** accounts for the statewide electronic procurement system.

**Department of Environmental Quality** accounts for the Title V program that offers services to the general public.

**Wireless E-911 Service Board** assists in the establishment of wireless E-911 service in Virginia localities.

**Virginia Museum of Fine Arts** accounts for gift shop and food service activities.

**Science Museum of Virginia** accounts for gift shop activities.

**Behavioral Health Local Funds** account for the canteen store and work activity programs.

## Combining Statement of Fund Net Position – Nonmajor Enterprise Funds

June 30, 2018
(Dollars in Thousands)

| | Alcoholic Beverage Control | Risk Management | Local Choice Health Care |
|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | $ 23,047 | $ 27,223 | $ 89,385 |
| Receivables, Net | 8,541 | 8 | 31,532 |
| Due From Other Funds | - | - | - |
| Inventory | 79,179 | - | - |
| Prepaid Items | 3,587 | 122 | - |
| Other Assets | 200 | - | - |
| Total Current Assets | 114,554 | 27,353 | 120,917 |
| Noncurrent Assets: | | | |
| Other Assets | 2,395 | 29 | 40 |
| Nondepreciable Capital Assets | 2,996 | 54 | - |
| Depreciable Capital Assets, Net | 6,115 | 39 | - |
| Total Noncurrent Assets | 11,506 | 122 | 40 |
| Total Assets | 126,060 | 27,475 | 120,957 |
| **Deferred Outflows of Resources** | 11,707 | 119 | 209 |
| Total Assets and Deferred Outflows of Resources | 137,767 | 27,594 | 121,166 |
| | | | |
| **Liabilities and Deferred Inflows of Resources** | | | |
| Current Liabilities: | | | |
| Accounts Payable | 58,013 | 909 | 16,483 |
| Amounts Due to Other Governments | - | - | - |
| Due to Other Funds | 15,020 | 24 | 6 |
| Due to External Parties (Fiduciary Funds) | 556 | 6 | 9 |
| Interfund Payable | 39,920 | - | - |
| Unearned Revenue | 503 | 575 | - |
| Obligations Under Securities Lending Program | 1,578 | 1,869 | 6,138 |
| Other Liabilities | - | - | - |
| Claims Payable Due Within One Year | - | 9,857 | 40,601 |
| Long-term Liabilities Due Within One Year | 4,269 | 50 | 93 |
| Total Current Liabilities | 119,859 | 13,290 | 63,330 |
| Noncurrent Liabilities: | | | |
| Claims Payable Due in More Than One Year | - | 26,299 | - |
| Long-term Liabilities Due in More Than One Year | 102,066 | 950 | 1,492 |
| Total Noncurrent Liabilities | 102,066 | 27,249 | 1,492 |
| Total Liabilities | 221,925 | 40,539 | 64,822 |
| | | | |
| **Deferred Inflows of Resources** | 11,831 | 114 | 143 |
| Total Liabilities and Deferred Inflows of Resources | 233,756 | 40,653 | 64,965 |
| | | | |
| **Net Position** | | | |
| Net Investment in Capital Assets | 9,111 | 93 | - |
| Restricted for Net Other Postemployment Benefit -Virginia Sickness and Disability Program | 1,989 | 25 | 32 |
| Unrestricted | (107,089) | (13,177) | 56,169 |
| Total Net Position (Deficit) | $ (95,989) | $ (13,059) | $ 56,201 |

| Line of Duty | Virginia Industries for the Blind | Consolidated Laboratory | eVA Procurement System | Department of Environmental Quality | Wireless E-911 Service Board | Virginia Museum of Fine Arts |
|---|---|---|---|---|---|---|
| | | | | | | |
| $ 4,059 | $ 7,195 | $ 2,542 | $ 7,479 | $ 365 | $ 26,398 | $ 1,397 |
| 791 | 1,424 | 229 | 4,872 | - | 5,092 | 345 |
| - | 100 | - | 676 | - | - | - |
| - | 5,030 | 58 | - | - | - | 590 |
| - | - | - | - | - | - | - |
| - | 3 | - | - | - | - | 6 |
| 4,850 | 13,752 | 2,829 | 13,027 | 365 | 31,490 | 2,338 |
| | | | | | | |
| - | 116 | 135 | 109 | 260 | 54 | 54 |
| - | 149 | 136 | - | - | - | - |
| - | 9,976 | 623 | - | - | - | - |
| - | 10,241 | 894 | 109 | 260 | 54 | 54 |
| 4,850 | 23,993 | 3,723 | 13,136 | 625 | 31,544 | 2,392 |
| - | 833 | 494 | 398 | 1,007 | 246 | 303 |
| 4,850 | 24,826 | 4,217 | 13,534 | 1,632 | 31,790 | 2,695 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| 231 | 1,357 | 779 | 2,822 | 379 | 6,378 | 483 |
| - | - | - | - | - | 2,432 | - |
| - | 120 | 512 | 412 | 807 | 7 | 16 |
| - | 14 | 28 | 22 | 55 | 10 | 12 |
| 615 | - | - | - | - | - | - |
| - | - | 1,889 | - | - | - | - |
| 279 | - | - | - | 25 | 1,813 | - |
| - | - | - | - | - | - | 83 |
| 2,208 | - | - | - | - | - | - |
| - | 291 | 190 | 162 | 497 | 77 | - |
| 3,333 | 1,782 | 3,398 | 3,418 | 1,763 | 10,717 | 594 |
| | | | | | | |
| - | - | - | - | - | - | - |
| - | 5,912 | 4,846 | 5,971 | 10,701 | 1,703 | 2,246 |
| - | 5,912 | 4,846 | 5,971 | 10,701 | 1,703 | 2,246 |
| 3,333 | 7,694 | 8,244 | 9,389 | 12,464 | 12,420 | 2,840 |
| | | | | | | |
| - | 751 | 621 | 488 | 1,147 | 393 | 227 |
| 3,333 | 8,445 | 8,865 | 9,877 | 13,611 | 12,813 | 3,067 |
| | | | | | | |
| - | 10,125 | 759 | - | - | - | - |
| - | 95 | 115 | 93 | 223 | 45 | 44 |
| 1,517 | 6,161 | (5,522) | 3,564 | (12,202) | 18,932 | (416) |
| $ 1,517 | $ 16,381 | $ (4,648) | $ 3,657 | $ (11,979) | $ 18,977 | $ (372) |

*Continued on next page*

**Combining Statement of Fund Net Position – Nonmajor Enterprise Funds** *(Continued from previous page)*

June 30, 2018
(Dollars in Thousands)

| | Science Museum of Virginia | Behavioral Health Local Funds | Total |
|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | $ 200 | $ 358 | $ 189,648 |
| Receivables, Net | 8 | - | 52,842 |
| Due From Other Funds | - | - | 776 |
| Inventory | 69 | - | 84,926 |
| Prepaid Items | - | - | 3,709 |
| Other Assets | - | - | 209 |
| Total Current Assets | 277 | 358 | 332,110 |
| Noncurrent Assets: | | | |
| Other Assets | 3 | - | 3,195 |
| Nondepreciable Capital Assets | - | - | 3,335 |
| Depreciable Capital Assets, Net | 2 | - | 16,755 |
| Total Noncurrent Assets | 5 | - | 23,285 |
| Total Assets | 282 | 358 | 355,395 |
| **Deferred Outflows of Resources** | 14 | - | 15,330 |
| Total Assets and Deferred Outflows of Resources | 296 | 358 | 370,725 |
| | | | |
| **Liabilities and Deferred Inflows of Resources** | | | |
| Current Liabilities: | | | |
| Accounts Payable | 26 | - | 87,860 |
| Amounts Due to Other Governments | - | - | 2,432 |
| Due to Other Funds | 3 | - | 16,927 |
| Due to External Parties (Fiduciary Funds) | - | - | 712 |
| Interfund Payable | - | - | 40,535 |
| Unearned Revenue | 2 | - | 2,969 |
| Obligations Under Securities Lending Program | - | - | 11,702 |
| Other Liabilities | - | 153 | 236 |
| Claims Payable Due Within One Year | - | - | 52,666 |
| Long-term Liabilities Due Within One Year | - | - | 5,629 |
| Total Current Liabilities | 31 | 153 | 221,668 |
| Noncurrent Liabilities: | | | |
| Claims Payable Due in More Than One Year | - | - | 26,299 |
| Long-term Liabilities Due in More Than One Year | 146 | - | 136,033 |
| Total Noncurrent Liabilities | 146 | - | 162,332 |
| Total Liabilities | 177 | 153 | 384,000 |
| | | | |
| **Deferred Inflows of Resources** | 10 | - | 15,725 |
| Total Liabilities and Deferred Inflows of Resources | 187 | 153 | 399,725 |
| | | | |
| **Net Position** | | | |
| Net Investment in Capital Assets | 2 | - | 20,090 |
| Restricted for Net Other Postemployment Benefit -Virginia Sickness and Disability Program | 3 | - | 2,664 |
| Unrestricted | 104 | 205 | (51,754) |
| Total Net Position (Deficit) | $ 109 | $ 205 | $ (29,000) |

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Alcoholic Beverage Control | Risk Management | Local Choice Health Care |
|---|---|---|---|
| **Operating Revenues** | | | |
| Charges for Sales and Services | $ 824,034 | $ 12,877 | $ 461,763 |
| Other | 20,812 | - | - |
| Total Operating Revenues | 844,846 | 12,877 | 461,763 |
| **Operating Expenses** | | | |
| Cost of Sales and Services | 474,257 | - | - |
| Prizes and Claims | - | 8,846 | 433,437 |
| Personal Services | 113,979 | 882 | 1,847 |
| Contractual Services | 34,915 | 617 | 23,656 |
| Supplies and Materials | 3,906 | 5 | 638 |
| Depreciation | 2,581 | 9 | - |
| Rent, Insurance, and Other Related Charges | 32,135 | 76 | - |
| Non-recurring Cost Estimate Payments to Providers | - | - | - |
| Other | 2,886 | 14 | - |
| Total Operating Expenses | 664,659 | 10,449 | 459,578 |
| Operating Income (Loss) | 180,187 | 2,428 | 2,185 |
| | | | |
| **Nonoperating Revenues (Expenses)** | | | |
| Interest, Dividends, Rents, and Other Investment Income | 385 | 367 | 1,021 |
| Other | 9,358 | (12) | (38) |
| Total Nonoperating Revenues (Expenses) | 9,743 | 355 | 983 |
| | | | |
| Income (Loss) Before Transfers | 189,930 | 2,783 | 3,168 |
| Transfers In | 109 | - | 171 |
| Transfers Out | (188,332) | - | (426) |
| Change in Net Position | 1,707 | 2,783 | 2,913 |
| Total Net Position (Deficit), July 1, as restated | (97,696) | (15,842) | 53,288 |
| Total Net Position (Deficit), June 30 | $ (95,989) | $ (13,059) | $ 56,201 |

| Line of Duty | Virginia Industries for the Blind | Consolidated Laboratory | eVA Procurement System | Department of Environmental Quality | Wireless E-911 Service Board | Virginia Museum of Fine Arts |
|---|---|---|---|---|---|---|
| $ 19,880 | $ 44,220 | $ 11,997 | $ 20,846 | $ 9,118 | $ 60,890 | $ 7,928 |
| - | 49 | - | - | - | - | 6 |
| 19,880 | 44,269 | 11,997 | 20,846 | 9,118 | 60,890 | 7,934 |
| | | | | | | |
| - | 26,740 | - | - | - | - | 2,930 |
| 17,210 | - | - | - | - | - | - |
| - | 9,943 | 3,962 | 3,151 | 8,680 | 1,327 | 3,428 |
| 1,191 | 2,316 | 2,089 | 15,280 | 775 | 758 | 806 |
| - | 4,670 | 3,277 | 48 | 45 | 9 | 161 |
| - | 416 | 248 | - | - | - | - |
| - | 1,513 | 854 | 1,600 | 656 | 46 | - |
| - | - | - | - | - | 41,076 | - |
| - | 798 | 40 | - | - | - | - |
| 18,401 | 46,396 | 10,470 | 20,079 | 10,156 | 43,216 | 7,325 |
| 1,479 | (2,127) | 1,527 | 767 | (1,038) | 17,674 | 609 |
| | | | | | | |
| | | | | | | |
| 40 | - | - | - | 1 | 292 | - |
| (2) | - | - | - | (1) | (11) | - |
| 38 | - | - | - | - | 281 | - |
| | | | | | | |
| 1,517 | (2,127) | 1,527 | 767 | (1,038) | 17,955 | 609 |
| - | - | - | - | - | - | - |
| - | (32) | (1,625) | - | - | (13,450) | (783) |
| 1,517 | (2,159) | (98) | 767 | (1,038) | 4,505 | (174) |
| - | 18,540 | (4,550) | 2,890 | (10,941) | 14,472 | (198) |
| $ 1,517 | $ 16,381 | $ (4,648) | $ 3,657 | $ (11,979) | $ 18,977 | $ (372) |

*Continued on next page*

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

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Science Museum of Virginia | Behavioral Health Local Funds | Total |
|---|---|---|---|
| **Operating Revenues** | | | |
| Charges for Sales and Services | $ 436 | $ 332 | $ 1,474,321 |
| Other | - | - | 20,867 |
| Total Operating Revenues | 436 | 332 | 1,495,188 |
| **Operating Expenses** | | | |
| Cost of Sales and Services | 188 | 329 | 504,444 |
| Prizes and Claims | - | - | 459,493 |
| Personal Services | 141 | - | 147,340 |
| Contractual Services | 21 | - | 82,424 |
| Supplies and Materials | 5 | - | 12,764 |
| Depreciation | 7 | - | 3,261 |
| Rent, Insurance, and Other Related Charges | - | - | 36,880 |
| Non-recurring Cost Estimate Payments to Providers | - | - | 41,076 |
| Other | 10 | - | 3,748 |
| Total Operating Expenses | 372 | 329 | 1,291,430 |
| Operating Income (Loss) | 64 | 3 | 203,758 |
| | | | |
| **Nonoperating Revenues (Expenses)** | | | |
| Interest, Dividends, Rents, and Other Investment Income | - | - | 2,106 |
| Other | - | - | 9,294 |
| Total Nonoperating Revenues (Expenses) | - | - | 11,400 |
| | | | |
| Income (Loss) Before Transfers | 64 | 3 | 215,158 |
| Transfers In | - | - | 280 |
| Transfers Out | (70) | (7) | (204,725) |
| Change in Net Position | (6) | (4) | 10,713 |
| Total Net Position (Deficit), July 1, as restated | 115 | 209 | (39,713) |
| Total Net Position (Deficit), June 30 | $ 109 | $ 205 | $ (29,000) |

## Combining Statement of Cash Flows – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Alcoholic Beverage Control | Risk Management | Local Choice Health Care |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Receipts for Sales and Services | $ 837,764 | $ 12,863 | $ 464,520 |
| Internal Activity-Receipts from Other Funds | - | - | - |
| Internal Activity-Payments to Other Funds | - | - | - |
| Payments to Suppliers for Goods and Services | (519,820) | - | (620) |
| Payments for Contractual Services | (34,915) | (518) | (27,200) |
| Payments for Prizes, Claims, and Loss Control | - | (10,149) | (421,802) |
| Payments to Employees | (115,264) | (1,074) | (1,329) |
| Payments to Providers for Non-recurring Cost Estimates | - | - | - |
| Other Operating Revenue | 4,274 | - | - |
| Other Operating Expense | - | - | - |
| Net Cash Provided by (Used for) Operating Activities | 172,039 | 1,122 | 13,569 |
| | | | |
| **Cash Flows from Noncapital Financing Activities** | | | |
| Transfers In from Other Funds | 109 | - | 171 |
| Transfers Out to Other Funds | (424,483) | - | (426) |
| Other Noncapital Financing Receipt Activities | 284,195 | - | - |
| Other Noncapital Financing Disbursement Activities | (34,145) | - | - |
| Net Cash Provided by (Used for) Noncapital Financing Activities | (174,324) | - | (255) |
| | | | |
| **Cash Flows from Capital and Related Financing Activities** | | | |
| Acquisition of Capital Assets | (2,387) | (54) | - |
| Proceeds from Sale of Capital Assets | 1 | - | - |
| Other Capital and Related Financing Receipt Activities | 335 | - | - |
| Net Cash Used for Capital and Related Financing Activities | (2,051) | (54) | - |
| | | | |
| **Cash Flows from Investing Activities** | | | |
| Investment Income on Cash, Cash Equivalents, and Investments | - | 354 | 983 |
| Net Cash Provided by Investing Activities | - | 354 | 983 |
| | | | |
| Net Increase (Decrease) in Cash and Cash Equivalents | (4,336) | 1,422 | 14,297 |
| **Cash and Cash Equivalents, July 1** | 26,005 | 23,931 | 68,950 |
| **Cash and Cash Equivalents, June 30** | $ 21,669 | $ 25,353 | $ 83,247 |
| | | | |
| **Reconciliation of Cash and Cash Equivalents** | | | |
| Per the Statement of Net Position: | | | |
| Cash and Cash Equivalents | $ 23,047 | $ 27,223 | $ 89,385 |
| Cash and Travel Advances | 200 | - | - |
| Less: | | | |
| Securities Lending Cash Equivalents | (1,578) | (1,870) | (6,138) |
| Cash and Cash Equivalents per the Statement of Cash Flows | $ 21,669 | $ 25,353 | $ 83,247 |

| Line of Duty | Virginia Industries for the Blind | Consolidated Laboratory | eVA Procurement System | Department of Environmental Quality | Wireless E-911 Service Board | Virginia Museum of Fine Arts |
|---|---|---|---|---|---|---|
| $ 19,088 | $ 40,261 | $ 10,848 | $ 16,477 | $ 9,118 | $ 60,974 | $ 7,744 |
| - | 5,705 | - | 4,146 | - | - | - |
| - | - | (1,083) | (1,905) | - | (47) | - |
| - | (32,116) | (2,868) | (13) | (42) | (24) | (3,035) |
| (1,182) | (2,098) | (1,892) | (15,355) | (771) | (986) | (805) |
| (14,779) | - | - | - | - | - | - |
| - | (9,900) | (4,098) | (3,231) | (8,672) | (1,482) | (3,375) |
| - | - | - | - | - | (40,770) | - |
| - | 49 | - | - | - | - | - |
| - | (1,795) | - | - | (647) | - | - |
| 3,127 | 106 | 907 | 119 | (1,014) | 17,665 | 529 |
| | | | | | | |
| - | - | - | - | - | - | - |
| - | (32) | (1,625) | - | - | (13,450) | (783) |
| 615 | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 615 | (32) | (1,625) | - | - | (13,450) | (783) |
| | | | | | | |
| - | - | (85) | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| | | | | | | |
| - | - | (85) | - | - | - | - |
| | | | | | | |
| 38 | - | - | - | - | 281 | - |
| 38 | - | - | - | - | 281 | - |
| | | | | | | |
| 3,780 | 74 | (803) | 119 | (1,014) | 4,496 | (254) |
| - | 7,124 | 3,345 | 7,360 | 1,354 | 20,089 | 1,657 |
| $ 3,780 | $ 7,198 | $ 2,542 | $ 7,479 | $ 340 | $ 24,585 | $ 1,403 |
| | | | | | | |
| $ 4,059 | $ 7,195 | $ 2,542 | $ 7,479 | $ 365 | $ 26,398 | $ 1,397 |
| - | 3 | - | - | - | - | 6 |
| | | | | | | |
| (279) | - | - | - | (25) | (1,813) | - |
| $ 3,780 | $ 7,198 | $ 2,542 | $ 7,479 | $ 340 | $ 24,585 | $ 1,403 |

*Continued on next page*

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

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Science Museum of Virginia | Behavioral Health Local Funds | Total |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Receipts for Sales and Services | $ 436 | $ 332 | $ 1,480,425 |
| Internal Activity-Receipts from Other Funds | - | - | 9,851 |
| Internal Activity-Payments to Other Funds | - | - | (3,035) |
| Payments to Suppliers for Goods and Services | (180) | (329) | (559,047) |
| Payments for Contractual Services | - | - | (85,722) |
| Payments for Prizes, Claims, and Loss Control | - | - | (446,730) |
| Payments to Employees | (119) | - | (148,544) |
| Payments to Providers for Non-recurring Cost Estimates | - | - | (40,770) |
| Other Operating Revenue | - | - | 4,323 |
| Other Operating Expense | (67) | - | (2,509) |
| Net Cash Provided by (Used for) Operating Activities | 70 | 3 | 208,242 |
| | | | |
| **Cash Flows from Noncapital Financing Activities** | | | |
| Transfers In from Other Funds | - | - | 280 |
| Transfers Out to Other Funds | (70) | (7) | (440,876) |
| Other Noncapital Financing Receipt Activities | - | - | 284,810 |
| Other Noncapital Financing Disbursement Activities | - | (15) | (34,160) |
| Net Cash Provided by (Used for) Noncapital Financing Activities | (70) | (22) | (189,946) |
| | | | |
| **Cash Flows from Capital and Related Financing Activities** | | | |
| Acquisition of Capital Assets | - | - | (2,526) |
| Proceeds from Sale of Capital Assets | - | - | 1 |
| Other Capital and Related Financing Receipt Activities | - | - | 335 |
| Net Cash Used for Capital and Related Financing Activities | - | - | (2,190) |
| | | | |
| **Cash Flows from Investing Activities** | | | |
| Investment Income on Cash, Cash Equivalents, and Investments | - | - | 1,656 |
| Net Cash Provided by Investing Activities | - | - | 1,656 |
| | | | |
| Net Increase (Decrease) in Cash and Cash Equivalents | - | (19) | 17,762 |
| **Cash and Cash Equivalents, July 1** | 200 | 377 | 160,392 |
| **Cash and Cash Equivalents, June 30** | $ 200 | $ 358 | $ 178,154 |
| | | | |
| **Reconciliation of Cash and Cash Equivalents** | | | |
| Per the Statement of Net Position: | | | |
| Cash and Cash Equivalents | $ 200 | $ 358 | $ 189,648 |
| Cash and Travel Advances | - | - | 209 |
| Less: | | | |
| Securities Lending Cash Equivalents | - | - | (11,703) |
| Cash and Cash Equivalents per the Statement of Cash Flows | $ 200 | $ 358 | $ 178,154 |

| | Alcoholic Beverage Control | Risk Management | Local Choice Health Care |
|---|---|---|---|
| **Reconciliation of Operating Income** | | | |
| **To Net Cash Provided by (Used for)** | | | |
| **Operating Activities:** | | | |
| Operating Income (Loss) | $ 180,187 | $ 2,428 | $ 2,185 |
| **Adjustments to Reconcile Operating** | | | |
| **Income to Net Cash Provided by (Used for)** | | | |
| **Operating Activities:** | | | |
| Depreciation | 2,581 | 9 | - |
| Other | - | - | (673) |
| Change in Assets, Deferred Outflows of Resources, Liabilities, and | | | |
| Deferred Inflows of Resources | | | |
| (Increase) Decrease in Accounts Receivable | (2,800) | (6) | (1,013) |
| (Increase) Decrease in Due from Other Funds | - | - | - |
| Increase (Decrease) in Other Assets: Due in More Than One Year | (2,395) | (29) | (40) |
| (Increase) Decrease in Inventory | (9,135) | - | - |
| (Increase) Decrease in Prepaid Items | (48) | (1) | - |
| (Increase) Decrease in Deferred Outflows of Resources | 2,656 | 64 | (195) |
| Increase (Decrease) in Accounts Payable | (2,794) | 100 | 9,385 |
| Increase (Decrease) in Amounts Due to Other Governments | - | - | - |
| Increase (Decrease) in Due to Other Funds | (1,049) | 19 | 5 |
| Increase (Decrease) in Due to External Parties (Fiduciary Funds) | (19) | 1 | 7 |
| Increase (Decrease) in Interfund Payables: Due Within One Year | 5,866 | - | - |
| Increase (Decrease) in Unearned Revenue | 70 | (7) | - |
| Increase (Decrease) in Other Liabilities | - | - | - |
| Increase (Decrease) in Claims Payable: Due Within One Year | - | (628) | 2,555 |
| Increase (Decrease) in Claims Payable: Due in More Than One Year | - | (784) | - |
| Increase (Decrease) in Long-term Liabilities: Due Within One Year | 1,262 | 6 | 66 |
| Increase (Decrease) in Long-term Liabilities: Due in More Than One Year | (11,157) | (139) | 1,144 |
| Increase (Decrease) in Deferred Inflows of Resources | 8,814 | 89 | 143 |
| Net Cash Provided by (Used for) Operating Activities | $ 172,039 | $ 1,122 | $ 13,569 |

*Continued on next page*

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

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Line of Duty | Virginia Industries for the Blind | Consolidated Laboratory |
|---|---|---|---|
| **Reconciliation of Operating Income** | | | |
| **To Net Cash Provided by (Used for)** | | | |
| **Operating Activities:** | | | |
| Operating Income (Loss) | $ 1,479 | $ (2,127) | $ 1,527 |
| **Adjustments to Reconcile Operating** | | | |
| **Income to Net Cash Provided by (Used for)** | | | |
| **Operating Activities:** | | | |
| Depreciation | - | 416 | 248 |
| Other | - | 437 | - |
| Change in Assets, Deferred Outflows of Resources, Liabilities, and | | | |
| Deferred Inflows of Resources | | | |
| (Increase) Decrease in Accounts Receivable | (791) | 1,746 | (50) |
| (Increase) Decrease in Due from Other Funds | - | - | - |
| Increase (Decrease) in Other Assets: Due in More Than One Year | - | (116) | (135) |
| (Increase) Decrease in Inventory | - | (391) | 8 |
| (Increase) Decrease in Prepaid Items | - | 306 | - |
| (Increase) Decrease in Deferred Outflows of Resources | - | 131 | 260 |
| Increase (Decrease) in Accounts Payable | 231 | (414) | 314 |
| Increase (Decrease) in Amounts Due to Other Governments | - | - | - |
| Increase (Decrease) in Due to Other Funds | - | 47 | 93 |
| Increase (Decrease) in Due to External Parties (Fiduciary Funds) | - | (6) | - |
| Increase (Decrease) in Interfund Payables: Due Within One Year | - | - | - |
| Increase (Decrease) in Unearned Revenue | - | - | (1,098) |
| Increase (Decrease) in Other Liabilities | - | - | - |
| Increase (Decrease) in Claims Payable: Due Within One Year | 2,208 | - | - |
| Increase (Decrease) in Claims Payable: Due in More Than One Year | - | - | - |
| Increase (Decrease) in Long-term Liabilities: Due Within One Year | - | 92 | 3 |
| Increase (Decrease) in Long-term Liabilities: Due in More Than One Year | - | (646) | (649) |
| (Increase) Decrease in Deferred Inflows of Resources | - | 631 | 386 |
| Net Cash Provided by (Used for) Operating Activities | $ 3,127 | $ 106 | $ 907 |

| eVA Procurement System | Department of Environmental Quality | Wireless E-911 Service Board | Virginia Museum of Fine Arts | Science Museum of Virginia | Behavioral Health Local Funds | Total |
|---|---|---|---|---|---|---|
| | | | | | | |
| | | | | | | |
| $ 767 | $ (1,038) | $ 17,674 | $ 609 | $ 64 | $ 3 | $ 203,758 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| - | - | - | - | 7 | - | 3,261 |
| - | - | - | - | - | - | (236) |
| | | | | | | |
| | | | | | | |
| (41) | - | 84 | (170) | (8) | - | (3,049) |
| (149) | - | - | - | - | - | (149) |
| (109) | (260) | (54) | (54) | (3) | - | (3,195) |
| - | - | - | 43 | (6) | - | (9,481) |
| - | - | - | - | - | - | 257 |
| 171 | 635 | 30 | 50 | 3 | - | 3,805 |
| (340) | (8) | 16 | 54 | 9 | - | 6,553 |
| - | - | 35 | - | - | - | 35 |
| (38) | 64 | (1) | 4 | 1 | - | (855) |
| - | (1) | (1) | 1 | - | - | (18) |
| - | - | - | - | - | - | 5,866 |
| - | - | - | - | 1 | - | (1,034) |
| - | - | - | (19) | - | - | (19) |
| - | - | - | - | - | - | 4,135 |
| - | - | - | - | - | - | (784) |
| 16 | (4) | (6) | - | - | - | 1,435 |
| (460) | (1,300) | (124) | (168) | (5) | - | (13,504) |
| 302 | 898 | 12 | 179 | 7 | - | 11,461 |
| $ 119 | $ (1,014) | $ 17,665 | $ 529 | $ 70 | $ 3 | $ 208,242 |

# 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 Financial System, and Human Capital Management 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.

**Line of Duty** accounts for the disability, death, and health benefits provided to eligible state employees and their family members.

**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.

**Personnel Management Information** accounts for the personnel, compensation and health benefits database.

**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, 2018
(Dollars in Thousands)

| | Virginia Information Technologies Agency | Enterprise Application | Virginia Correctional Enterprises | Health Care |
|---|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | $ 18,081 | $ 4,666 | $ 8,298 | $ 375,841 |
| Receivables, Net | 2,396 | - | 784 | 16,385 |
| Due From Other Funds | 18,210 | - | 1,009 | 32,627 |
| Due From External Parties (Fiduciary Funds) | - | - | - | 232 |
| Due From Component Units | - | - | - | 31,235 |
| Inventory | - | - | 12,659 | - |
| Prepaid Items | 9,483 | 3 | - | - |
| Other Assets | 13,448 | - | 776 | - |
| Total Current Assets | 61,618 | 4,669 | 23,526 | 456,320 |
| Noncurrent Assets: | | | | |
| Other Assets | 731 | 119 | 428 | 97 |
| Nondepreciable Capital Assets | - | 31,369 | 244 | - |
| Depreciable Capital Assets, Net | 9,760 | 65,556 | 8,843 | - |
| Total Noncurrent Assets | 10,491 | 97,044 | 9,515 | 97 |
| Total Assets | 72,109 | 101,713 | 33,041 | 456,417 |
| **Deferred Outflows of Resources** | 3,315 | 780 | 2,672 | 512 |
| Total Assets and Deferred Outflows of Resources | 75,424 | 102,493 | 35,713 | 456,929 |
| **Liabilities and Deferred Inflows of Resources** | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 41,460 | 5,016 | 4,907 | 45,926 |
| Amounts Due to Other Governments | - | - | - | - |
| Due to Other Funds | 107 | 29 | 223 | 17 |
| Due to External Parties (Fiduciary Funds) | 144 | 21 | 101 | 20 |
| Interfund Payable | 31,559 | 8,719 | - | - |
| Unearned Revenue | 41,649 | - | 2,886 | - |
| Obligations Under Secrities Lending Program | - | - | - | 25,810 |
| Other Liabilities | - | - | - | - |
| Claims Payable Due Within One Year | - | - | - | 116,172 |
| Long-term Liabilities Due within One Year | 1,065 | 187 | - | 216 |
| Total Current Liabilities | 115,984 | 13,972 | 8,117 | 188,161 |
| Noncurrent Liabilities: | | | | |
| Interfund Payable | - | 87,123 | - | - |
| Claims Payable Due In More Than One Year | - | - | - | - |
| Long-term Liabilities Due in More Than One Year | 25,566 | 3,906 | 18,458 | 3,657 |
| Total Noncurrent Liabilities | 25,566 | 91,029 | 18,458 | 3,657 |
| Total Liabilities | 141,550 | 105,001 | 26,575 | 191,818 |
| **Deferred Inflows of Resources** | 5,113 | 383 | 1,848 | 356 |
| Total Liabilities and Deferred Inflows of Resources | 146,663 | 105,384 | 28,423 | 192,174 |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 9,760 | 96,925 | 9,087 | - |
| Restricted for Net Other Postemployment Benefit - Virginia Sickness and Disability Program | 605 | 98 | 344 | 79 |
| Unrestricted | (81,604) | (99,914) | (2,141) | 264,676 |
| Total Net Position (Deficit) | $ (71,239) | $ (2,891) | $ 7,290 | $ 264,755 |

| Line of Duty | Fleet Management | Property Management | Personnel Management Information | Risk Management | General Services | Payroll Service Bureau | Total |
|---|---|---|---|---|---|---|---|
| $ 891 | $ 5,428 | $ 30,698 | $ 176 | $ 243,466 | $ 6,580 | $ 1,072 | $ 695,197 |
| 152 | 1,117 | 299 | 47 | 96 | 1,084 | - | 22,360 |
| 22 | 1,760 | 2,665 | - | 4 | 1,989 | - | 58,286 |
| - | - | - | - | - | - | - | 232 |
| - | - | - | - | - | - | - | 31,235 |
| - | 17 | 354 | - | - | 3,436 | - | 16,466 |
| - | - | 369 | - | 446 | - | 115 | 10,416 |
| - | - | - | - | - | - | - | 14,224 |
| 1,065 | 8,322 | 34,385 | 223 | 244,012 | 13,089 | 1,187 | 848,416 |
| | | | | | | | |
| - | 39 | 404 | 26 | 66 | 239 | 70 | 2,219 |
| - | - | - | - | 73 | 150 | - | 31,836 |
| - | 39,355 | 16,334 | - | 47 | 3,687 | 76 | 143,658 |
| - | 39,394 | 16,738 | 26 | 186 | 4,076 | 146 | 177,713 |
| 1,065 | 47,716 | 51,123 | 249 | 244,198 | 17,165 | 1,333 | 1,026,129 |
| - | 140 | 1,489 | 139 | 299 | 876 | 469 | 10,691 |
| 1,065 | 47,856 | 52,612 | 388 | 244,497 | 18,041 | 1,802 | 1,036,820 |
| | | | | | | | |
| 51 | 2,094 | 3,261 | 79 | 2,572 | 2,417 | 84 | 107,867 |
| - | - | 129 | - | - | - | - | 129 |
| - | 91 | 760 | 3 | 12 | 577 | 11 | 1,830 |
| - | 7 | 82 | 5 | 15 | 47 | 13 | 455 |
| 135 | - | - | - | 699 | - | - | 41,112 |
| - | - | 19,748 | - | 47,685 | 133 | - | 112,101 |
| 61 | - | - | - | 16,582 | - | - | 42,453 |
| - | - | 965 | - | - | 81 | - | 1,046 |
| 485 | - | - | - | 76,752 | - | - | 193,409 |
| - | 3,892 | 2,676 | 61 | 141 | 495 | 83 | 8,816 |
| 732 | 6,084 | 27,621 | 148 | 144,458 | 3,750 | 191 | 509,218 |
| | | | | | | | |
| - | - | - | - | 7,884 | - | - | 95,007 |
| - | - | - | - | 716,607 | - | - | 716,607 |
| - | 19,999 | 43,357 | 991 | 2,535 | 10,044 | 3,170 | 131,683 |
| - | 19,999 | 43,357 | 991 | 727,026 | 10,044 | 3,170 | 943,297 |
| 732 | 26,083 | 70,978 | 1,139 | 871,484 | 13,794 | 3,361 | 1,452,515 |
| - | 170 | 1,926 | 96 | 250 | 1,092 | 250 | 11,484 |
| 732 | 26,253 | 72,904 | 1,235 | 871,734 | 14,886 | 3,611 | 1,463,999 |
| | | | | | | | |
| - | 17,068 | 173 | - | 120 | 3,191 | 76 | 136,400 |
| | | | | | | | |
| - | 33 | 343 | 22 | 55 | 203 | 58 | 1,840 |
| 333 | 4,502 | (20,808) | (869) | (627,412) | (239) | (1,943) | (565,419) |
| $ 333 | $ 21,603 | $ (20,292) | $ (847) | $ (627,237) | $ 3,155 | $ (1,809) | $ (427,179) |

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

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Virginia Information Technologies Agency | Enterprise Application | Virginia Correctional Enterprises | Health Care |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Charges for Sales and Services | $ 363,506 | $ 31,423 | $ 42,846 | $ 1,567,263 |
| Total Operating Revenues | 363,506 | 31,423 | 42,846 | 1,567,263 |
| **Operating Expenses** | | | | |
| Cost of Sales and Services | - | - | 32,582 | - |
| Prizes and Claims | - | - | - | 1,346,101 |
| Personal Services | 18,146 | 2,501 | 7,455 | 6,128 |
| Contractual Services | 356,937 | 18,899 | 2,412 | 77,655 |
| Supplies and Materials | 31 | 13 | 462 | - |
| Depreciation | 3,687 | 8,897 | 974 | - |
| Rent, Insurance, and Other Related Charges | 10,681 | 267 | 586 | - |
| Interest Expense | - | 20 | - | - |
| Other | 1,447 | 3 | 202 | 418 |
| Total Operating Expenses | 390,929 | 30,600 | 44,673 | 1,430,302 |
| Operating Income (Loss) | (27,423) | 823 | (1,827) | 136,961 |
| | | | | |
| **Nonoperating Revenues (Expenses)** | | | | |
| Interest, Dividends, Rents, and Other Investment Income | - | - | - | 4,396 |
| Other | 1 | - | 4 | (178) |
| Total Nonoperating Revenues (Expenses) | 1 | - | 4 | 4,218 |
| | | | | |
| Income (Loss) Before Transfers | (27,422) | 823 | (1,823) | 141,179 |
| Transfers In | - | - | - | - |
| Transfers Out | (261) | (27) | (1,126) | (171) |
| Change in Net Position | (27,683) | 796 | (2,949) | 141,008 |
| Total Net Position (Deficit), July 1, as restated | (43,556) | (3,687) | 10,239 | 123,747 |
| Total Net Position (Deficit), June 30 | $ (71,239) | $ (2,891) | $ 7,290 | $ 264,755 |

| Line of Duty | Fleet Management | Property Management | Personnel Management Information | Risk Management | General Services | Payroll Service Bureau | Total |
|---|---|---|---|---|---|---|---|
| $ 4,364 | $ 17,687 | $ 108,159 | $ 1,856 | $ 109,446 | $ 39,044 | $ 2,827 | $ 2,288,421 |
| 4,364 | 17,687 | 108,159 | 1,856 | 109,446 | 39,044 | 2,827 | 2,288,421 |
| | | | | | | | |
| - | - | - | - | - | 24,505 | - | 57,087 |
| 3,778 | - | - | - | 72,299 | - | - | 1,422,178 |
| - | 1,108 | 11,421 | 1,972 | 2,226 | 6,950 | 2,151 | 60,058 |
| 261 | 3,860 | 17,305 | 711 | 12,396 | 4,333 | 52 | 494,821 |
| - | 3,117 | 3,455 | 20 | 7 | 1,705 | 9 | 8,819 |
| - | 9,831 | 1,924 | - | 12 | 886 | 4 | 26,215 |
| - | - | 68,762 | - | 2,508 | 1,676 | 139 | 84,619 |
| - | - | - | - | - | - | - | 20 |
| - | 27 | 2,176 | - | 5,597 | 125 | 3 | 9,998 |
| 4,039 | 17,943 | 105,043 | 2,703 | 95,045 | 40,180 | 2,358 | 2,163,815 |
| 325 | (256) | 3,116 | (847) | 14,401 | (1,136) | 469 | 124,606 |
| | | | | | | | |
| | | | | | | | |
| 8 | - | - | - | 2,744 | 103 | - | 7,251 |
| - | (577) | (1,645) | - | (45) | - | - | (2,440) |
| 8 | (577) | (1,645) | - | 2,699 | 103 | - | 4,811 |
| | | | | | | | |
| 333 | (833) | 1,471 | (847) | 17,100 | (1,033) | 469 | 129,417 |
| - | 18 | - | - | - | 388 | - | 406 |
| - | (74) | - | - | - | - | - | (1,659) |
| 333 | (889) | 1,471 | (847) | 17,100 | (645) | 469 | 128,164 |
| - | 22,492 | (21,763) | - | (644,337) | 3,800 | (2,278) | (555,343) |
| $ 333 | $ 21,603 | $ (20,292) | $ (847) | $ (627,237) | $ 3,155 | $ (1,809) | $ (427,179) |

## Combining Statement of Cash Flows – Internal Service Funds

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Virginia Information Technologies Agency | Enterprise Application | Virginia Correctional Enterprises | Health Care |
|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | |
| Receipts for Sales and Services | $ 12,187 | $ 3,738 | $ 13,587 | $ 758,116 |
| Internal Activity-Receipts from Other Funds | 343,865 | 27,686 | 31,734 | 799,519 |
| Internal Activity-Payments to Other Funds | (3,326) | - | (709) | - |
| Payments to Suppliers for Goods and Services | (12,224) | (18) | (34,158) | - |
| Payments for Contractual Services | (365,653) | (17,723) | (2,543) | (78,570) |
| Payments for Prizes, Claims, and Loss Control | - | - | - | (1,318,428) |
| Payments to Employees | (20,133) | (2,305) | (7,611) | (3,128) |
| Other Operating Revenue | - | - | - | - |
| Other Operating Expense | - | (293) | - | (418) |
| Net Cash Provided by (Used for) Operating Activities | (45,284) | 11,085 | 300 | 157,091 |
| **Cash Flows from Noncapital Financing Activities** | | | | |
| Transfers In from Other Funds | - | - | - | - |
| Transfers Out to Other Funds | (261) | (27) | (1,126) | (171) |
| Other Noncapital Financing Receipt Activities | 71,160 | 17,744 | - | - |
| Other Noncapital Financing Disbursement Activities | (45,551) | (8,719) | - | - |
| Net Cash Provided by (Used for) Noncapital Financing Activities | 25,348 | 8,998 | (1,126) | (171) |
| **Cash Flows from Capital and Related Financing Activities** | | | | |
| Acquisition of Capital Assets | (273) | (19,008) | (763) | - |
| Payment of Principal and Interest on Bonds and Notes | - | - | - | - |
| Proceeds from Sale of Capital Assets | 1 | - | 13 | - |
| Other Capital and Related Financing Receipt Activities | - | - | - | - |
| Other Capital and Related Financing Disbursement Activities | - | - | - | - |
| Net Cash Used for Capital and Related Financing Activities | (272) | (19,008) | (750) | - |
| **Cash Flows from Investing Activities** | | | | |
| Investment Income on Cash, Cash Equivalents, and Investments | - | - | - | 4,219 |
| Net Cash Provided by Investing Activities | - | - | - | 4,219 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (20,208) | 1,075 | (1,576) | 161,139 |
| **Cash and Cash Equivalents, July 1** | 38,289 | 3,591 | 9,874 | 188,892 |
| **Cash and Cash Equivalents, June 30** | $ 18,081 | $ 4,666 | $ 8,298 | $ 350,031 |
| **Reconciliation of Cash and Cash Equivalents** | | | | |
| Per the Statement of Net Position: | | | | |
| Cash and Cash Equivalents | $ 18,081 | $ 4,666 | $ 8,298 | $ 375,841 |
| Less: | | | | |
| Securities Lending Cash Equivalents | - | - | - | (25,810) |
| Cash and Cash Equivalents per the Statement of Cash Flows | $ 18,081 | $ 4,666 | $ 8,298 | $ 350,031 |

| Line of Duty | Fleet Management | Property Management | Personnel Management Information | Risk Management | General Services | Payroll Service Bureau | Total |
|---|---|---|---|---|---|---|---|
| $ 4,190 | $ 1,179 | $ 1,970 | $ 1,809 | $ 37,056 | $ 8,971 | $ 66 | $ 842,869 |
| - | 15,781 | 103,573 | - | 57,007 | 29,717 | 2,761 | 1,411,643 |
| - | (980) | (3,543) | - | - | (3,039) | - | (11,597) |
| - | (2,160) | (70,323) | (20) | (7) | (24,892) | (9) | (143,811) |
| (259) | (3,836) | (14,491) | (671) | (12,369) | (4,271) | (52) | (500,438) |
| (3,244) | - | - | - | (76,448) | - | - | (1,398,120) |
| - | (1,128) | (11,763) | (942) | (2,049) | (7,210) | (2,038) | (58,307) |
| - | - | 58 | - | - | - | - | 58 |
| - | (10) | - | - | (7,336) | - | (122) | (8,179) |
| 687 | 8,846 | 5,481 | 176 | (4,146) | (724) | 606 | 134,118 |
| | | | | | | | |
| - | 18 | - | - | - | 388 | - | 406 |
| - | (74) | - | - | - | - | - | (1,659) |
| 135 | - | 646 | - | 3,739 | 110 | - | 93,534 |
| - | - | (528) | - | - | - | - | (54,798) |
| 135 | (56) | 118 | - | 3,739 | 498 | - | 37,483 |
| | | | | | | | |
| - | (1,828) | (2,311) | - | (73) | (62) | - | (24,318) |
| - | (7,952) | (4,668) | - | - | (71) | - | (12,691) |
| - | 1,835 | - | - | - | - | - | 1,849 |
| - | - | 1,785 | - | - | - | - | 1,785 |
| - | - | - | - | - | (397) | - | (397) |
| | | | | | | | |
| - | (7,945) | (5,194) | - | (73) | (530) | - | (33,772) |
| | | | | | | | |
| 8 | - | - | - | 2,652 | - | - | 6,879 |
| 8 | - | - | - | 2,652 | - | - | 6,879 |
| | | | | | | | |
| 830 | 845 | 405 | 176 | 2,172 | (756) | 606 | 144,708 |
| - | 4,583 | 30,293 | - | 224,712 | 7,336 | 466 | 508,036 |
| $ 830 | $ 5,428 | $ 30,698 | $ 176 | $ 226,884 | $ 6,580 | $ 1,072 | $ 652,744 |
| | | | | | | | |
| | | | | | | | |
| $ 891 | $ 5,428 | $ 30,698 | $ 176 | $ 243,466 | $ 6,580 | $ 1,072 | $ 695,197 |
| | | | | | | | |
| (61) | - | - | - | (16,582) | - | - | (42,453) |
| $ 830 | $ 5,428 | $ 30,698 | $ 176 | $ 226,884 | $ 6,580 | $ 1,072 | $ 652,744 |

*Continued on next page*

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

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Virginia Information Technologies Agency | Enterprise Application | Virginia Correctional Enterprises | Health Care |
|---|---|---|---|---|
| **Reconciliation of Operating Income** | | | | |
| **To Net Cash Provided by (Used for)** | | | | |
| **Operating Activities:** | | | | |
| Operating Income (Loss) | $ (27,423) | $ 823 | $ (1,827) | $ 136,961 |
| **Adjustments to Reconcile Operating** | | | | |
| **Income to Net Cash Provided by (Used for)** | | | | |
| **Operating Activities:** | | | | |
| Depreciation | 3,687 | 8,897 | 974 | - |
| Miscellaneous Nonoperating Income | - | - | 35 | - |
| Other | 5,261 | - | - | - |
| Change in Assets, Deferred Outflows of Resources, Liabilities, and | | | | |
| Deferred Inflows of Resources | | | | |
| (Increase) Decrease in Accounts Receivable | (498) | - | 1,084 | 911 |
| (Increase) Decrease in Due from Other Funds | (3,080) | - | (98) | (2,383) |
| (Increase) Decrease in Due from External Parties (Fiduciary Funds) | - | - | - | (22) |
| (Increase) Decrease in Due from Component Units | - | - | - | (8,134) |
| Increase (Decrease) in Other Assets: Due Within One Year | (1,246) | - | 394 | - |
| Increase (Decrease) in Other Assets: Due in More Than One Year | (731) | (119) | (428) | (97) |
| (Increase) Decrease in Inventory | - | - | (1,481) | - |
| (Increase) Decrease in Prepaid Items | (3,646) | - | - | - |
| (Increase) Decrease in Deferred Outflows of Resources | 21 | 271 | (91) | (475) |
| Increase (Decrease) in Accounts Payable | (13,595) | 1,146 | 341 | 22,794 |
| Increase (Decrease) in Amounts Due to Other Governments | - | - | - | - |
| Increase (Decrease) in Due to Other Funds | 31 | 16 | (144) | 17 |
| Increase (Decrease) in Due to External Parties (Fiduciary Funds) | (3) | (1) | 5 | 20 |
| Increase (Decrease) in Unearned Revenue | (2,871) | - | 1,179 | - |
| Increase (Decrease) in Other Liabilities | - | - | (1) | - |
| Increase (Decrease) in Claims Payable: Due Within One Year | - | - | - | 4,143 |
| Increase (Decrease) in Claims Payable: Due in More Than One Year | - | - | - | - |
| Increase (Decrease) in Long-term Liabilities: Due Within One Year | 117 | - | - | 215 |
| Increase (Decrease) in Long-term Liabilities: Due in More Than One Year | (1,806) | (233) | (844) | 2,785 |
| Increase (Decrease) in Deferred Inflows of Resources | 498 | 285 | 1,202 | 356 |
| Net Cash Provided by (Used for) Operating Activities | $ (45,284) | $ 11,085 | $ 300 | $ 157,091 |
| | | | | |
| **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 | $ - | $ - | $ - | $ - |
| Accounts Payable Increase (Decrease) related to Capital Assets | (10) | (991) | (94) | - |
| Total Noncash, Investing, Capital, and Financing Activities | $ (10) | $ (991) | $ (94) | $ - |

| Line of Duty | Fleet Management | Property Management | Personnel Management Information | Risk Management | General Services | Payroll Service Bureau | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
| $ 325 | $ (256) | $ 3,116 | $ (847) | $ 14,401 | $ (1,136) | $ 469 | $ 124,606 |
| | | | | | | | |
| | | | | | | | |
| - | 9,831 | 1,924 | - | 12 | 886 | 4 | 26,215 |
| - | - | - | - | - | - | - | 35 |
| - | - | - | - | - | - | - | 5,261 |
| | | | | | | | |
| | | | | | | | |
| (152) | (647) | 9 | (47) | 29 | (120) | - | 569 |
| (22) | 174 | (466) | - | (3) | (202) | - | (6,080) |
| - | - | - | - | - | - | - | (22) |
| - | - | - | - | - | - | - | (8,134) |
| - | - | - | - | - | - | - | (852) |
| - | (38) | (404) | (26) | (66) | (239) | (70) | (2,218) |
| - | 10 | (24) | - | - | 259 | - | (1,236) |
| - | - | 812 | - | (24) | - | 18 | (2,840) |
| - | 64 | 633 | (139) | 102 | 430 | 211 | 1,027 |
| 51 | (239) | (236) | 79 | 960 | (242) | (9) | 11,050 |
| - | - | 59 | - | - | - | - | 59 |
| - | - | 13 | 3 | 1 | - | - | (63) |
| - | (1) | (1) | 5 | - | (2) | (1) | 21 |
| - | - | (2,193) | - | (15,409) | (9) | - | (19,303) |
| - | - | - | - | - | 81 | - | 80 |
| 485 | - | - | - | 130 | - | - | 4,758 |
| - | - | - | - | (4,408) | - | - | (4,408) |
| - | 25 | 2,835 | 61 | 77 | 5 | (8) | 3,327 |
| - | (180) | (1,837) | 991 | (139) | (1,102) | (195) | (2,560) |
| - | 103 | 1,241 | 96 | 191 | 667 | 187 | 4,826 |
| $ 687 | $ 8,846 | $ 5,481 | $ 176 | $ (4,146) | $ (724) | $ 606 | $ 134,118 |
| | | | | | | | |
| | | | | | | | |
| $ - | $ 7,000 | $ - | - | $ - | $ 317 | $ - | $ 7,317 |
| - | - | - | - | - | - | - | (1,095) |
| $ - | $ 7,000 | $ - | $ - | $ - | $ 317 | $ - | $ 6,222 |

# Fiduciary Funds

**Private Purpose Trust Funds**

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

**Invest529** accounts for program activities offered by the Virginia College Savings Plan (The Plan). The program is a defined contribution college savings program in which participants can save for qualified higher education expenses by making contributions and investments into portfolios of their choice. EideBailly, LLC audits the Plan, and a separate report is issued.

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

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

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

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

**Miscellaneous Trust** account for perpetual trusts created through donations to the state. Earnings are used for the benefit of donor-specified local entities.

**Pension and Other Employee Benefit Trust Funds**

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

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

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

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

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

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

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

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

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

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

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

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

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

**Virginia Local Disability Program** provides long-term disability benefits to local government employees of participating localities.

## Investment Trust Funds

*Investment Trust Funds reflect the external portion of the local government investment pool sponsored by the Commonwealth.*

**Local Government Investment Pool (LGIP)** helps local governmental entities maximize their rate of return by commingling their resources for investment purposes.

**Local Government Investment Pool - Extended Maturity (LGIP – EM)** offers public entities of the Commonwealth the opportunity to participate in an investment vehicle which allows them to invest monies that are not needed for daily liquidity.

## Agency Funds

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

**Funds for the Collection of Taxes and Fees** account for taxes and fees collected by the Commonwealth to be distributed to localities or other states.

**Employee Benefits Fund** accounts for undistributed withholdings for employee benefits.

**Contractor Deposits Fund** accounts for reimbursable deposits, including both cash and securities, from mining companies, road construction companies, motor fuel retailers, localities, and toll relief, to ensure performance meets regulatory standards.

**Deposits of Insurance Carriers Fund** accounts for security deposits of insurance carriers as protection to the policy holders of the Commonwealth, as well as funds or irrevocable letters of credit held in lieu of insurance for pilot licensure.

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

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

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

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

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

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

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

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

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

**Wilson Workforce and Rehabilitation Center Fund** accounts for student funds held by the center.

**Third Party Administrator Fund** accounts for funds held in custody for assets of the Virginia Railway Express and the van pool insurance program, as well as donations collected in conjunction with auto-replenishment of EZPass Virginia customer accounts. It also includes the Drive Smart Virginia Education Fund administered by the Department of Transportation.

**Department of Environmental Quality Fund** accounts for deposits from the EPA as a result of a legal settlement which will be distributed to localities to retro-fit school buses.

**Virginia Veterans' Care Center Resident Fund** accounts for the savings of residents of the Virginia Veterans Care Center.

**Virginia Individual Development Account Trust Fund** accounts for funds used to benefit low income individuals and to assist them in purchasing affordable housing.

**E-Payables Fund** accounts for payments to vendors which are held in a suspense status until the electronic payment is processed.

## Combining Statement of Fiduciary Net Position – Private Purpose Trust Funds

June 30, 2018
(Dollars in Thousands)

| | Invest529 | Loan Servicing Reserve | Edvantage Reserve |
|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | |
| Cash and Cash Equivalents | $ 134,311 | $ 189 | $ 270 |
| Investments: | | | |
| Bonds and Mortgage Securities | 118,601 | - | - |
| Stocks | 81,228 | - | - |
| Fixed Income Commingled Funds | 765,643 | - | - |
| Index and Pooled Funds | 1,684,478 | - | - |
| Real Estate | 104,875 | - | - |
| Mutual and Money Market Funds | 647,484 | - | - |
| Other | 989,143 | - | - |
| Total Investments | 4,391,452 | - | - |
| Assets Held Pending Distribution | - | - | - |
| Receivables, Net: | | | |
| Accounts | 328 | - | - |
| Interest and Dividends | 4,411 | - | - |
| Other Receivables | 832 | - | - |
| Total Receivables | 5,571 | - | - |
| Other Assets | - | - | - |
| Total Assets | 4,531,334 | 189 | 270 |
| **Deferred Outflows of Resources** | - | - | - |
| Total Assets and Deferred Outflows of Resources | 4,531,334 | 189 | 270 |
| | | | |
| **Liabilities and Deferred Inflows of Resources** | | | |
| Accounts Payable | 329 | - | - |
| Due to Other Funds | - | - | - |
| Obligations Under Securities Lending | - | - | 19 |
| Due to Claimants, Participants, Escrows and Providers | 7,436 | - | - |
| Compensated Absences Payable | - | - | - |
| Payable for Security Transactions | 1,603 | - | - |
| Net Pension Liability | - | - | - |
| Net Other Postemployment Benefit Liability | - | - | - |
| Total Other Postemployment Benefit Liability | - | - | - |
| Total Liabilities | 9,368 | - | 19 |
| | | | |
| **Deferred Inflows of Resources** | - | - | - |
| Total Liabilities and Deferred Inflows of Resources | 9,368 | - | 19 |
| | | | |
| Net Position Restricted for Participants and Other Purposes | $ 4,521,966 | $ 189 | $ 251 |

| Virginia Revolving Farm Loan Program | Gas and Oil Board Escrow Account | Miscellaneous Trust | Total |
|---|---|---|---|
| $ 4,916 | $ - | $ 66 | $ 139,752 |
| | | | |
| - | - | - | 118,601 |
| - | - | - | 81,228 |
| - | - | - | 765,643 |
| - | - | - | 1,684,478 |
| - | - | - | 104,875 |
| - | - | - | 647,484 |
| - | - | - | 989,143 |
| - | - | - | 4,391,452 |
| - | 10,505 | - | 10,505 |
| | | | |
| - | - | - | 328 |
| - | - | - | 4,411 |
| - | - | - | 832 |
| - | - | - | 5,571 |
| 3 | - | - | 3 |
| 4,919 | 10,505 | 66 | 4,547,283 |
| 10 | - | - | 10 |
| 4,929 | 10,505 | 66 | 4,547,293 |
| | | | |
| | | | |
| 10 | - | - | 339 |
| 1 | - | - | 1 |
| 338 | - | - | 357 |
| - | - | - | 7,436 |
| 3 | - | - | 3 |
| - | - | - | 1,603 |
| 67 | - | - | 67 |
| 12 | - | - | 12 |
| 9 | - | - | 9 |
| 440 | - | - | 9,827 |
| | | | |
| 10 | - | - | 10 |
| 450 | - | - | 9,837 |
| | | | |
| $ 4,479 | $ 10,505 | $ 66 | $ 4,537,456 |

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

For the Fiscal Year June 30, 2018
(Dollars in Thousands)

| | Invest529 | Loan Servicing Reserve | Edvantage Reserve |
|---|---|---|---|
| **Additions:** | | | |
| Investment Income: | | | |
| Interest, Dividends, and Other Investment Income | $ 243,913 | $ - | $ 3 |
| Total Investment Income | 243,913 | - | 3 |
| Less Investment Expenses | 4,266 | - | - |
| Net Investment Income | 239,647 | - | 3 |
| Contributions: | | | |
| Participants | 666,708 | - | - |
| Total Contributions | 666,708 | - | - |
| Other Revenue | - | - | 2 |
| Total Additions | 906,355 | - | 5 |
| **Deductions:** | | | |
| Loan Servicing Payments | - | - | - |
| Educational Expense Benefits | 295,549 | - | - |
| Insurance Premiums and Claims | - | - | 1 |
| Trust Payments | - | - | - |
| Administrative Expenses | 1,327 | - | - |
| Shares Redeemed | 32,266 | - | - |
| Total Deductions | 329,142 | - | 1 |
| Net Increase (Decrease) | 577,213 | - | 4 |
| | | | |
| Net Position Restricted for Participants and Other Purposes | | | |
| **July 1, as restated** | 3,944,753 | 189 | 247 |
| **June 30** | $ 4,521,966 | $ 189 | $ 251 |

| Virginia Revolving Farm Loan Program | Gas and Oil Board Escrow Account | Miscellaneous Trust | Total |
|---|---|---|---|
| | | | |
| $ 60 | $ 95 | $ 1 | $ 244,072 |
| 60 | 95 | 1 | 244,072 |
| - | 12 | - | 4,278 |
| 60 | 83 | 1 | 239,794 |
| | | | |
| - | 453 | - | 667,161 |
| - | 453 | - | 667,161 |
| - | - | - | 2 |
| 60 | 536 | 1 | 906,957 |
| | | | |
| 30 | - | - | 30 |
| - | - | - | 295,549 |
| - | - | - | 1 |
| - | 6,502 | 1 | 6,503 |
| 94 | - | - | 1,421 |
| - | - | - | 32,266 |
| 124 | 6,502 | 1 | 335,770 |
| (64) | (5,966) | - | 571,187 |
| | | | |
| 4,543 | 16,471 | 66 | 3,966,269 |
| $ 4,479 | $ 10,505 | $ 66 | $ 4,537,456 |

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

June 30, 2018
(Dollars in Thousands)

| | Virginia Retirement System | State Police Officers' Retirement System | Judicial Retirement System |
|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | |
| Cash and Cash Equivalents | $ 197,107 | $ 2,616 | $ 1,689 |
| Investments: | | | |
| Bonds and Mortgage Securities | 20,350,603 | 232,502 | 150,045 |
| Stocks | 22,854,140 | 261,104 | 168,504 |
| Fixed Income Commingled Funds | 1,271,310 | 14,524 | 9,373 |
| Index and Pooled Funds | 9,816,555 | 112,153 | 72,378 |
| Real Estate | 8,638,084 | 98,688 | 63,689 |
| Private Equity | 12,074,932 | 137,953 | 89,030 |
| Short-term Investments | 78,563 | 897 | 579 |
| Hybrid Defined Contribution Investments | 325,164 | - | 4,092 |
| Other | 4,206,137 | 48,055 | 31,012 |
| Total Investments | 79,615,488 | 905,876 | 588,702 |
| Receivables, Net: | | | |
| Contributions | 217,303 | 1,569 | 1,185 |
| Interest and Dividends | 241,084 | 2,754 | 1,778 |
| Security Transactions | 1,108,115 | 12,660 | 8,170 |
| Other Receivables | 92,998 | 1,072 | 678 |
| Total Receivables | 1,659,500 | 18,055 | 11,811 |
| Due from Other Funds | 1 | - | - |
| Due from Internal Parties (Governmental Funds and Business-type Activities) | 27,729 | 201 | 150 |
| Due from Component Units | 28,631 | - | - |
| Furniture and Equipment | 40,877 | - | - |
| Total Assets | 81,569,333 | 926,748 | 602,352 |
| **Deferred Outflows of Resources** | - | - | - |
| Total Assets and Deferred Outflows of Resources | 81,569,333 | 926,748 | 602,352 |
| **Liabilities and Deferred Inflows of Resources** | | | |
| Accounts Payable | 28,184 | 253 | 163 |
| Due to Other Funds | 3,903 | - | - |
| Due to Internal Parties (Governmental Funds and Business-type Activities) | 60,624 | - | - |
| Obligations Under Securities Lending | 4,206,137 | 48,055 | 31,012 |
| Other Liabilities | 56,129 | 1,326 | 856 |
| Retirement Benefits Payable | 44,959 | 5,238 | 3,463 |
| Refunds Payable | 3,842 | - | - |
| Compensated Absences Payable | 2,681 | - | - |
| Insurance Premiums and Claims Payable | - | - | - |
| Payable for Security Transactions | 3,078,732 | 35,174 | 22,700 |
| Total Liabilities | 7,485,191 | 90,046 | 58,194 |
| **Deferred Inflows of Resources** | - | - | - |
| Total Liabilities and Deferred Inflows of Resources | 7,485,191 | 90,046 | 58,194 |
| Net Position Restricted for Pensions and Other Employment Benefits | $ 74,084,142 | $ 836,702 | $ 544,158 |

| Virginia Law Officers' Retirement System | Political Appointees | Public School Superintendents | Virginia Supplemental Retirement Plan | Other Postemployment Retiree Health Insurance Credit | Other Employment Group Life | Other Postemployment Disability Insurance Trust Fund |
|---|---|---|---|---|---|---|
| $ 4,449 | $ - | $ - | $ - | $ 727 | $ 5,103 | $ 1,418 |
| | | | | | | |
| 395,498 | 7,592 | 222 | 12 | 64,573 | 453,514 | 126,040 |
| 444,153 | 7,571 | - | 125 | 72,517 | 509,306 | 141,545 |
| 24,707 | - | - | - | 4,034 | 28,331 | 7,874 |
| 190,777 | - | - | - | 31,148 | 218,762 | 60,798 |
| 167,875 | - | - | - | 27,409 | 192,500 | 53,499 |
| 234,667 | - | - | - | 38,314 | 269,090 | 74,785 |
| 1,527 | - | - | - | 249 | 1,751 | 487 |
| - | - | - | - | - | - | - |
| 81,744 | - | - | - | 13,346 | 93,735 | 26,051 |
| 1,540,948 | 15,163 | 222 | 137 | 251,590 | 1,766,989 | 491,079 |
| | | | | | | |
| 3,000 | - | - | - | 10,674 | 15,850 | 653 |
| 4,685 | - | - | - | 765 | 5,373 | 1,493 |
| 21,536 | - | - | - | 3,516 | 24,694 | 6,863 |
| 1,793 | - | - | - | 295 | 2,054 | 9,680 |
| 31,014 | - | - | - | 15,250 | 47,971 | 18,689 |
| - | - | - | - | - | - | - |
| 384 | - | - | - | 1,362 | 2,023 | 83 |
| 604 | - | - | - | 3,772 | 3,280 | 744 |
| - | - | - | - | - | - | - |
| 1,577,399 | 15,163 | 222 | 137 | 272,701 | 1,825,366 | 512,013 |
| | | | | | | |
| - | - | - | - | - | - | - |
| 1,577,399 | 15,163 | 222 | 137 | 272,701 | 1,825,366 | 512,013 |
| | | | | | | |
| 430 | - | - | - | 13,501 | 493 | 3,214 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 81,744 | - | - | - | 13,346 | 93,735 | 26,051 |
| 2,256 | - | - | - | 368 | 2,587 | 719 |
| 9,135 | - | - | - | - | - | - |
| 21 | - | - | - | 345 | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 65,168 | - |
| 59,833 | - | - | - | 9,769 | 68,610 | 19,068 |
| 153,419 | - | - | - | 37,329 | 230,593 | 49,052 |
| | | | | | | |
| - | - | - | - | - | - | - |
| 153,419 | - | - | - | 37,329 | 230,593 | 49,052 |
| | | | | | | |
| $ 1,423,980 | $ 15,163 | $ 222 | $ 137 | $ 235,372 | $ 1,594,773 | $ 462,961 |

*Continued on next page*

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

June 30, 2018
(Dollars in Thousands)

| | Other Employment Volunteer Firefighters and Rescue Squad Workers | Other Postemployment Line of Duty Death and Disability | Virginia Local Disability Program |
|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | |
| Cash and Cash Equivalents | $ - | $ 5 | $ 4 |
| Investments: | | | |
| Bonds and Mortgage Securities | 22 | 523 | 364 |
| Stocks | - | 587 | 409 |
| Fixed Income Commingled Funds | - | 33 | 23 |
| Index and Pooled Funds | - | 252 | 176 |
| Real Estate | - | 222 | 155 |
| Private Equity | - | 310 | 216 |
| Short-term Investments | - | 2 | 1 |
| Hybrid Defined Contribution Investments | - | - | - |
| Other | - | 108 | 75 |
| Total Investments | 22 | 2,037 | 1,419 |
| Receivables, Net: | | | |
| Contributions | - | - | 253 |
| Interest and Dividends | - | 6 | 4 |
| Security Transactions | - | 28 | 20 |
| Other Receivables | - | 2 | 11 |
| Total Receivables | - | 36 | 288 |
| Due from Other Funds | 3,903 | - | - |
| Due from Internal Parties (Governmental Funds and Business-type Activities) | - | - | 32 |
| Due from Component Units | - | - | - |
| Furniture and Equipment | - | - | - |
| Total Assets | 3,925 | 2,078 | 1,743 |
| **Deferred Outflows of Resources** | - | - | - |
| Total Assets and Deferred Outflows of Resources | 3,925 | 2,078 | 1,743 |
| **Liabilities and Deferred Inflows of Resources** | | | |
| Accounts Payable | - | 18 | - |
| Due to Other Funds | - | - | - |
| Due to Internal Parties (Governmental Funds and Business-type Activities) | - | - | - |
| Obligations Under Securities Lending | - | 107 | 75 |
| Other Liabilities | - | 2 | 150 |
| Retirement Benefits Payable | - | - | - |
| Refunds Payable | - | - | - |
| Compensated Absences Payable | - | - | - |
| Insurance Premiums and Claims Payable | - | - | - |
| Payable for Security Transactions | - | 78 | 55 |
| Total Liabilities | - | 205 | 280 |
| **Deferred Inflows of Resources** | - | - | - |
| Total Liabilities and Deferred Inflows of Resources | - | 205 | 280 |
| Net Position Restricted for Pensions and Other Employment Benefits | $ 3,925 | $ 1,873 | $ 1,463 |

| Total |
|---|
| $ 213,118 |
| |
| 21,781,510 |
| 24,459,961 |
| 1,360,209 |
| 10,502,999 |
| 9,242,121 |
| 12,919,297 |
| 84,056 |
| 329,256 |
| 4,500,263 |
| 85,179,672 |
| |
| 250,487 |
| 257,942 |
| 1,185,602 |
| 108,583 |
| 1,802,614 |
| 3,904 |
| 31,964 |
| 37,031 |
| 40,877 |
| 87,309,180 |
| |
| - |
| 87,309,180 |
| |
| |
| 46,256 |
| 3,903 |
| 60,624 |
| 4,500,262 |
| 64,393 |
| 62,795 |
| 4,208 |
| 2,681 |
| 65,168 |
| 3,294,019 |
| 8,104,309 |
| |
| - |
| 8,104,309 |
| |
| $ 79,204,871 |

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

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Virginia Retirement System | State Police Officers' Retirement System | Judicial Retirement System |
|---|---|---|---|
| **Additions:** | | | |
| Investment Income: | | | |
| Interest, Dividends, and Other Investment Income | $ 5,643,062 | $ 63,619 | $ 41,214 |
| Total Investment Income | 5,643,062 | 63,619 | 41,214 |
| Less Investment Expenses | 484,173 | 5,471 | 3,525 |
| Net Investment Income | 5,158,889 | 58,148 | 37,689 |
| Contributions: | | | |
| Member | 910,312 | 6,311 | 4,010 |
| Employer | 2,387,711 | 35,806 | 28,620 |
| Total Contributions | 3,298,023 | 42,117 | 32,630 |
| Other Revenue | 1,076 | - | - |
| Total Additions | 8,457,988 | 100,265 | 70,319 |
| **Deductions:** | | | |
| Retirement Benefits | 4,548,751 | 58,197 | 41,165 |
| Refunds to Former Members | 116,473 | 867 | 24 |
| Retiree Health Insurance Credits | - | - | - |
| Insurance Premiums and Claims | - | - | - |
| Administrative Expenses | 44,661 | 509 | 326 |
| Other Expenses | 8,750 | 63 | 45 |
| Long-term Disability Benefits | - | - | - |
| Total Deductions | 4,718,635 | 59,636 | 41,560 |
| Net Increase/(Decrease) | 3,739,353 | 40,629 | 28,759 |
| | | | |
| Net Position Restricted for Pensions and Other Employment Benefits | | | |
| **July 1** | 70,344,789 | 796,073 | 515,399 |
| **June 30** | $ 74,084,142 | $ 836,702 | $ 544,158 |

| Virginia Law Officers' Retirement System | Political Appointees | Public School Superintendents | Virginia Supplemental Retirement Plan | Other Postemployment Retiree Health Insurance Credit | Other Employment Group Life | Other Postemployment Disability Insurance Trust Fund |
|---|---|---|---|---|---|---|
| | | | | | | |
| $ 107,536 | $ 1,478 | $ 13 | $ 16 | $ 14,900 | $ 121,238 | $ 35,077 |
| 107,536 | 1,478 | 13 | 16 | 14,900 | 121,238 | 35,077 |
| 9,243 | - | - | - | 1,254 | 10,321 | 3,004 |
| 98,293 | 1,478 | 13 | 16 | 13,646 | 110,917 | 32,073 |
| | | | | | | |
| 17,495 | 1,349 | - | - | - | 150,402 | - |
| 73,793 | - | - | - | 184,706 | 98,530 | 25,982 |
| 91,288 | 1,349 | - | - | 184,706 | 248,932 | 25,982 |
| - | - | - | - | - | - | 1,278 |
| 189,581 | 2,827 | 13 | 16 | 198,352 | 359,849 | 59,333 |
| | | | | | | |
| 104,776 | 2,519 | 17 | - | - | - | - |
| 5,604 | - | - | - | - | - | - |
| - | - | - | - | 163,938 | - | - |
| - | - | - | - | - | 200,285 | - |
| 861 | 10 | - | - | 342 | 664 | 961 |
| 247 | - | - | - | 15 | 1,713 | 35 |
| - | - | - | - | - | - | 37,710 |
| 111,488 | 2,529 | 17 | - | 164,295 | 202,662 | 38,706 |
| 78,093 | 298 | (4) | 16 | 34,057 | 157,187 | 20,627 |
| | | | | | | |
| 1,345,887 | 14,865 | 226 | 121 | 201,315 | 1,437,586 | 442,334 |
| $ 1,423,980 | $ 15,163 | $ 222 | $ 137 | $ 235,372 | $ 1,594,773 | $ 462,961 |

*Continued on next page*

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

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Other Employment Volunteer Firefighters and Rescue Squad Workers | Other Postemployment Line of Duty Death and Disability | Virginia Local Disability Program |
|---|---|---|---|
| **Additions:** | | | |
| Investment Income: | | | |
| Interest, Dividends, and Other Investment Income | $ 261 | $ 743 | $ 68 |
| Total Investment Income | 261 | 743 | 68 |
| Less Investment Expenses | - | 65 | 4 |
| Net Investment Income | 261 | 678 | 64 |
| Contributions: | | | |
| Member | 31 | - | - |
| Employer | 75 | 10,035 | 2,613 |
| Total Contributions | 106 | 10,035 | 2,613 |
| Other Revenue | - | 855 | 417 |
| Total Additions | 367 | 11,568 | 3,094 |
| **Deductions:** | | | |
| Retirement Benefits | - | - | - |
| Refunds to Former Members | 107 | - | - |
| Retiree Health Insurance Credits | - | - | - |
| Insurance Premiums and Claims | - | 12,398 | - |
| Administrative Expenses | - | 523 | 172 |
| Other Expenses | - | - | - |
| Long-term Disability Benefits | - | - | 2,089 |
| Total Deductions | 107 | 12,921 | 2,261 |
| Net Increase/(Decrease) | 260 | (1,353) | 833 |
| | | | |
| Net Position Restricted for Pensions and Other Employment Benefits | | | |
| **July 1** | 3,665 | 3,226 | 630 |
| **June 30** | $ 3,925 | $ 1,873 | $ 1,463 |

| | Total |
|---|---|
| | |
| $ | 6,029,225 |
| | 6,029,225 |
| | 517,060 |
| | 5,512,165 |
| | |
| | 1,089,910 |
| | 2,847,871 |
| | 3,937,781 |
| | 3,626 |
| | 9,453,572 |
| | |
| | 4,755,425 |
| | 123,075 |
| | 163,938 |
| | 212,683 |
| | 49,029 |
| | 10,868 |
| | 39,799 |
| | 5,354,817 |
| | 4,098,755 |
| | |
| | |
| | 75,106,116 |
| $ | 79,204,871 |

## Combining Statement of Fiduciary Net Position – Investment Trust Funds

June 30, 2018
(Dollars in Thousands)

| | Local Government Investment Pool (LGIP) | Local Government Investment Pool (LGIP) Extended Maturity (EM) | Total |
|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | |
| Cash and Cash Equivalents | $ 1,782,214 | $ 190 | $ 1,782,404 |
| Investments: | | | |
| Bonds and Mortgage Securities | 192,061 | 36,825 | 228,886 |
| Short-term Investments | 1,983,166 | 81,598 | 2,064,764 |
| Total Investments | 2,175,227 | 118,423 | 2,293,650 |
| Receivables, Net: | | | |
| Interest and Dividends | 4,553 | 572 | 5,125 |
| Total Receivables | 4,553 | 572 | 5,125 |
| Total Assets | 3,961,994 | 119,185 | 4,081,179 |
| **Deferred Outflows of Resources** | - | - | - |
| Total Assets and Deferred Outflows of Resources | 3,961,994 | 119,185 | 4,081,179 |
| | | | |
| **Liabilities and Deferred Inflows of Resources** | | | |
| Due to Internal Parties (Governmental Funds and Business-type Activities) | 1 | 15 | 16 |
| Total Liabilities | 1 | 15 | 16 |
| **Deferred Inflows of Resources** | - | - | - |
| Total Liabilities and Deferred Inflows of Resources | 1 | 15 | 16 |
| | | | |
| Net Position Restricted for Pool Participants | $ 3,961,993 | $ 119,170 | $ 4,081,163 |

**Combining Statement of Changes in Fiduciary Net Position - Investment Trust Funds**

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Local Government Investment Pool (LGIP) | Local Government Investment Pool (LGIP) Extended Maturity (EM) | Total |
|---|---|---|---|
| **Additions:** | | | |
| Investment Income: | | | |
| Interest, Dividends, and Other Investment Income | $ 42,544 | $ 1,322 | $ 43,866 |
| Distributions to Shareholders from Net Investment Income | (42,544) | (1,322) | (43,866) |
| Total Investment Income | - | - | - |
| Net Investment Income | - | - | - |
| Shares Sold | 7,385,993 | 168,501 | 7,554,494 |
| Reinvested Distributions | 42,567 | 1,313 | 43,880 |
| Total Additions | 7,428,560 | 169,814 | 7,598,374 |
| **Deductions:** | | | |
| Shares Redeemed | 7,094,306 | 50,644 | 7,144,950 |
| Total Deductions | 7,094,306 | 50,644 | 7,144,950 |
| Net Increase | 334,254 | 119,170 | 453,424 |
| Net Position Restricted for Pool Participants | | | |
| **July 1, as restated** | 3,627,739 | - | 3,627,739 |
| **June 30** | $ 3,961,993 | $ 119,170 | $ 4,081,163 |

## Combining Statement of Fiduciary Net Position – Agency Funds

June 30, 2018
(Dollars in Thousands)

| | Funds for the Collection of Taxes and Fees | Employee Benefits | Contractor Deposits | Deposits of Insurance Carriers |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Cash Equivalents | $ 198,072 | $ 5,535 | $ 36,104 | $ 256 |
| Assets Held Pending Distribution | - | - | 12,786 | 444,601 |
| Receivables, Net: | | | | |
| Accounts | 62,530 | - | - | 57 |
| Total Receivables | 62,530 | - | - | 57 |
| Due from Internal Parties (Governmental and Business-type Activities) | 16,732 | - | - | - |
| Other Assets | - | - | - | - |
| Total Assets | $ 277,334 | $ 5,535 | $ 48,890 | $ 444,914 |
| | | | | |
| **Liabilities** | | | | |
| Accounts Payable | $ - | $ 5,535 | $ 119 | $ - |
| Amounts Due to Other Governments | 277,245 | - | - | - |
| Due to Internal Parties (Governmental Funds and Business-type Activities) | - | - | - | - |
| Obligations Under Securities Lending Program | 89 | - | 674 | - |
| Due to Claimants, Participants, Escrows and Providers | - | - | - | - |
| Other Liabilities | - | - | 48,097 | 444,914 |
| Insurance Premiums and Claims Payable | - | - | - | - |
| Total Liabilities | $ 277,334 | $ 5,535 | $ 48,890 | $ 444,914 |

| Inmate and Ward | Child Support Collection | Behavioral Health Patient | Behavioral Health Non-Patient | Comptroller's Debt Setoff | Legal Settlement | Consumer Services | State Asset Forfeiture |
|---|---|---|---|---|---|---|---|
| $ 21,501 | $ 18,038 | $ 1,154 | $ 46 | $ 1,190 | $ 5,009 | $ 1,383 | $ 2,254 |
| - | - | - | - | - | - | - | - |
| | | | | | | | |
| 507 | - | - | - | - | - | - | - |
| 507 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| $ 22,008 | $ 18,038 | $ 1,154 | $ 46 | $ 1,190 | $ 5,009 | $ 1,383 | $ 2,254 |
| | | | | | | | |
| $ 3,312 | $ - | $ - | $ - | $ - | $ - | $ 4 | $ - |
| - | - | - | - | - | - | - | - |
| 163 | - | - | - | - | - | - | - |
| - | - | - | - | - | 141 | - | 142 |
| 18,078 | 18,038 | 1,154 | 46 | - | - | - | - |
| 455 | - | - | - | 1,190 | 4,868 | 1,379 | 2,112 |
| - | - | - | - | - | - | - | - |
| $ 22,008 | $ 18,038 | $ 1,154 | $ 46 | $ 1,190 | $ 5,009 | $ 1,383 | $ 2,254 |

*Continued on next page*

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

June 30, 2018
(Dollars in Thousands)

| | Virginia School for the Deaf and Blind | Wilson Workforce and Rehabilitation Center | Third Party Administrator | Department of Environmental Quality |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Cash Equivalents | $ 19 | $ 7 | $ 13,504 | $ - |
| Assets Held Pending Distribution | - | - | - | - |
| Receivables, Net: | | | | |
| Accounts | - | - | 62 | - |
| Total Receivables | - | - | 62 | - |
| Due from Internal Parties (Governmental and Business-type Activities) | - | - | - | - |
| Other Assets | - | - | 23 | - |
| Total Assets | $ 19 | $ 7 | $ 13,589 | $ - |
| | | | | |
| **Liabilities** | | | | |
| Accounts Payable | $ - | $ - | $ 4 | $ - |
| Amounts Due to Other Governments | - | - | - | - |
| Due to Internal Parties (Governmental Funds and Business-type Activities) | - | - | - | - |
| Obligations Under Securities Lending Program | - | - | 927 | - |
| Due to Claimants, Participants, Escrows and Providers | 19 | 7 | 12,522 | - |
| Other Liabilities | - | - | 8 | - |
| Insurance Premiums and Claims Payable | - | - | 128 | - |
| Total Liabilities | $ 19 | $ 7 | $ 13,589 | $ - |

| Virginia Veterans' Care Center Resident Fund | Virginia Individual Development Account Trust Fund | E-Payables | Total |
|---|---|---|---|
| $ 311 | $ - | $ 28,552 | $ 332,935 |
| - | - | - | 457,387 |
| | | | |
| - | - | - | 63,156 |
| - | - | - | 63,156 |
| - | - | - | 16,732 |
| - | - | - | 23 |
| $ 311 | $ - | $ 28,552 | $ 870,233 |
| | | | |
| | | | |
| $ - | $ - | $ - | $ 8,974 |
| - | - | - | 277,245 |
| - | - | - | 163 |
| - | - | - | 1,973 |
| 311 | - | - | 50,175 |
| - | - | 28,552 | 531,575 |
| - | - | - | 128 |
| $ 311 | $ - | $ 28,552 | $ 870,233 |

## Combining Statement of Changes in Assets and Liabilities – Agency Funds

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Balance July 1 | Additions | Deletions | Balance June 30 |
|---|---|---|---|---|
| **Funds for the Collection of Taxes and Fees** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 199,450 | $ 1,396,003 | $ 1,397,381 | $ 198,072 |
| Accounts Receivable | 59,847 | 62,530 | 59,847 | 62,530 |
| Due from Internal Parties (Governmental Funds and Business-type Activities) | - | 16,732 | - | 16,732 |
| Total Assets | $ 259,297 | $ 1,475,265 | $ 1,457,228 | $ 277,334 |
| Liabilities: | | | | |
| Amounts Due to Other Governments | $ 259,297 | $ 1,475,176 | $ 1,457,228 | $ 277,245 |
| Obligations Under Securities Lending Program | - | 89 | - | 89 |
| Total Liabilities | $ 259,297 | $ 1,475,265 | $ 1,457,228 | $ 277,334 |
| **Employee Benefits** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 4,110 | $ 234,441 | $ 233,016 | $ 5,535 |
| Total Assets | $ 4,110 | $ 234,441 | $ 233,016 | $ 5,535 |
| Liabilities: | | | | |
| Accounts Payable | $ 4,110 | $ 234,441 | $ 233,016 | $ 5,535 |
| Total Liabilities | $ 4,110 | $ 234,441 | $ 233,016 | $ 5,535 |
| **Contractor Deposits** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 32,477 | $ 13,545 | $ 9,918 | $ 36,104 |
| Assets Held Pending Distribution | 3,990 | 9,163 | 367 | 12,786 |
| Total Assets | $ 36,467 | $ 22,708 | $ 10,285 | $ 48,890 |
| Liabilities: | | | | |
| Accounts Payable | $ 84 | $ 119 | $ 84 | $ 119 |
| Obligations Under Securities Lending Program | - | 674 | - | 674 |
| Other Liabilities | 36,383 | 22,034 | 10,320 | 48,097 |
| Total Liabilities | $ 36,467 | $ 22,827 | $ 10,404 | $ 48,890 |
| **Deposits of Insurance Carriers** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 252 | $ 4 | $ - | $ 256 |
| Assets Held Pending Distribution | 441,263 | 117,171 | 113,833 | 444,601 |
| Accounts Receivable | 53 | 543 | 539 | 57 |
| Total Assets | $ 441,568 | $ 117,718 | $ 114,372 | $ 444,914 |
| Liabilities: | | | | |
| Other Liabilities | $ 441,568 | $ 117,719 | $ 114,373 | $ 444,914 |
| Total Liabilities | $ 441,568 | $ 117,719 | $ 114,373 | $ 444,914 |
| **Inmate and Ward** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 20,938 | $ 673 | $ 110 | $ 21,501 |
| Accounts Receivable | 527 | 3 | 23 | 507 |
| Total Assets | $ 21,465 | $ 676 | $ 133 | $ 22,008 |
| Liabilities: | | | | |
| Accounts Payable | $ 3,648 | $ - | $ 336 | $ 3,312 |
| Due to Internal Parties (Governmental Funds and Business-type Activities) | 162 | 1 | - | 163 |
| Due to Claimants, Participants, Escrows and Providers | 17,301 | 891 | 114 | 18,078 |
| Other Liabilities | 354 | 101 | - | 455 |
| Total Liabilities | $ 21,465 | $ 993 | $ 450 | $ 22,008 |

| | Balance July 1 | Additions | Deletions | Balance June 30 |
|---|---|---|---|---|
| **Child Support Collection** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 12,591 | $ 644,913 | $ 639,466 | $ 18,038 |
| Total Assets | $ 12,591 | $ 644,913 | $ 639,466 | $ 18,038 |
| Liabilities: | | | | |
| Due to Claimants, Participants, Escrows and Providers | $ 12,591 | $ 644,913 | $ 639,466 | $ 18,038 |
| Total Liabilities | $ 12,591 | $ 644,913 | $ 639,466 | $ 18,038 |
| **Behavioral Health Patient** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 1,356 | $ 2,023 | $ 2,225 | $ 1,154 |
| Other Investments | 6 | - | 6 | - |
| Total Assets | $ 1,362 | $ 2,023 | $ 2,231 | $ 1,154 |
| Liabilities: | | | | |
| Due to Claimants, Participants, Escrows and Providers | $ 1,362 | $ 2,023 | $ 2,231 | $ 1,154 |
| Total Liabilities | $ 1,362 | $ 2,023 | $ 2,231 | $ 1,154 |
| **Behavioral Health Non-Patient** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 42 | $ 4 | $ - | $ 46 |
| Total Assets | $ 42 | $ 4 | $ - | $ 46 |
| Liabilities: | | | | |
| Due to Claimants, Participants, Escrows and Providers | $ 42 | $ 4 | $ - | $ 46 |
| Total Liabilities | $ 42 | $ 4 | $ - | $ 46 |
| **Comptroller's Debt Setoff** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 745 | $ 14,034 | $ 13,589 | $ 1,190 |
| Total Assets | $ 745 | $ 14,034 | $ 13,589 | $ 1,190 |
| Liabilities: | | | | |
| Other Liabilities | $ 745 | $ 14,034 | $ 13,589 | $ 1,190 |
| Total Liabilities | $ 745 | $ 14,034 | $ 13,589 | $ 1,190 |
| **Legal Settlement** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 4,285 | $ 1,902 | $ 1,178 | $ 5,009 |
| Total Assets | $ 4,285 | $ 1,902 | $ 1,178 | $ 5,009 |
| Liabilities: | | | | |
| Obligations Under Securities Lending Program | $ - | $ 141 | $ - | $ 141 |
| Other Liabilities | 4,285 | 1,761 | 1,178 | 4,868 |
| Total Liabilities | $ 4,285 | $ 1,902 | $ 1,178 | $ 5,009 |
| **Consumer Services** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 1,379 | $ 134 | $ 130 | $ 1,383 |
| Total Assets | $ 1,379 | $ 134 | $ 130 | $ 1,383 |
| Liabilities: | | | | |
| Accounts Payable | $ 10 | $ 73 | $ 79 | $ 4 |
| Other Liabilities | 1,369 | 61 | 51 | 1,379 |
| Total Liabilities | $ 1,379 | $ 134 | $ 130 | $ 1,383 |

*Continued on next page*

## Combining Statement of Changes in Assets and Liabilities – Agency Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | Balance July 1 | Additions | Deletions | Balance June 30 |
|---|---|---|---|---|
| **State Asset Forfeiture** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 10,802 | $ 6,605 | $ 15,153 | $ 2,254 |
| Total Assets | $ 10,802 | $ 6,605 | $ 15,153 | $ 2,254 |
| Liabilities: | | | | |
| Obligations Under Securities Lending Program | $ - | $ 142 | $ - | $ 142 |
| Other Liabilities | 10,802 | 6,463 | 15,153 | 2,112 |
| Total Liabilities | $ 10,802 | $ 6,605 | $ 15,153 | $ 2,254 |
| **Virginia School for the Deaf and the Blind** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 20 | $ 5 | $ 6 | $ 19 |
| Total Assets | $ 20 | $ 5 | $ 6 | $ 19 |
| Liabilities: | | | | |
| Due to Claimants, Participants, Escrows and Providers | $ 20 | $ 5 | $ 6 | $ 19 |
| Total Liabilities | $ 20 | $ 5 | $ 6 | $ 19 |
| **Wilson Workforce and Rehabilitation Center** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 4 | $ 7 | $ 4 | $ 7 |
| Total Assets | $ 4 | $ 7 | $ 4 | $ 7 |
| Liabilities: | | | | |
| Due to Claimants, Participants, Escrows and Providers | $ 4 | $ 7 | $ 4 | $ 7 |
| Total Liabilities | $ 4 | $ 7 | $ 4 | $ 7 |
| **Third Party Administrator** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 12,172 | $ 5,289 | $ 3,957 | $ 13,504 |
| Accounts Receivable | 64 | 62 | 64 | 62 |
| Other Assets | 29 | - | 6 | 23 |
| Total Assets | $ 12,265 | $ 5,351 | $ 4,027 | $ 13,589 |
| Liabilities: | | | | |
| Accounts Payable | $ 3 | $ 4 | $ 3 | $ 4 |
| Obligations Under Securities Lending Program | - | 927 | - | 927 |
| Due to Claimants, Participants, Escrows and Providers | 12,127 | 4,345 | 3,950 | 12,522 |
| Other Liabilities | - | 8 | - | 8 |
| Insurance Premiums and Claims Payable | 135 | - | 7 | 128 |
| Total Liabilities | $ 12,265 | $ 5,284 | $ 3,960 | $ 13,589 |
| **Department of Environmental Quality** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 128 | $ - | $ 128 | $ - |
| Total Assets | $ 128 | $ - | $ 128 | $ - |
| Liabilities: | | | | |
| Other Liabilities | $ 128 | $ - | $ 128 | $ - |
| Total Liabilities | $ 128 | $ - | $ 128 | $ - |

| | Balance July 1 | Additions | Deletions | Balance June 30 |
|---|---|---|---|---|
| **Virginia Veterans' Care Center Resident Fund** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 270 | $ 302 | $ 261 | $ 311 |
| Total Assets | $ 270 | $ 302 | $ 261 | $ 311 |
| Liabilities: | | | | |
| Due to Claimants, Participants, Escrow s and Providers | $ 270 | $ 302 | $ 261 | $ 311 |
| Total Liabilities | $ 270 | $ 302 | $ 261 | $ 311 |
| **Virginia Individual Development Account Trust Fund** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ - | $ 130 | $ 130 | $ - |
| Total Assets | $ - | $ 130 | $ 130 | $ - |
| Liabilities: | | | | |
| Due to Claimants, Participants, Escrow s and Providers | $ - | $ 130 | $ 130 | $ - |
| Total Liabilities | $ - | $ 130 | $ 130 | $ - |
| **E-Payables** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 18,893 | $ 134,013 | $ 124,354 | $ 28,552 |
| Total Assets | $ 18,893 | $ 134,013 | $ 124,354 | $ 28,552 |
| Liabilities: | | | | |
| Other Liabilities | $ 18,893 | $ 134,013 | $ 124,354 | $ 28,552 |
| Total Liabilities | $ 18,893 | $ 134,013 | $ 124,354 | $ 28,552 |
| **Totals - Agency Funds** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $ 319,914 | $ 2,454,027 | $ 2,441,006 | $ 332,935 |
| Other Investments | 6 | - | 6 | - |
| Assets Held Pending Distribution | 445,253 | 126,334 | 114,200 | 457,387 |
| Accounts Receivable | 60,491 | 63,138 | 60,473 | 63,156 |
| Due from Internal Parties (Governmental Funds and Business-type Activities) | - | 16,732 | - | 16,732 |
| Other Assets | 29 | - | 6 | 23 |
| Total Assets | $ 825,693 | $ 2,660,231 | $ 2,615,691 | $ 870,233 |
| Liabilities: | | | | |
| Accounts Payable | $ 7,855 | $ 234,637 | $ 233,518 | $ 8,974 |
| Amounts Due to Other Governments | 259,297 | 1,475,176 | 1,457,228 | 277,245 |
| Due to Internal Parties (Governmental Funds and Business-type Activities) | 162 | 1 | - | 163 |
| Obligations Under Securities Lending Program | - | 1,973 | - | 1,973 |
| Due to Claimants, Participants, Escrow s and Providers | 43,717 | 652,620 | 646,162 | 50,175 |
| Other Liabilities | 514,527 | 296,194 | 279,146 | 531,575 |
| Insurance Premiums and Claims Payable | 135 | - | 7 | 128 |
| Total Liabilities | $ 825,693 | $ 2,660,601 | $ 2,616,061 | $ 870,233 |

# Nonmajor Component Units

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

**The Higher Education Institutions** account for the resources received and used in the operation of the Commonwealth's institutions of higher education and medical teaching hospitals.

**Higher Education Institutions** included in this section are:

University of Virginia, including the University of Virginia Medical Center, and the University of Virginia College at Wise
Virginia Polytechnic Institute and State University
Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority
The College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science
Virginia Military Institute
Virginia State University
Norfolk State University
University of Mary Washington
James Madison University
Radford University
Old Dominion University
George Mason University
Virginia Community College System
Christopher Newport University
Longwood University
Southwest Virginia Higher Education Center
Roanoke Higher Education Authority
Innovation and Entrepreneurship Investment Authority
Institute for Advanced Learning and Research
Southern Virginia Higher Education Center
New College Institute

**The Virginia Economic Development Partnership** works to enhance and increase the Commonwealth's commerce and trade, both domestically and internationally.

**The Virginia Outdoors Foundation** promotes preservation and fundraising for the purchase of preservation land.

**The Virginia Port Authority** is empowered to maintain and operate Virginia's harbors and ports.

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

**The Virginia Foundation for Healthy Youth** determines the appropriate recipients of monies in the Virginia Tobacco Settlement Fund.

**The Tobacco Region Revitalization Commission** determines the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund.

**The Hampton Roads Sanitation District Commission** operates a sewage system for 18 localities in the Chesapeake Bay Area.

**The Virginia Biotechnology Research Partnership Authority** assists in the development of a biotechnology research park.

**The Virginia Small Business Financing Authority** assists small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses.

**The Virginia School for the Deaf and Blind Foundation** operates exclusively for the benefit of the Virginia School for the Deaf and Blind.

**The Science Museum of Virginia Foundation** operates to implement and fund projects and operations of the Science Museum of Virginia.

**The Virginia Commercial Space Flight Authority** disseminates knowledge pertaining to scientific and technological research and development among public and private entities including, but not limited to, knowledge in the area of commercial space flight, and to promote industrial and economic development.

**The Danville Science Center, Inc.,** promotes programs, projects and operations to educate students.

**The Virginia Museum of Fine Arts Foundation** implements and funds programs, projects, and operations of the Virginia Museum of Fine Arts.

**The A. L. Philpott Manufacturing Extension Partnership** promotes industrial expansion by providing consulting services to manufacturers.

**The Fort Monroe Authority** assists in formulating a reuse plan for Fort Monroe.

**The Assistive Technology Loan Fund Authority** provides assistance with loans and in the purchase of assistive technology or other equipment to enable Virginians with disabilities to become more independent.

**The Virginia Land Conservation Foundation** acquires interests in preservation land and provides grants to other entities to acquire interests in preservation land.

**The Virginia Arts Foundation** works to promote the arts in the Commonwealth.

**The Library of Virginia Foundation** promotes and supports the Library of Virginia.

**The Virginia Health Workforce Development Authority** provides assistance to the health professions.

## Combining Statement of Net Position – Nonmajor Component Units

June 30, 2018
(Dollars in Thousands)

| | University of Virginia | Virginia Polytechnic Institute and State University | Virginia Commonwealth University | The College of William and Mary |
|---|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | | |
| Cash and Cash Equivalents | $ 133,837 | $ 143,109 | $ 515,760 | $ 49,554 |
| Investments | 8,508,806 | 544,479 | 2,123,342 | 380,663 |
| Receivables, Net | 475,587 | 135,006 | 542,018 | 18,953 |
| Contributions Receivable, Net | 87,170 | 125,287 | 37,975 | 39,813 |
| Due from Primary Government | 6,586 | - | 397 | 43 |
| Due from Component Units | 15,898 | 23,628 | 14,595 | 4,344 |
| Inventory | 32,141 | 14,988 | 36,095 | 491 |
| Prepaid Items | 30,993 | 17,694 | 13,098 | 4,195 |
| Other Assets | 4,616 | 5,420 | 18,797 | 2,563 |
| Restricted Cash and Cash Equivalents | 140,947 | 160,358 | 65,346 | 35,573 |
| Restricted Investments | 1,536,790 | 970,105 | 640,523 | 507,961 |
| Other Restricted Assets | 60,508 | 20,377 | 33,188 | 160,000 |
| Nondepreciable Capital Assets | 649,518 | 280,451 | 258,262 | 176,034 |
| Depreciable Capital Assets, Net | 3,520,411 | 1,732,094 | 1,960,545 | 745,447 |
| Total Assets | 15,203,808 | 4,172,996 | 6,259,941 | 2,125,634 |
| **Deferred Outflows of Resources** | 154,387 | 69,982 | 108,533 | 27,983 |
| Total Assets and Deferred Outflows of Resources | 15,358,195 | 4,242,978 | 6,368,474 | 2,153,617 |
| **Liabilities and Deferred Inflows of Resources** | | | | |
| Accounts Payable | 344,020 | 136,276 | 244,182 | 34,948 |
| Amounts Due to Other Governments | - | - | - | - |
| Due to Primary Government | 13 | 4,787 | 8,614 | 2,865 |
| Due to Component Units | - | - | - | - |
| Due to External Parties (Fiduciary Funds) | 6,955 | 7,056 | 5,755 | 1,287 |
| Unearned Revenue | 84,640 | 56,009 | 48,514 | 14,117 |
| Obligations Under Securities Lending Program | - | - | - | 6 |
| Other Liabilities | 654,809 | 61,312 | 149,865 | 5,992 |
| Loans Payable to Primary Government | - | - | - | 3,675 |
| Claims Payable: | | | | |
| Due Within One Year | - | - | 173,756 | - |
| Due in More Than One Year | - | - | 31,668 | - |
| Long-term Liabilities: | | | | |
| Due Within One Year | 137,862 | 75,079 | 111,455 | 28,269 |
| Due in More Than One Year | 3,347,127 | 1,280,150 | 1,585,827 | 471,871 |
| Total Liabilities | 4,575,426 | 1,620,669 | 2,359,636 | 563,030 |
| **Deferred Inflows of Resources** | 133,676 | 65,185 | 80,584 | 20,879 |
| Total Liabilities and Deferred Inflows of Resources | 4,709,102 | 1,685,854 | 2,440,220 | 583,909 |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 2,133,065 | 1,404,807 | 1,298,591 | 668,634 |
| Restricted For: | | | | |
| Nonexpendable: | | | | |
| Higher Education | 1,496,559 | 581,870 | 359,126 | 588,718 |
| Other | - | - | - | - |
| Expendable: | | | | |
| Capital Projects/Construction/Capital Acquisition | - | - | - | - |
| Debt Service | - | - | - | - |
| Gifts and Grants | - | - | - | - |
| Higher Education | 3,936,503 | 687,089 | 383,732 | 397,380 |
| Net Other Postemployment Benefit - Virginia Sickness and Disability Program | 12,578 | 6,630 | 8,842 | 2,595 |
| Other | - | - | - | - |
| Unrestricted | 3,070,388 | (123,272) | 1,877,963 | (87,619) |
| Total Net Position (Deficit) | $ 10,649,093 | $ 2,557,124 | $ 3,928,254 | $ 1,569,708 |

| Virginia Military Institute | Virginia State University | Norfolk State University | University of Mary Washington | James Madison University | Radford University | Old Dominion University | George Mason University |
|---|---|---|---|---|---|---|---|
| $ 43,395 | $ 33,039 | $ 18,191 | $ 20,112 | $ 198,639 | $ 124,404 | $ 140,790 | $ 441,525 |
| 98,306 | 935 | 21,579 | - | 18,364 | 5,910 | 32,006 | 11,058 |
| 2,586 | 7,271 | 5,715 | 4,592 | 19,865 | 5,428 | 80,357 | 48,600 |
| 21,283 | 103 | 901 | 1,406 | 12,423 | 7,404 | 24,041 | 31,266 |
| 137 | 105 | 476 | - | 59 | - | 1,168 | 30 |
| 1,023 | 2,089 | 603 | 2,841 | 3,689 | 3,511 | 6,489 | 2,864 |
| 7,102 | - | - | 688 | 1,166 | 483 | 488 | 862 |
| 1,287 | 1,557 | 2,109 | 1,183 | 10,683 | 4,018 | 8,845 | 12,274 |
| 188 | 19 | 1,015 | 930 | 13 | - | 358 | 5,386 |
| 867 | 8,751 | 7,981 | 32,159 | 48,760 | 113 | 25,419 | 27,928 |
| 408,910 | 53,830 | 9,523 | 45,030 | 113,662 | 55,816 | 244,980 | 159,559 |
| 6,019 | 1,771 | 1,719 | 930 | 10,933 | 3,711 | 3,707 | 17,112 |
| 17,198 | 34,021 | 12,804 | 59,318 | 141,700 | 27,673 | 78,887 | 71,621 |
| 317,429 | 269,202 | 283,728 | 385,452 | 995,236 | 365,152 | 568,542 | 1,237,640 |
| 925,730 | 412,693 | 366,344 | 554,641 | 1,575,192 | 603,623 | 1,216,077 | 2,067,725 |
| 4,098 | 9,546 | 7,258 | 5,849 | 40,693 | 13,689 | 30,569 | 43,424 |
| 929,828 | 422,239 | 373,602 | 560,490 | 1,615,885 | 617,312 | 1,246,646 | 2,111,149 |
| | | | | | | | |
| | | | | | | | |
| 10,474 | 7,903 | 17,054 | 13,941 | 49,404 | 19,914 | 43,536 | 56,051 |
| 1,160 | - | - | - | - | - | - | 1 |
| 734 | 425 | 466 | 425 | 3,977 | 800 | 1,395 | 1,845 |
| - | - | - | - | - | - | 3,098 | - |
| 246 | 362 | 268 | 179 | 3,344 | 312 | 1,203 | 2,809 |
| 1,256 | 3,197 | 2,971 | 1,934 | 18,844 | 3,617 | 16,257 | 53,192 |
| 1,428 | 1,578 | 239 | 4 | 8,565 | 7,065 | 5,569 | 21,103 |
| 944 | 5,860 | 5,030 | 19,334 | 13,097 | 4,483 | 15,101 | 23,068 |
| - | - | 2,622 | - | - | - | - | 12,500 |
| | | | | | | | |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| | | | | | | | |
| 2,738 | 9,106 | 4,670 | 8,107 | 25,214 | 5,313 | 25,381 | 45,468 |
| 111,169 | 176,231 | 143,153 | 325,168 | 615,872 | 188,964 | 458,173 | 961,862 |
| 130,149 | 204,662 | 176,473 | 369,092 | 738,317 | 230,468 | 569,713 | 1,177,899 |
| 5,113 | 9,869 | 11,318 | 9,126 | 25,219 | 11,017 | 20,206 | 40,966 |
| 135,262 | 214,531 | 187,791 | 378,218 | 763,536 | 241,485 | 589,919 | 1,218,865 |
| | | | | | | | |
| | | | | | | | |
| 313,266 | 205,102 | 226,015 | 194,796 | 814,026 | 307,168 | 438,851 | 656,306 |
| | | | | | | | |
| | | | | | | | |
| 213,072 | 21,977 | 9,573 | 43,378 | 74,695 | 35,093 | 149,193 | 99,045 |
| - | - | - | - | - | - | - | - |
| | | | | | | | |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 218,061 | 34,445 | 20,707 | 11,474 | 67,721 | 40,620 | 136,483 | 105,074 |
| 563 | 1,517 | 1,473 | 798 | 3,853 | 1,792 | 3,056 | 5,250 |
| - | - | - | - | - | - | - | - |
| 49,604 | (55,333) | (71,957) | (68,174) | (107,946) | (8,846) | (70,856) | 26,609 |
| $ 794,566 | $ 207,708 | $ 185,811 | $ 182,272 | $ 852,349 | $ 375,827 | $ 656,727 | $ 892,284 |

*Continued on next page*

## Combining Statement of Net Position – Nonmajor Component Units *(Continued from previous page)*

June 30, 2018
(Dollars in Thousands)

| | Virginia Community College System | Christopher Newport University | Longwood University | Southwest Virginia Higher Education Center |
|---|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | | |
| Cash and Cash Equivalents | $ 251,390 | $ 34,543 | $ 20,489 | $ 80 |
| Investments | 90,022 | 3,461 | 2,363 | - |
| Receivables, Net | 20,464 | 1,969 | 5,751 | 1,735 |
| Contributions Receivable, Net | 13,617 | 13,587 | 4,481 | - |
| Due from Primary Government | 887 | 86 | - | - |
| Due from Component Units | 14,596 | 3,792 | 868 | - |
| Inventory | 1,325 | 209 | 501 | - |
| Prepaid Items | 24,122 | 2,626 | 2,558 | - |
| Other Assets | - | 46 | 158 | 188 |
| Restricted Cash and Cash Equivalents | 18,122 | 4,126 | 13,693 | - |
| Restricted Investments | 256,258 | 31,974 | 163,902 | - |
| Other Restricted Assets | 16,659 | 2,789 | 856 | 61 |
| Nondepreciable Capital Assets | 107,574 | 81,897 | 86,122 | 354 |
| Depreciable Capital Assets, Net | 1,275,971 | 555,866 | 295,301 | 10,684 |
| Total Assets | 2,091,007 | 736,971 | 597,043 | 13,102 |
| **Deferred Outflows of Resources** | 74,902 | 11,384 | 8,192 | 294 |
| Total Assets and Deferred Outflows of Resources | 2,165,909 | 748,355 | 605,235 | 13,396 |
| **Liabilities and Deferred Inflows of Resources** | | | | |
| Accounts Payable | 84,670 | 16,491 | 10,794 | 391 |
| Amounts Due to Other Governments | 3,307 | - | - | - |
| Due to Primary Government | 3,656 | 543 | 494 | - |
| Due to Component Units | - | - | - | - |
| Due to External Parties (Fiduciary Funds) | 6,600 | 223 | 199 | 41 |
| Unearned Revenue | 54,328 | 1,377 | 2,250 | - |
| Obligations Under Securities Lending Program | 21 | 1,914 | 701 | - |
| Other Liabilities | 12,141 | 6,580 | 9,845 | - |
| Loans Payable to Primary Government | 4,000 | - | - | - |
| Claims Payable: | | | | |
| Due Within One Year | - | - | - | - |
| Due in More Than One Year | - | - | - | - |
| Long-term Liabilities: | | | | |
| Due Within One Year | 26,439 | 28,494 | 7,165 | 182 |
| Due in More Than One Year | 794,705 | 289,874 | 341,491 | 2,597 |
| Total Liabilities | 989,867 | 345,496 | 372,939 | 3,211 |
| **Deferred Inflows of Resources** | 95,612 | 8,653 | 6,256 | 342 |
| Total Liabilities and Deferred Inflows of Resources | 1,085,479 | 354,149 | 379,195 | 3,553 |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 1,269,460 | 390,411 | 191,221 | 10,700 |
| Restricted For: | | | | |
| Nonexpendable: | | | | |
| Higher Education | 98,001 | 27,079 | 51,276 | - |
| Other | - | - | - | - |
| Expendable: | | | | |
| Capital Projects/Construction/Capital Acquisition | - | - | - | - |
| Debt Service | - | - | - | - |
| Gifts and Grants | - | - | - | - |
| Higher Education | 131,816 | 23,049 | 24,984 | 80 |
| Net Other Postemployment Benefit - Virginia Sickness and Disability Program | 14,545 | 1,176 | 714 | 52 |
| Other | - | - | - | - |
| Unrestricted | (433,392) | (47,509) | (42,155) | (989) |
| Total Net Position (Deficit) | $ 1,080,430 | $ 394,206 | $ 226,040 | $ 9,843 |

| Roanoke Higher Education Authority | Innovation and Entrepreneurship Investment Authority | Institute for Advanced Learning and Research | Southern Virginia Higher Education Center | New College Institute | Virginia Economic Development Partnership | Virginia Outdoors Foundation | Virginia Port Authority |
|---|---|---|---|---|---|---|---|
| $ 2,842 | $ 11,858 | $ 7,463 | $ 1,493 | $ 2,695 | $ 4,355 | $ 8,166 | $ 171,132 |
| - | - | 1,436 | - | 625 | - | 15,182 | - |
| 30 | 678 | 200 | 60 | 53 | 36 | 766 | 88,211 |
| - | - | - | - | - | - | - | - |
| - | - | - | 76 | 186 | - | - | 17,790 |
| 328 | - | - | 5 | 34 | - | - | - |
| - | - | - | - | - | - | - | 25,269 |
| 39 | 402 | 258 | - | 11 | 858 | 41 | 6,162 |
| 399 | 12 | - | - | 1 | 27 | - | 1,185 |
| - | - | 289 | - | 42 | - | 1,548 | 134,540 |
| - | - | - | - | 1,344 | - | - | - |
| - | - | 770 | 104 | 34 | 412 | - | - |
| 8,719 | 5,386 | - | - | 546 | - | 12,416 | 399,277 |
| 23,901 | 7,934 | 10,566 | 1,390 | 15,642 | 1,251 | 1,074 | 2,677,607 |
| 36,258 | 26,270 | 20,982 | 3,128 | 21,213 | 6,939 | 39,193 | 3,521,173 |
| 34 | - | 32 | 618 | 153 | 1,925 | 31 | 38,732 |
| 36,292 | 26,270 | 21,014 | 3,746 | 21,366 | 8,864 | 39,224 | 3,559,905 |
| | | | | | | | |
| | | | | | | | |
| 112 | 642 | 215 | 144 | 274 | 306 | 244 | 71,024 |
| - | - | - | - | - | - | - | - |
| - | - | - | 21 | 8 | 70 | - | 2 |
| - | - | - | - | - | - | - | - |
| - | - | - | 10 | 7 | 1 | 120 | 4 |
| 28 | 37 | 1,781 | - | 6 | 115 | - | - |
| - | - | - | - | - | - | - | 3,771 |
| 14 | 374 | 114 | - | - | - | - | 13,792 |
| - | - | - | - | - | - | - | - |
| | | | | | | | |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| | | | | | | | |
| 141 | 175 | 57 | 142 | 29 | 648 | 82 | 18,775 |
| 665 | - | 19 | 4,044 | 1,252 | 15,153 | 439 | 2,803,604 |
| 960 | 1,228 | 2,186 | 4,361 | 1,576 | 16,293 | 885 | 2,910,972 |
| 211 | - | 103 | 370 | 285 | 1,575 | 44 | 5,909 |
| 1,171 | 1,228 | 2,289 | 4,731 | 1,861 | 17,868 | 929 | 2,916,881 |
| | | | | | | | |
| | | | | | | | |
| 31,963 | 13,320 | 10,566 | 1,390 | 16,188 | 1,251 | 13,490 | 311,357 |
| | | | | | | | |
| | | | | | | | |
| - | - | - | - | 1,345 | - | - | - |
| - | - | - | - | - | - | 41 | - |
| | | | | | | | |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 111,172 |
| - | - | - | - | - | - | - | - |
| - | - | 943 | - | - | - | - | - |
| - | - | - | 88 | 29 | 349 | - | - |
| - | - | - | - | - | - | 1,298 | - |
| 3,158 | 11,722 | 7,216 | (2,463) | 1,943 | (10,604) | 23,466 | 220,495 |
| $ 35,121 | $ 25,042 | $ 18,725 | $ (985) | $ 19,505 | $ (9,004) | $ 38,295 | $ 643,024 |

*Continued on next page*

## Combining Statement of Net Position – Nonmajor Component Units *(Continued from previous page)*

June 30, 2018
(Dollars in Thousands)

| | Virginia Tourism Authority | Virginia Foundation for Healthy Youth | Tobacco Region Revitalization Commission | Hampton Roads Sanitation District Commission |
|---|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | | |
| Cash and Cash Equivalents | $ 5,677 | $ 16,813 | $ 12,648 | $ 66,076 |
| Investments | - | - | 231,630 | 124,090 |
| Receivables, Net | 136 | - | 3,657 | 44,609 |
| Contributions Receivable, Net | - | - | - | - |
| Due from Primary Government | - | - | - | - |
| Due from Component Units | - | - | - | - |
| Inventory | - | - | - | 27,517 |
| Prepaid Items | 126 | - | 5 | - |
| Other Assets | - | 6 | 1,393 | 322 |
| Restricted Cash and Cash Equivalents | - | - | 6,566 | 95,077 |
| Restricted Investments | - | - | 182,317 | - |
| Other Restricted Assets | 234 | 61 | 760 | - |
| Nondepreciable Capital Assets | 811 | - | - | 234,457 |
| Depreciable Capital Assets, Net | 771 | - | - | 1,084,792 |
| Total Assets | 7,755 | 16,880 | 438,976 | 1,676,940 |
| **Deferred Outflows of Resources** | 1,089 | 265 | 295 | 20,380 |
| Total Assets and Deferred Outflows of Resources | 8,844 | 17,145 | 439,271 | 1,697,320 |
| **Liabilities and Deferred Inflows of Resources** | | | | |
| Accounts Payable | 432 | 126 | 96 | 33,643 |
| Amounts Due to Other Governments | - | - | - | - |
| Due to Primary Government | 44 | 10 | 9 | - |
| Due to Component Units | - | - | - | - |
| Due to External Parties (Fiduciary Funds) | - | 10 | 8 | - |
| Unearned Revenue | 443 | - | - | - |
| Obligations Under Securities Lending Program | - | 1,155 | 141 | - |
| Other Liabilities | - | 1,337 | 4,873 | 17,129 |
| Loans Payable to Primary Government | - | - | - | - |
| Claims Payable: | | | | |
| Due Within One Year | - | - | - | - |
| Due in More Than One Year | - | - | - | - |
| Long-term Liabilities: | | | | |
| Due Within One Year | 342 | 36 | 12 | 82,649 |
| Due in More Than One Year | 8,779 | 2,268 | 1,759 | 852,445 |
| Total Liabilities | 10,040 | 4,942 | 6,898 | 985,866 |
| **Deferred Inflows of Resources** | 893 | 215 | 188 | 11,151 |
| Total Liabilities and Deferred Inflows of Resources | 10,933 | 5,157 | 7,086 | 997,017 |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 1,582 | - | - | 510,002 |
| Restricted For: | | | | |
| Nonexpendable: | | | | |
| Higher Education | - | - | - | - |
| Other | - | - | - | - |
| Expendable: | | | | |
| Capital Projects/Construction/Capital Acquisition | - | - | 188,458 | - |
| Debt Service | - | - | - | 27,800 |
| Gifts and Grants | - | - | - | - |
| Higher Education | - | - | - | - |
| Net Other Postemployment Benefit - Virginia Sickness and Disability Program | 198 | 52 | 40 | - |
| Other | - | - | - | - |
| Unrestricted | (3,869) | 11,936 | 243,687 | 162,501 |
| Total Net Position (Deficit) | $ (2,089) | $ 11,988 | $ 432,185 | $ 700,303 |

| Virginia Biotechnology Research Partnership Authority | Virginia Small Business Financing Authority | Virginia School for the Deaf and Blind Foundation | Science Museum of Virginia Foundation | Virginia Commercial Space Flight Authority | Danville Science Center, Inc. | Virginia Museum of Fine Arts Foundation | A. L. Philpott Manufacturing Extension Partnership |
|---|---|---|---|---|---|---|---|
| $ 6,281 | $ 6,819 | $ 4,131 | $ 627 | $ 20,567 | $ 175 | $ 2,494 | $ 1,068 |
| 10,045 | - | 1,627 | 718 | - | 350 | 21,130 | - |
| 17,255 | 7,595 | - | 14 | 1,240 | 2 | - | 389 |
| - | - | - | 2,110 | - | - | 7,369 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 3,098 | - | - | - |
| - | - | - | - | - | 10 | - | - |
| 4 | - | - | 3 | 443 | 7 | - | - |
| - | - | - | - | - | - | 4,452 | - |
| - | 27,758 | - | 4,348 | - | 261 | 9,338 | - |
| - | - | - | 15,991 | - | 604 | 243,000 | - |
| 348 | 13,613 | - | - | - | - | - | - |
| 3,370 | - | - | - | 11,254 | - | 487 | - |
| 256 | - | - | 2 | 106,473 | 15 | 909 | 5 |
| 37,559 | 55,785 | 5,758 | 23,813 | 143,075 | 1,424 | 289,179 | 1,462 |
| 950 | 152 | - | - | - | - | - | - |
| 38,509 | 55,937 | 5,758 | 23,813 | 143,075 | 1,424 | 289,179 | 1,462 |
| | | | | | | | |
| | | | | | | | |
| 44 | 99 | - | - | 2,946 | - | 248 | 273 |
| - | - | - | - | - | - | - | - |
| - | - | - | 841 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 4 | - | - | - | - | - | - |
| 129 | - | - | - | - | - | - | - |
| - | 1,046 | - | - | - | - | - | - |
| 2 | 995 | - | - | - | - | 860 | - |
| - | - | - | - | - | - | - | - |
| | | | | | | | |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| | | | | | | | |
| 3,990 | - | - | 2 | - | - | 312 | 227 |
| 14,657 | 1,220 | - | 6 | - | - | 42,123 | - |
| 18,822 | 3,364 | - | 849 | 2,946 | - | 43,543 | 500 |
| 38 | 122 | - | - | - | - | - | - |
| 18,860 | 3,486 | - | 849 | 2,946 | - | 43,543 | 500 |
| | | | | | | | |
| | | | | | | | |
| 3,626 | - | - | 2 | 117,727 | 15 | 536 | 5 |
| | | | | | | | |
| | | | | | | | |
| - | - | - | - | - | - | - | - |
| - | - | - | 5,807 | - | 254 | 159,715 | - |
| | | | | | | | |
| - | - | - | 4,449 | - | - | 109 | - |
| - | - | - | - | - | - | - | - |
| 9 | 38,167 | - | 11,344 | - | 611 | 105,196 | - |
| - | - | - | - | - | - | - | - |
| - | 19 | - | - | - | - | - | - |
| 348 | 7,021 | - | - | 11,736 | - | - | - |
| 15,666 | 7,244 | 5,758 | 1,362 | 10,666 | 544 | (19,920) | 957 |
| $ 19,649 | $ 52,451 | $ 5,758 | $ 22,964 | $ 140,129 | $ 1,424 | $ 245,636 | $ 962 |

*Continued on next page*

## Combining Statement of Net Position – Nonmajor Component Units *(Continued from previous page)*

June 30, 2018
(Dollars in Thousands)

| | Fort Monroe Authority | Assistive Technology Loan Fund Authority | Virginia Land Conservation Foundation | Virginia Arts Foundation |
|---|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | | |
| Cash and Cash Equivalents | $ 2,871 | $ 4,889 | $ 23,217 | $ 78 |
| Investments | - | - | - | - |
| Receivables, Net | 785 | 3,785 | - | - |
| Contributions Receivable, Net | - | - | - | - |
| Due from Primary Government | - | - | - | - |
| Due from Component Units | - | - | - | - |
| Inventory | - | - | - | - |
| Prepaid Items | 258 | - | - | - |
| Other Assets | - | - | - | - |
| Restricted Cash and Cash Equivalents | 682 | - | - | 1,062 |
| Restricted Investments | - | - | - | - |
| Other Restricted Assets | 70 | - | - | - |
| Nondepreciable Capital Assets | 108 | - | - | - |
| Depreciable Capital Assets, Net | 97 | - | - | - |
| Total Assets | 4,871 | 8,674 | 23,217 | 1,140 |
| **Deferred Outflows of Resources** | 306 | - | - | - |
| Total Assets and Deferred Outflows of Resources | 5,177 | 8,674 | 23,217 | 1,140 |
| **Liabilities and Deferred Inflows of Resources** | | | | |
| Accounts Payable | 916 | - | 1 | - |
| Amounts Due to Other Governments | - | - | - | - |
| Due to Primary Government | 32 | - | - | - |
| Due to Component Units | - | - | - | - |
| Due to External Parties (Fiduciary Funds) | 28 | - | - | - |
| Unearned Revenue | 120 | - | - | - |
| Obligations Under Securities Lending Program | - | - | 1,594 | 78 |
| Other Liabilities | 558 | - | - | - |
| Loans Payable to Primary Government | - | - | - | - |
| Claims Payable: | | | | |
| Due Within One Year | - | - | - | - |
| Due in More Than One Year | - | - | - | - |
| Long-term Liabilities: | | | | |
| Due Within One Year | 61 | 6 | - | - |
| Due in More Than One Year | 2,402 | - | - | - |
| Total Liabilities | 4,117 | 6 | 1,595 | 78 |
| **Deferred Inflows of Resources** | 374 | - | - | - |
| Total Liabilities and Deferred Inflows of Resources | 4,491 | 6 | 1,595 | 78 |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 205 | - | - | - |
| Restricted For: | | | | |
| Nonexpendable: | | | | |
| Higher Education | - | - | - | - |
| Other | 682 | - | - | 1,062 |
| Expendable: | | | | |
| Capital Projects/Construction/Capital Acquisition | - | - | - | - |
| Debt Service | - | - | - | - |
| Gifts and Grants | - | 56 | - | - |
| Higher Education | - | - | - | - |
| Net Other Postemployment Benefit - Virginia Sickness and Disability Program | 59 | - | - | - |
| Other | - | - | - | - |
| Unrestricted | (260) | 8,612 | 21,622 | - |
| Total Net Position (Deficit) | $ 686 | $ 8,668 | $ 21,622 | $ 1,062 |

| Library of Virginia Foundation | Virginia Health Workforce Development Authority | Total Nonmajor Component Units |
|---|---|---|
| $ 51 | $ 20 | $ 2,553,363 |
| 1,467 | - | 12,249,594 |
| 2 | - | 1,545,400 |
| - | - | 430,236 |
| - | - | 28,026 |
| - | - | 104,295 |
| 74 | - | 149,409 |
| 8 | - | 145,867 |
| - | - | 47,494 |
| 70 | - | 871,724 |
| 2,401 | - | 5,644,480 |
| - | - | 356,746 |
| - | - | 2,760,265 |
| 2 | - | 18,451,387 |
| 4,075 | 20 | 45,338,286 |
| - | - | 675,745 |
| 4,075 | 20 | 46,014,031 |
| | | |
| 83 | - | 1,201,917 |
| - | - | 4,468 |
| - | - | 32,076 |
| - | - | 3,098 |
| - | - | 37,031 |
| - | - | 365,162 |
| - | - | 55,978 |
| 23 | - | 1,027,532 |
| - | - | 22,797 |
| | | |
| - | - | 173,756 |
| - | - | 31,668 |
| | | |
| - | - | 648,628 |
| - | - | 14,845,069 |
| 106 | - | 18,449,180 |
| - | - | 565,499 |
| 106 | - | 19,014,679 |
| | | |
| 2 | - | 11,555,646 |
| | | |
| | | |
| - | - | 3,850,000 |
| 1,793 | - | 169,354 |
| | | |
| - | - | 193,016 |
| - | - | 138,972 |
| 752 | - | 156,135 |
| - | - | 6,220,161 |
| - | - | 66,268 |
| - | - | 20,403 |
| 1,422 | 20 | 4,629,397 |
| $ 3,969 | $ 20 | $ 26,999,352 |

## Combining Statement of Activities – Nonmajor Component Units

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | | Program Revenues | | | |
|---|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expenses) Revenue |
| **Higher Education** | | | | | |
| University of Virginia | $ 4,091,768 | $ 2,866,532 | $ 1,084,479 | $ 41,901 | $ (98,856) |
| Virginia Polytechnic Institute and State University | 1,573,966 | 846,018 | 468,037 | 75,336 | (184,575) |
| Virginia Commonwealth University | 4,449,697 | 3,938,470 | 309,999 | 86,498 | (114,730) |
| The College of William and Mary | 483,786 | 266,233 | 140,846 | 41,130 | (35,577) |
| Virginia Military Institute | 101,213 | 53,356 | 40,029 | 4,131 | (3,697) |
| Virginia State University | 151,587 | 59,380 | 32,848 | 5,961 | (53,398) |
| Norfolk State University | 168,186 | 56,682 | 31,289 | 9,760 | (70,455) |
| University of Mary Washington | 138,824 | 85,492 | 9,526 | 8,741 | (35,065) |
| James Madison University | 578,171 | 412,497 | 47,698 | 29,047 | (88,929) |
| Radford University | 223,727 | 120,293 | 26,700 | 13,387 | (63,347) |
| Old Dominion University | 534,948 | 273,755 | 142,063 | 7,965 | (111,165) |
| George Mason University | 928,244 | 617,432 | 202,219 | 31,472 | (77,121) |
| Virginia Community College System | 1,230,865 | 384,559 | 365,268 | 55,836 | (425,202) |
| Christopher Newport University | 166,209 | 116,314 | 9,945 | 25,257 | (14,693) |
| Longwood University | 157,593 | 88,852 | 11,628 | 11,163 | (45,950) |
| Southwest Virginia Higher Education Center | 9,646 | 1,703 | 5,279 | 181 | (2,483) |
| Roanoke Higher Education Authority | 3,621 | 1,248 | 75 | 6,810 | 4,512 |
| Innovation and Entrepreneurship Investment Authority | 18,229 | 3,924 | 398 | 136 | (13,771) |
| Institute for Advanced Learning and Research | 10,176 | 1,857 | 1,837 | 123 | (6,359) |
| Southern Virginia Higher Education Center | 6,240 | 892 | 1,012 | 565 | (3,771) |
| New College Institute | 3,930 | 768 | 238 | - | (2,924) |
| Total Higher Education | 15,030,626 | 10,196,257 | 2,931,413 | 455,400 | (1,447,556) |
| | | | | | |
| **Other Nonmajor Component Units** | | | | | |
| Virginia Economic Development Partnership | 32,605 | 1,756 | 302 | - | (30,547) |
| Virginia Outdoors Foundation | 4,610 | 17,063 | 12,575 | - | 25,028 |
| Virginia Port Authority | 618,100 | 531,511 | 5,534 | 55,046 | (26,009) |
| Virginia Tourism Authority | 23,059 | 1,641 | 1,322 | - | (20,096) |
| Virginia Foundation for Healthy Youth | 9,655 | - | 60 | - | (9,595) |
| Tobacco Region Revitalization Commission | 43,734 | - | - | - | (43,734) |
| Hampton Roads Sanitation District Commission | 234,029 | 285,716 | - | 4,626 | 56,313 |
| Virginia Biotechnology Research Partnership Authority | 2,262 | 2,109 | - | 294 | 141 |
| Virginia Small Business Financing Authority | 1,484 | 1,620 | - | - | 136 |
| Virginia School for the Deaf and Blind Foundation | 213 | - | - | - | (213) |
| Science Museum of Virginia Foundation | 6,145 | - | 1,308 | 1,604 | (3,233) |
| Virginia Commercial Space Flight Authority | 28,919 | 3,000 | 6,857 | 1,775 | (17,287) |
| Danville Science Center, Inc. | 365 | 21 | 11 | - | (333) |
| Virginia Museum of Fine Arts Foundation | 23,544 | - | 15,540 | - | (8,004) |
| A. L. Philpott Manufacturing Extension Partnership | 5,290 | 2,329 | 1,810 | - | (1,151) |
| Fort Monroe Authority | 13,517 | 6,553 | 448 | 360 | (6,156) |
| Assistive Technology Loan Fund Authority | 489 | - | 1 | - | (488) |
| Virginia Land Conservation Foundation | 5,757 | - | 14,799 | - | 9,042 |
| Virginia Arts Foundation | 113 | 26 | 49 | - | (38) |
| Library of Virginia Foundation | 756 | 197 | 127 | - | (432) |
| Virginia Health Workforce Development Authority | 809 | - | 723 | - | (86) |
| Total Other Nonmajor | 1,055,455 | 853,542 | 61,466 | 63,705 | (76,742) |
| Total Nonmajor Component Units | $ 16,086,081 | $ 11,049,799 | $ 2,992,879 | $ 519,105 | $ (1,524,298) |

| Operating Appropriations from Primary Government | General Revenues: Unrestricted Grants and Contributions | General Revenues: Investment Earnings | General Revenues: Miscellaneous | Contributions to Permanent and Term Endowments | Change in Net Position | Net Position (Deficit) July 1, as restated | Net Position (Deficit) June 30 |
|---|---|---|---|---|---|---|---|
| $ 168,449 | $ 29,761 | $ 523,104 | $ 3,868 | $ 84,612 | $ 710,938 | $ 9,938,155 | $ 10,649,093 |
| 263,127 | 6,202 | 21,872 | 32,027 | 43,249 | 181,902 | 2,375,222 | 2,557,124 |
| 224,514 | 5,428 | 93,672 | 3,462 | 13,096 | 225,442 | 3,702,812 | 3,928,254 |
| 78,058 | 12,569 | 7,200 | 10,225 | 23,039 | 95,514 | 1,474,194 | 1,569,708 |
| 15,215 | - | 12,568 | 353 | 11,658 | 36,097 | 758,469 | 794,566 |
| 49,471 | 3,319 | 4,623 | 686 | 1,054 | 5,755 | 201,953 | 207,708 |
| 55,635 | 2,426 | 1,606 | 4,261 | 2,005 | (4,522) | 190,333 | 185,811 |
| 32,270 | 2,603 | 5,473 | 1,892 | 3,304 | 10,477 | 171,795 | 182,272 |
| 101,059 | 800 | 3,379 | 2,870 | 5,919 | 25,098 | 827,251 | 852,349 |
| 61,563 | 263 | 1,986 | 2,378 | 5,557 | 8,400 | 367,427 | 375,827 |
| 152,708 | - | 23,809 | 79 | 4,953 | 70,384 | 586,343 | 656,727 |
| 163,692 | 1,956 | 15,194 | 1,999 | 3,577 | 109,297 | 782,987 | 892,284 |
| 443,027 | 8,710 | 5,110 | 14,183 | 12,403 | 58,231 | 1,022,199 | 1,080,430 |
| 34,088 | 796 | 4,386 | - | 1,832 | 26,409 | 367,797 | 394,206 |
| 33,029 | 385 | 9,871 | 2,444 | 10,183 | 9,962 | 216,078 | 226,040 |
| 2,096 | - | - | - | - | (387) | 10,230 | 9,843 |
| 1,393 | 10 | 26 | - | - | 5,941 | 29,180 | 35,121 |
| 11,311 | - | 824 | - | - | (1,636) | 26,678 | 25,042 |
| 6,115 | - | 79 | - | - | (165) | 18,890 | 18,725 |
| 3,140 | 425 | - | - | - | (206) | (779) | (985) |
| 2,088 | - | 162 | 1 | 31 | (642) | 20,147 | 19,505 |
| 1,902,048 | 75,653 | 734,944 | 80,728 | 226,472 | 1,572,289 | 23,087,361 | 24,659,650 |
| | | | | | | | |
| 28,496 | - | 91 | 154 | - | (1,806) | (7,198) | (9,004) |
| 1,753 | 57 | 220 | 1 | - | 27,059 | 11,236 | 38,295 |
| 44,083 | - | 1,369 | 6 | - | 19,449 | 623,575 | 643,024 |
| 20,045 | - | 98 | - | - | 47 | (2,136) | (2,089) |
| - | 11,905 | 139 | 1 | - | 2,450 | 9,538 | 11,988 |
| - | - | 7,920 | 2,806 | - | (33,008) | 465,193 | 432,185 |
| - | - | 2,272 | 2,330 | - | 60,915 | 639,388 | 700,303 |
| - | - | 4,501 | - | - | 4,642 | 15,007 | 19,649 |
| - | - | 386 | - | - | 522 | 51,929 | 52,451 |
| - | 64 | 718 | 48 | - | 617 | 5,141 | 5,758 |
| - | 1,669 | 72 | - | 362 | (1,130) | 24,094 | 22,964 |
| 35,800 | - | - | - | - | 18,513 | 121,616 | 140,129 |
| - | 125 | 84 | - | 267 | 143 | 1,281 | 1,424 |
| - | 8,094 | 1,665 | - | 6,782 | 8,537 | 237,099 | 245,636 |
| 1,094 | - | - | - | - | (57) | 1,019 | 962 |
| 5,054 | - | - | 1,612 | - | 510 | 176 | 686 |
| - | - | 232 | - | - | (256) | 8,924 | 8,668 |
| 4,500 | - | 10 | - | - | 13,552 | 8,070 | 21,622 |
| - | - | 14 | - | - | (24) | 1,086 | 1,062 |
| - | 260 | 139 | 23 | 261 | 251 | 3,718 | 3,969 |
| - | - | - | - | - | (86) | 106 | 20 |
| 140,825 | 22,174 | 19,930 | 6,981 | 7,672 | 120,840 | 2,218,862 | 2,339,702 |
| $ 2,042,873 | $ 97,827 | $ 754,874 | $ 87,709 | $ 234,144 | $ 1,693,129 | $ 25,306,223 | $ 26,999,352 |

# Debt Schedules

## Summary Schedule – Total Debt and Other Long-term Obligations of the Commonwealth

Last Five Fiscal Years
(Dollars in Thousands)

| | For the Fiscal Year Ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| **Tax-Supported Debt:** | | | | | |
| **Primary Government:** | | | | | |
| General Obligation Bonds (1): | | | | | |
| Section 9(b) Bonds (2) | $ 457,764 | $ 515,468 | $ 571,915 | $ 642,181 | $ 706,192 |
| Section 9(c) Bonds (2) | 18,764 | 22,743 | 29,717 | 33,190 | 36,677 |
| Subtotal - General Obligation Bonds | 476,528 | 538,211 | 601,632 | 675,371 | 742,869 |
| Nongeneral Obligation Debt: | | | | | |
| Section 9(d) Bonds (2) | 5,538,920 | 5,252,795 | 5,163,651 | 5,175,570 | 4,748,217 |
| Other Long-term Debt and Obligations (3) | 6,109,393 | 6,068,634 | 5,729,566 | 5,366,682 | 3,287,907 |
| Total Primary Government | 12,124,841 | 11,859,640 | 11,494,849 | 11,217,623 | 8,778,993 |
| **Component Units:** | | | | | |
| General Obligation Bonds (1): | | | | | |
| Section 9(c) Bonds (2) | 836,874 | 897,018 | 877,118 | 936,857 | 925,086 |
| Subtotal - General Obligation Bonds | 836,874 | 897,018 | 877,118 | 936,857 | 925,086 |
| Nongeneral Obligation Bonds: | | | | | |
| Section 9(d) Bonds (2) | 4,567,143 | 4,134,860 | 4,351,059 | 3,839,279 | 3,542,518 |
| Other Long-term Debt (3) | 4,350,598 | 4,509,272 | 4,154,182 | 3,756,274 | 2,207,305 |
| Total Component Units | 9,754,615 | 9,541,150 | 9,382,359 | 8,532,410 | 6,674,909 |
| **Total Tax-Supported Debt** | 21,879,456 | 21,400,790 | 20,877,208 | 19,750,033 | 15,453,902 |
| **Debt Not Supported by Taxes:** | | | | | |
| **Primary Government:** | | | | | |
| Total Primary Government (2) | 4,181,040 | 3,357,056 | 3,009,647 | 3,472,475 | 3,510,428 |
| **Component Units:** | | | | | |
| Section 9(d) Moral Obligation Bonds | 927,834 | 928,088 | 907,209 | 877,875 | 831,165 |
| Section 9(d) Other Debt | 2,817,992 | 2,224,501 | 2,081,823 | 2,038,579 | 1,826,602 |
| Other Long-term Debt (4) | 15,591,282 | 15,709,260 | 14,220,896 | 14,113,641 | 14,351,277 |
| Foundations (5) | 1,686,510 | 1,562,580 | 1,714,748 | 1,685,948 | 1,669,241 |
| Total Component Units | 21,023,618 | 20,424,429 | 18,924,676 | 18,716,043 | 18,678,285 |
| **Total Debt Not Supported by Taxes** | 25,204,658 | 23,781,485 | 21,934,323 | 22,188,518 | 22,188,713 |
| **Total Debt of the Commonwealth** | $ 47,084,114 | $ 45,182,275 | $ 42,811,531 | $ 41,938,551 | $ 37,642,615 |

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Section 9(b) Debt: | | | | | |
| Public Facilities Bonds | $ 457,764 | $ 515,468 | $ 571,915 | $ 642,181 | $ 706,192 |
| Subtotal 9(b) Debt | 457,764 | 515,468 | 571,915 | 642,181 | 706,192 |
| Section 9(c) Debt: | | | | | |
| Higher Educational Institution Bonds | 836,874 | 897,018 | 877,118 | 936,857 | 925,086 |
| Transportation Facilities Bonds | 8,914 | 11,642 | 14,562 | 17,154 | 19,632 |
| Parking Facilities Bonds | 9,850 | 11,101 | 15,155 | 16,036 | 17,045 |
| Subtotal 9(c) Debt | 855,638 | 919,761 | 906,835 | 970,047 | 961,763 |
| Total General Obligation Debt (1) | $ 1,313,402 | $ 1,435,229 | $ 1,478,750 | $ 1,612,228 | $ 1,667,955 |

(1) Total general obligation debt for the fiscal year ended.
(2) All amounts are net of unamortized discounts and premiums.
(3) Includes capital lease obligations, installment purchase obligations, pension liability, and the long-term portion of the liability for compensated absences.
(4) Includes bonds payable, notes payable, and other debt not supported by taxes.
(5) Foundations represent FASB reporting entities defined in Note 1.B.

## Tax-Supported Debt and Other Long-term Obligations

Last Five Fiscal Years
(Dollars in Thousands)

| | For the Fiscal Year Ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| **Primary Government:** | | | | | |
| **General Obligation Debt (1) (3):** | | | | | |
| Section 9(b) Debt | | | | | |
| Public Facilities (2) | $ 457,764 | $ 515,468 | $ 571,915 | $ 642,181 | $ 706,192 |
| Subtotal Section 9(b) Debt | 457,764 | 515,468 | 571,915 | 642,181 | 706,192 |
| Section 9(c) Debt | | | | | |
| Parking Facilities (2) | 9,850 | 11,101 | 15,155 | 16,036 | 17,045 |
| Transportation Facilities (2) | 8,914 | 11,642 | 14,562 | 17,154 | 19,632 |
| Subtotal Section 9(c) Debt | 18,764 | 22,743 | 29,717 | 33,190 | 36,677 |
| Subtotal General Obligation Debt | 476,528 | 538,211 | 601,632 | 675,371 | 742,869 |
| **Nongeneral Obligation Debt:** | | | | | |
| Section 9(d) Debt: | | | | | |
| Transportation Debt (2) | 2,875,112 | 2,578,232 | 2,722,238 | 2,552,123 | 2,373,382 |
| Virginia Public Building Authority (2) | 2,663,808 | 2,674,563 | 2,441,413 | 2,623,447 | 2,374,835 |
| Subtotal Section 9(d) Debt | 5,538,920 | 5,252,795 | 5,163,651 | 5,175,570 | 4,748,217 |
| **Other Long-term Debt:** | | | | | |
| Capital Lease Obligations | 36,742 | 41,024 | 46,524 | 57,948 | 60,916 |
| Installment Purchase Obligations | 103,655 | 109,721 | 108,877 | 113,373 | 113,936 |
| Economic Development Authority Obligations | 30,783 | 37,895 | 44,712 | 51,249 | 57,621 |
| Aviation Notes Payable | - | - | 114 | 307 | 529 |
| Subtotal Other Long-term Debt | 171,180 | 188,640 | 200,227 | 222,877 | 233,002 |
| **Other Long-term Obligations:** | | | | | |
| Compensated Absences | 307,329 | 300,501 | 317,053 | 311,406 | 321,520 |
| Net Pension Liability | 4,082,679 | 4,721,816 | 4,419,257 | 4,133,117 | 2,114,803 |
| OPEB Liability | - | 814,560 | 734,064 | 654,173 | 568,764 |
| Net OPEB Liability | 775,186 | - | - | - | - |
| Total OPEB Liability | 735,108 | - | - | - | - |
| Pollution Remediation Liability | 6,963 | 9,437 | 11,308 | 11,954 | 13,186 |
| Other Liabilities | 30,948 | 33,680 | 47,657 | 33,155 | 36,632 |
| Subtotal Other Long-term Obligations | 5,938,213 | 5,879,994 | 5,529,339 | 5,143,805 | 3,054,905 |
| **Total Primary Government** | 12,124,841 | 11,859,640 | 11,494,849 | 11,217,623 | 8,778,993 |
| | | | | | |
| **Component Units:** | | | | | |
| **General Obligation Bonds (1) (3):** | | | | | |
| Section 9(c) Debt | | | | | |
| Higher Educational Institutions (2) | 836,874 | 897,018 | 877,118 | 936,857 | 925,086 |
| Subtotal General Obligation Debt | 836,874 | 897,018 | 877,118 | 936,857 | 925,086 |
| **Nongeneral Obligation Debt:** | | | | | |
| Section 9(d) Debt: | | | | | |
| Virginia Port Authority (2) | 243,448 | 253,208 | 275,256 | 288,446 | 222,044 |
| Virginia College Building Authority | 4,305,134 | 3,858,925 | 4,049,060 | 3,520,214 | 3,286,119 |
| Virginia Biotechnology Research Partnership Authority | 18,561 | 22,727 | 26,743 | 30,619 | 34,355 |
| Subtotal Section 9(d) Debt | 4,567,143 | 4,134,860 | 4,351,059 | 3,839,279 | 3,542,518 |
| **Other Long-term Debt:** | | | | | |
| Capital Lease Obligations | 5,878 | 76,889 | 71,403 | 77,456 | 82,189 |
| Installment Purchase Obligations | 63,050 | 29,959 | 50,825 | 63,812 | 76,526 |
| Subtotal Other Long-term Debt | 68,928 | 106,848 | 122,228 | 141,268 | 158,715 |
| **Other Long-term Obligations:** | | | | | |
| Compensated Absences | 323,953 | 300,591 | 293,026 | 288,320 | 280,237 |
| Net Pension Liability | 2,650,301 | 3,002,030 | 2,777,020 | 2,496,179 | 1,066,638 |
| OPEB Liability | - | 1,099,803 | 961,908 | 830,507 | 701,715 |
| Net OPEB Liability | 769,063 | - | - | - | - |
| Total OPEB Liability | 538,353 | - | - | - | - |
| Subtotal Other Long-term Obligations | 4,281,670 | 4,402,424 | 4,031,954 | 3,615,006 | 2,048,590 |
| **Total Component Units** | 9,754,615 | 9,541,150 | 9,382,359 | 8,532,410 | 6,674,909 |
| **Total Tax-Supported Debt** | $ 21,879,456 | $ 21,400,790 | $ 20,877,208 | $ 19,750,033 | $ 15,453,902 |

(1) The general obligation debt is the only debt or long-term obligation that is backed by the full faith and credit of the Commonwealth.
(2) All amounts are net of unamortized discounts and premiums.
(3) See Note 1 on previous page.

## Debt and Other Long-term Obligations Not Supported by Taxes

Last Five Fiscal Years
(Dollars in Thousands)

| | For the Fiscal Year Ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| **Primary Government:** | | | | | |
| Other Long-term Debt & Obligations: | | | | | |
| Federal Reimbursement Anticipation Notes Payable (1) | $ - | $ - | $ - | $ 30,624 | $ 60,905 |
| Grant Anticipation Notes (GARVEES) (1) | 1,153,617 | 992,214 | 663,147 | 705,574 | 746,812 |
| Hampton Roads Transportation Accountability Commission | 582,425 | - | - | - | - |
| Route 460 Funding Corporation of Virginia | - | - | - | 320,110 | 317,305 |
| Net Pension Liability | 135,632 | 151,486 | 140,522 | 125,294 | 57,400 |
| OPEB Liability | - | 28,058 | 25,113 | 22,051 | 18,709 |
| Net OPEB Liability | 21,680 | - | - | - | - |
| Total OPEB Liability | 25,434 | - | - | - | - |
| Capital Lease Obligations | - | 5,025 | 5,359 | 5,708 | 6,072 |
| Compensated Absences | 10,546 | 10,096 | 10,003 | 10,123 | 10,102 |
| Tuition Benefits Payable | 2,135,222 | 2,048,168 | 2,035,608 | 2,116,769 | 2,140,430 |
| Lottery Prizes Payable | 116,484 | 122,009 | 129,895 | 136,222 | 152,693 |
| **Total Primary Government** | 4,181,040 | 3,357,056 | 3,009,647 | 3,472,475 | 3,510,428 |
| | | | | | |
| **Component Units:** | | | | | |
| **Section 9(d) Moral Obligation Debt: (1)** | | | | | |
| Virginia Resources Authority | 927,834 | 928,088 | 907,209 | 877,875 | 831,165 |
| Subtotal Section 9(d) Moral Obligation Debt | 927,834 | 928,088 | 907,209 | 877,875 | 831,165 |
| | | | | | |
| **Section 9(d) Other Debt:** | | | | | |
| Higher Educational Institutions (1): | | | | | |
| Auxiliary Enterprise Revenue Bonds | 2,207,901 | 1,728,052 | 1,579,951 | 1,531,950 | 1,315,358 |
| Teaching Hospitals Revenue Bonds (3) | 610,091 | 496,449 | 501,872 | 506,629 | 511,244 |
| Subtotal Section 9(d) Other Debt | 2,817,992 | 2,224,501 | 2,081,823 | 2,038,579 | 1,826,602 |
| | | | | | |
| **Other Long-term Debt:** | | | | | |
| Virginia Housing Development Authority (1) | 3,301,380 | 3,737,479 | 4,320,935 | 4,498,847 | 4,931,982 |
| Hampton Roads Sanitation District Commission (1) | 891,442 | 846,783 | 879,294 | 748,397 | 766,353 |
| Virginia Public School Authority (1) | 3,641,402 | 3,580,954 | 3,655,914 | 3,551,741 | 3,523,633 |
| Virginia Port Authority (1) | 291,985 | 294,757 | 252,631 | 256,656 | 272,831 |
| Virginia Resources Authority (1) | 2,702,296 | 2,722,834 | 2,704,321 | 2,631,153 | 2,536,711 |
| Notes Payable | 1,948,362 | 1,938,288 | 2,041,726 | 2,083,619 | 2,067,038 |
| Net Pension Liability | 38,427 | 57,787 | 44,339 | 41,516 | - |
| Net OPEB Liability | 14,736 | - | - | - | - |
| Total OPEB Liability | 101,081 | - | - | - | - |
| Capital Lease Obligations | 2,289,887 | 2,194,493 | - | - | - |
| Other Long-term Debt | 370,284 | 335,885 | 321,736 | 301,712 | 252,729 |
| Foundations (4) | 1,686,510 | 1,562,580 | 1,714,748 | 1,685,948 | 1,669,241 |
| Subtotal Other Long-term Debt | 17,277,792 | 17,271,840 | 15,935,644 | 15,799,589 | 16,020,518 |
| | | | | | |
| Subtotal Section 9(d) and Other Debt | 20,095,784 | 19,496,341 | 18,017,467 | 17,838,168 | 17,847,120 |
| **Total Component Units** | 21,023,618 | 20,424,429 | 18,924,676 | 18,716,043 | 18,678,285 |
| **Total Debt Not Supported by Taxes (2)** | $ 25,204,658 | $ 23,781,485 | $ 21,934,323 | $ 22,188,518 | $ 22,188,713 |

(1) All amounts are net of unamortized discounts and premiums.
(2) These amounts are not backed by the full faith and credit of the Commonwealth.
(3) Includes the Virginia Commonwealth University Health System Authority.
(4) Foundations represent FASB reporting entities defined in Note 1.B.

## Authorized and Unissued Tax-Supported Debt

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| | As of June 30, 2017 | New Debt Authorized | Debt Issued | Other Adjust-ments | As of June 30, 2018 |
|---|---|---|---|---|---|
| **Section 9(c) Debt (Primary Government):** | | | | | |
| Higher Educational Institution Bonds | 642,335 | 21,000 | - | - | 663,335 |
| Parking Facilities Bonds | 226 | - | - | - | 226 |
| Subtotal Section 9(c) Debt | 642,561 | 21,000 | - | - | 663,561 |
| **Section 9(d) Debt:** | | | | | |
| **Primary Government:** | | | | | |
| Transportation Contract Revenue Bonds | | | | | |
| (Northern Virginia Transportation District Fund Program) | 24,700 | - | - | - | 24,700 |
| U.S. Route 58 Corridor Development Program | 595,700 | - | - | - | 595,700 |
| Transportation Capital Projects Revenue Bonds | 887,335 | 50,000 | 406,165 | (32,935) | 498,235 |
| **Component Units:** | | | | | |
| Virginia Public Building Authority (Projects) | 1,341,464 | 687,470 | 178,005 | (15,834) | 1,835,095 |
| Virginia Public Building Authority (Jails) | 39,776 | 20,097 | 10,952 | (368) | 48,553 |
| Virginia College Building Authority (21st Century) | 2,068,436 | 329,361 | 592,645 | (57,355) | 1,747,797 |
| Virginia College Building Authority (Equipment Program) | 83,000 | 166,000 | 75,685 | (7,315) | 166,000 |
| Subtotal Section 9(d) Debt | 5,040,411 | 1,252,928 | 1,263,452 | (113,807) | 4,916,080 |
| **Total Authorized and Unissued Tax-Supported Debt** | $ 5,682,972 | $ 1,273,928 | $ 1,263,452 | $ (113,807) | $ 5,579,641 |

## Tax-Supported Debt – Annual Debt Service Requirements [1]

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| Fiscal Year Ending June 30 | General Obligation Debt Sections 9(a), 9(b) and 9(c) | | | Other Tax-Supported Debt Section 9(d) [1] [2] | | |
|---|---|---|---|---|---|---|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2019 | 103,645 | 52,028 | 155,673 | 591,581 | 398,936 | 990,517 |
| 2020 | 103,395 | 47,233 | 150,628 | 574,728 | 375,062 | 949,790 |
| 2021 | 105,660 | 42,491 | 148,151 | 579,436 | 348,527 | 927,963 |
| 2022 | 101,305 | 37,526 | 138,831 | 557,930 | 321,764 | 879,694 |
| 2023 | 101,885 | 32,848 | 134,733 | 551,885 | 295,986 | 847,871 |
| 2024 | 101,670 | 28,196 | 129,866 | 554,631 | 270,718 | 825,349 |
| 2025 | 93,645 | 23,558 | 117,203 | 535,204 | 245,215 | 780,419 |
| 2026 | 88,455 | 19,456 | 107,911 | 530,989 | 220,868 | 751,857 |
| 2027 | 80,320 | 15,574 | 95,894 | 518,461 | 197,736 | 716,197 |
| 2028 | 65,090 | 11,909 | 76,999 | 511,155 | 174,615 | 685,770 |
| 2029 | 50,595 | 9,250 | 59,845 | 511,195 | 150,883 | 662,078 |
| 2030 | 41,730 | 7,192 | 48,922 | 498,110 | 127,511 | 625,621 |
| 2031 | 37,415 | 5,568 | 42,983 | 452,070 | 104,481 | 556,551 |
| 2032 | 26,720 | 4,152 | 30,872 | 428,630 | 85,238 | 513,868 |
| 2033 | 26,365 | 3,183 | 29,548 | 377,145 | 68,191 | 445,336 |
| 2034 | 24,070 | 2,223 | 26,293 | 366,760 | 52,517 | 419,277 |
| 2035 | 17,145 | 1,325 | 18,470 | 324,690 | 37,878 | 362,568 |
| 2036 | 9,680 | 679 | 10,359 | 248,370 | 25,526 | 273,896 |
| 2037 | 1,895 | 328 | 2,223 | 178,480 | 16,341 | 194,821 |
| 2038 | 1,675 | 244 | 1,919 | 72,560 | 9,994 | 82,554 |
| 2039 | 1,730 | 165 | 1,895 | 75,285 | 7,265 | 82,550 |
| 2040 | 1,784 | 84 | 1,868 | 46,645 | 4,692 | 51,337 |
| 2041 | - | - | - | 48,430 | 2,892 | 51,322 |
| 2042 | - | - | - | 24,475 | 1,247 | 25,722 |
| 2043 | - | - | - | 8,889 | 311 | 9,200 |
| Subtotal | 1,185,874 | 345,212 | 1,531,086 | 9,167,734 | 3,544,394 | 12,712,128 |
| Add | | | | | | |
| Accretion on | | | | | | |
| Capital Appreciation | | | | | | |
| Bonds | - | - | - | 31,002 | - | 31,002 |
| Add | | | | | | |
| Unamortized | | | | | | |
| Premium | 127,528 | - | 127,528 | 938,191 | - | 938,191 |
| Less | | | | | | |
| Unamortized | | | | | | |
| Discount | - | - | - | (81) | - | (81) |
| Total | $ 1,313,402 | $ 345,212 | $ 1,658,614 | $ 10,136,846 | $ 3,544,394 | $ 13,681,240 |

[1] Includes Fairfax County Economic Development Authority. Does not include other capital leases, installment purchase obligations, regional jail reimbursements under the original treasury board program, compensated absences, pension liability, OPEB liability, pollution remediation liability and other liabilities.

[2] Includes principal amount of $5,569,703 (dollars in thousands) for the primary government.

| Total | | |
|---|---|---|
| Principal | Interest | Total |
| 695,226 | 450,964 | 1,146,190 |
| 678,123 | 422,295 | 1,100,418 |
| 685,096 | 391,018 | 1,076,114 |
| 659,235 | 359,290 | 1,018,525 |
| 653,770 | 328,834 | 982,604 |
| 656,301 | 298,914 | 955,215 |
| 628,849 | 268,773 | 897,622 |
| 619,444 | 240,324 | 859,768 |
| 598,781 | 213,310 | 812,091 |
| 576,245 | 186,524 | 762,769 |
| 561,790 | 160,133 | 721,923 |
| 539,840 | 134,703 | 674,543 |
| 489,485 | 110,049 | 599,534 |
| 455,350 | 89,390 | 544,740 |
| 403,510 | 71,374 | 474,884 |
| 390,830 | 54,740 | 445,570 |
| 341,835 | 39,203 | 381,038 |
| 258,050 | 26,205 | 284,255 |
| 180,375 | 16,669 | 197,044 |
| 74,235 | 10,238 | 84,473 |
| 77,015 | 7,430 | 84,445 |
| 48,429 | 4,776 | 53,205 |
| 48,430 | 2,892 | 51,322 |
| 24,475 | 1,247 | 25,722 |
| 8,889 | 311 | 9,200 |
| 10,353,608 | 3,889,606 | 14,243,214 |
| 31,002 | - | 31,002 |
| 1,065,719 | - | 1,065,719 |
| (81) | - | (81) |
| $ 11,450,248 | $ 3,889,606 | $ 15,339,854 |

## Tax-Supported Debt – Detail of Long-term Indebtedness

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| Series | Amount Issued | Outstanding June 30, 2017 as restated (1) | Issued (Retired) During Year | Outstanding June 30, 2018 | Maturity |
|---|---|---|---|---|---|
| **General Obligation Debt** | | | | | |
| **Section 9(b) Debt (Primary Government):** | | | | | |
| **Public Facilities Bonds** | | | | | |
| Series 2007 | $ 200,465 | $ 6,250 | $ (6,250) | $ - | |
| Series 2008 | 198,165 | 9,920 | (9,920) | - | |
| Series 2009 | 80,000 | 7,745 | (3,875) | 3,870 | 06/01/19 |
| Series 2009 Refunding | 121,765 | 99,185 | (19,890) | 79,295 | 06/01/19-22 |
| Series 2009 Taxable BABs | 45,000 | 28,445 | (2,365) | 26,080 | 06/01/19-29 |
| Series 2012A Refunding | 71,065 | 41,970 | (2,335) | 39,635 | 06/01/19-24 |
| Series 2013 Refunding | 128,250 | 116,070 | - | 116,070 | 06/01/19-27 |
| Series 2014B Refunding | 22,855 | 1,055 | (1,055) | - | |
| Series 2015 | 102,520 | 102,520 | (3,305) | 99,215 | 06/01/19-28 |
| Series 2016B Refunding | 39,695 | 39,695 | - | 39,695 | 06/01/20-29 |
| Unamortized Premium | - | 62,613 | (8,709) | 53,904 | |
| **Total Public Facilities Bonds** | 1,009,780 | 515,468 | (57,704) | 457,764 | |
| | | | | | |
| **Total Section 9(b) Debt** | 1,009,780 | 515,468 | (57,704) | 457,764 | |
| | | | | | |
| **Section 9(c) Debt** | | | | | |
| **Higher Educational Institution bonds (Component Units)** | | | | | |
| **Series 2007 Bonds** | | | | | |
| Virginia Polytechnic Institute and State University | | | | | |
| Construct New Residence Hall | 13,130 | 700 | (700) | - | |
| Improve Residence and Dining Halls | 5,995 | 320 | (320) | - | |
| Virginia State University | | | | | |
| Construct Residence Halls | 2,020 | 100 | (100) | - | |
| **Subtotal Series 2007 Bonds** | 21,145 | 1,120 | (1,120) | - | |
| | | | | | |
| **Series 2008 Bonds** | | | | | |
| The College of William and Mary | | | | | |
| Renovate Graduate Student Residence Halls | 2,395 | 115 | (115) | - | |
| George Mason University | | | | | |
| Renovate Commonwealth and Dominion Phase II | 1,530 | 205 | (205) | - | |
| Renovate President's Park Phase I | 3,095 | 415 | (415) | - | |
| Renovate President's Park Phase II | 3,120 | 155 | (155) | - | |
| Student Housing VII | 1,955 | 65 | (65) | - | |
| Student Housing VII and Entrance Road | 23,870 | 810 | (810) | - | |
| James Madison University | | | | | |
| Construct New Residence Hall | 19,430 | 910 | (910) | - | |
| Longwood University | | | | | |
| Renovate Cox Hall | 4,630 | 215 | (215) | - | |
| Old Dominion University | | | | | |
| Quad Housing Phase II | 39,960 | 1,870 | (1,870) | - | |
| Virginia Polytechnic Institute and State University | | | | | |
| New Residence Hall | 17,185 | 830 | (830) | - | |
| Parking Auxiliary Projects | 1,545 | 70 | (70) | - | |
| **Subtotal Series 2008 Bonds** | 118,715 | 5,660 | (5,660) | - | |
| | | | | | |
| **Series 2009 Bonds** | | | | | |
| Christopher Newport University | | | | | |
| Residence Hall '01 Refunded Portion | 1,878 | 1,841 | (13) | 1,828 | 06/01/19-21 |
| The College of William and Mary | | | | | |
| Dining Commons Hall Renovation '05 Refunded Portion | 3,200 | 2,730 | (495) | 2,235 | 06/01/19-22 |
| Dormitory Renovations '06B Refunded Portion | 1,270 | 1,270 | (230) | 1,040 | 06/01/19-22 |
| Dormitory Renovations '02 Refunded | 2,582 | 1,675 | (307) | 1,368 | 06/01/19-22 |
| Dormitory Renovations '05 Refunded | 1,940 | 1,655 | (300) | 1,355 | 06/01/19-22 |
| Dormitory Renovations '01 Refunded Portion | 384 | 376 | (2) | 374 | 06/01/19-21 |
| George Mason University | | | | | |
| Housing Building V '01 Refunded Portion | 6,267 | 6,163 | (37) | 6,126 | 06/01/19-24 |
| Housing Building V '02 Refunded Portion | 4,448 | 2,882 | (534) | 2,348 | 06/01/19-22 |
| Housing VIII | 7,910 | 535 | (260) | 275 | 06/01/19 |
| Renovate President Park Phase I | 1,790 | 465 | (225) | 240 | 06/01/19 |
| Student Housing Construction VII '05 Refunded | 6,630 | 5,655 | (1,025) | 4,630 | 06/01/19-22 |
| Student Housing VII C | 8,255 | 535 | (260) | 275 | 06/01/19 |
| Student Housing Construction VII '06B Refunded | 8,230 | 8,230 | (1,490) | 6,740 | 06/01/19-22 |

| Series | Amount Issued | Outstanding June 30, 2017 as restated (1) | Issued (Retired) During Year | Outstanding June 30, 2018 | Maturity |
|---|---|---|---|---|---|
| **General Obligation Debt** *(continued)* | | | | | |
| **Section 9(c) Debt** *(continued)* | | | | | |
| **Higher Educational Institution bonds (Component Units)** *(continued)* | | | | | |
| **Series 2009 Bonds** *(continued)* | | | | | |
| James Madison University | | | | | |
| Bluestone Dorm Phase II '01 Refunded Portion | 458 | 449 | (4) | 445 | 06/01/19-21 |
| Renovate Bluestone Res Hall III '06B Refunded Portion | 1,750 | 1,750 | (315) | 1,435 | 06/01/19-22 |
| Renovate Bluestone Dorms '02 Refunded Portion | 1,048 | 679 | (126) | 553 | 06/01/19-22 |
| Renovate Bluestone Dorms II '02 Refunded Portion | 1,089 | 704 | (131) | 573 | 06/01/19-22 |
| Longwood University | | | | | |
| Housing Facilities Renovations '05 Refunded Portion | 1,340 | 1,145 | (205) | 940 | 06/01/19-22 |
| Renovate Housing Facilities '06B Refunded Portion | 1,655 | 1,655 | (300) | 1,355 | 06/01/19-22 |
| Old Dominion University | | | | | |
| Construct Residence Hall Ph II '06B Refunded Portion | 2,465 | 2,465 | (445) | 2,020 | 06/01/19-22 |
| Housing Renovations '02 Refunded Portion | 1,319 | 855 | (156) | 699 | 06/01/19-22 |
| Housing Renovations Ph I '05 Refunded Portion | 1,625 | 1,385 | (250) | 1,135 | 06/01/19-22 |
| University of Mary Washington | | | | | |
| Residence Hall Renovation '01 Refunded Portion | 153 | 150 | (2) | 148 | 06/01/19-21 |
| Seacobeck Dining Hall '05 Refunded Portion | 1,625 | 1,385 | (250) | 1,135 | 06/01/19-22 |
| University of Virginia | | | | | |
| Residence Hall Monroe Lane '01 Refunded Portion | 368 | 361 | (3) | 358 | 06/01/19-21 |
| Virginia Military Institute | | | | | |
| Crozet Hall & Parking '04A Refunded Portion | 4,242 | 3,365 | (610) | 2,755 | 06/01/19-22 |
| Virginia Polytechnic Institute and State University | | | | | |
| Parking Aux Projects '06B Refunded Portion | 190 | 190 | (35) | 155 | 06/01/19-22 |
| Improve Residence and Dining Halls | 3,720 | 360 | (175) | 185 | 06/01/19 |
| Parking Structure | 24,590 | 1,630 | (795) | 835 | 06/01/19 |
| Renovate Dietrick Servery Ph II '04A Refunded Portion | 1,891 | 1,500 | (270) | 1,230 | 06/01/19-22 |
| Renovate Ambler Johnston Hall | 39,005 | 3,805 | (1,855) | 1,950 | 06/01/19 |
| Virginia State University | | | | | |
| Construct Residence Hall '06B Refunded Portion | 4,965 | 4,965 | (900) | 4,065 | 06/01/19-22 |
| Construct Dining Hall '06B Refunded Portion | 1,280 | 1,280 | (230) | 1,050 | 06/01/19-22 |
| **Subtotal Series 2009 Bonds** | 149,562 | 64,090 | (12,235) | 51,855 | |
| | | | | | |
| **Series 2010 Bonds** | | | | | |
| Christopher Newport University | | | | | |
| Construct Residence Hall | 34,480 | 30,005 | (970) | 29,035 | 06/01/19-40 |
| The College of William and Mary | | | | | |
| Construct New Dormitory | 2,010 | 1,440 | (95) | 1,345 | 06/01/19-30 |
| Renovate Residence Halls | 4,440 | 3,175 | (215) | 2,960 | 06/01/19-30 |
| George Mason University | | | | | |
| Housing VIII | 39,420 | 32,665 | (1,465) | 31,200 | 06/01/19-35 |
| Renovate Commons | 1,325 | 1,015 | (70) | 945 | 06/01/19-30 |
| Renovate Student Housing, President's Park II | 2,790 | 1,000 | (330) | 670 | 06/01/19-20 |
| Smithsonian CRC Housing | 5,415 | 4,485 | (200) | 4,285 | 06/01/19-35 |
| James Madison University | | | | | |
| Renovate Bluestone Dormitories, Phase IV | 14,890 | 10,660 | (715) | 9,945 | 06/01/19-30 |
| Old Dominion University | | | | | |
| Renovate Student Housing, Phase I | 1,975 | 1,410 | (95) | 1,315 | 06/01/19-30 |
| Virginia Commonwealth University | | | | | |
| Construct West Grace Housing and Parking Phase I | 29,130 | 24,125 | (1,085) | 23,040 | 06/01/19-35 |
| Virginia Polytechnic Institute and State University | | | | | |
| Construct Academic and Student Affairs Building | 34,650 | 25,375 | (1,705) | 23,670 | 06/01/19-30 |
| Parking Auxiliary Projects | 745 | 530 | (35) | 495 | 06/01/19-30 |
| **Subtotal Series 2010 Bonds** | 171,270 | 135,885 | (6,980) | 128,905 | |
| | | | | | |
| **Series 2011 Bonds** | | | | | |
| Christopher Newport University | | | | | |
| Renovate Santoro Residence Hall | 4,100 | 1,900 | (455) | 1,445 | 06/01/19-21 |
| The College of William and Mary | | | | | |
| Construct New Dormitory | 14,400 | 11,515 | (630) | 10,885 | 06/01/19-31 |

*Continued on next page*

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| Series | Amount Issued | Outstanding June 30, 2017 as restated (1) | Issued (Retired) During Year | Outstanding June 30, 2018 | Maturity |
|---|---|---|---|---|---|
| **General Obligation Debt** *(continued)* | | | | | |
| **Section 9(c) Debt** *(continued)* | | | | | |
| **Higher Educational Institution bonds (Component Units)** *(continued)* | | | | | |
| **Series 2011 Bonds** *(continued)* | | | | | |
| George Mason University | | | | | |
| Housing VIII | 20,230 | 17,440 | (610) | 16,830 | 06/01/19-36 |
| Presidential Park Housing Renovation | 2,700 | 1,320 | (320) | 1,000 | 06/01/19-21 |
| Renovate Commons | 14,350 | 11,930 | (655) | 11,275 | 06/01/19-31 |
| Smithsonian CRC Housing | 4,070 | 3,595 | (125) | 3,470 | 06/01/19-36 |
| Student Housing VII-C | 1,045 | 920 | (30) | 890 | 06/01/19-36 |
| Virginia Commonwealth University | | | | | |
| West Grace Housing - North | 25,830 | 22,845 | (795) | 22,050 | 06/01/19-36 |
| Virginia Polytechnic Institute and State University | | | | | |
| Renovate Ambler Johnston Hall | 18,860 | 15,070 | (825) | 14,245 | 06/01/19-31 |
| Virginia State University | | | | | |
| Construct Gateway Residence Hall Phase II | 34,735 | 27,165 | (1,500) | 25,665 | 06/01/19-31 |
| Construct Quad Phase II | 28,555 | 23,755 | (1,305) | 22,450 | 06/01/19-31 |
| **Subtotal Series 2011 Bonds** | 168,875 | 137,455 | (7,250) | 130,205 | |
| **Series 2012 Bonds** | | | | | |
| The College of William and Mary | | | | | |
| Dining Commons Hall Renovation 2005 Refunding | 1,289 | 1,289 | - | 1,289 | 06/01/23-24 |
| Dorm Renovation - 2005 Refunding | 780 | 779 | - | 779 | 06/01/23-24 |
| George Mason University | | | | | |
| Student Housing Construction, VII - 2005 Refunding | 2,674 | 2,674 | - | 2,674 | 06/01/23-24 |
| Longwood University | | | | | |
| Housing Facilities Renovation - 2005 Refunding | 545 | 545 | - | 545 | 06/01/23-24 |
| Old Dominion University | | | | | |
| Housing Renovation, Phase I - 2005 Refunding | 655 | 655 | - | 655 | 06/01/23-24 |
| University of Mary Washington | | | | | |
| Seacobeck Dining Hall - 2005 Refunding | 655 | 655 | - | 655 | 06/01/23-24 |
| Virginia Military Institute | | | | | |
| Crozet Hall & Parking - 2004A Refunding | 3,019 | 2,489 | - | 2,489 | 06/01/23-25 |
| Virginia Polytechnic Institute and State University | | | | | |
| Renovate Dietrick Servery - 2004A Refunding | 942 | 705 | - | 705 | 06/01/23-24 |
| **Subtotal Series 2012 Bonds** | 10,559 | 9,791 | - | 9,791 | |
| **Series 2013 Bonds** | | | | | |
| The College of William and Mary | | | | | |
| Construct New Dormitory | 8,770 | 7,530 | (345) | 7,185 | 06/01/19-33 |
| Dining Commons Hall Renovation - 2005A Ref Portion | 1,831 | 1,389 | - | 1,389 | 06/01/25-26 |
| Dorm Renovations - 2005A Ref Portion | 1,113 | 844 | - | 844 | 06/01/25-26 |
| Dorm Renovations - 2006B Ref Portion | 1,412 | 1,201 | - | 1,201 | 06/01/23-26 |
| Renovate Dormitory | 4,660 | 4,005 | (185) | 3,820 | 06/01/19-33 |
| George Mason University | | | | | |
| Construct Student Housing VII & Entrance Rd - 2007B Ref Portion | 4,579 | 4,579 | - | 4,579 | 06/01/19-25 |
| Construct Student Housing VII - 2007B Refunded Portion | 584 | 584 | - | 584 | 06/01/19-25 |
| Construct Student Housing VII - 2006B Refunded Portion | 9,187 | 7,822 | - | 7,822 | 06/01/23-26 |
| Student Housing Construction, VII - 2005A Ref Portion | 10,504 | 9,533 | - | 9,533 | 06/01/25-30 |
| James Madison University | | | | | |
| Construct Dining Hall - 2007B Refunded Portion | 8,207 | 8,207 | - | 8,207 | 06/01/19-25 |
| Renovate Bluestone Residence Hall, Ph 3 - 2007B Ref Portion | 893 | 893 | - | 893 | 06/01/19-25 |
| Renovate Residence Hall - 2006B Refunded Portion | 1,953 | 1,665 | - | 1,665 | 06/01/23-26 |
| Longwood University | | | | | |
| Housing Facility Renovation - 2005A Refunded Portion | 472 | 286 | - | 286 | 06/01/25 |
| Renovate Cox Hall - 2007B Refunded Portion | 2,461 | 2,461 | - | 2,461 | 06/01/19-25 |
| Renovate Housing Facilities - 2006B Refunded Portion | 1,852 | 1,578 | - | 1,578 | 06/01/23-26 |
| Old Dominion University | | | | | |
| Construct Residence Hall, Ph II - 2007B Refunded Portion | 6,344 | 6,344 | - | 6,344 | 06/01/19-25 |
| Construct Residence Hall, Ph II - 2006B Refunded Portion | 2,761 | 2,352 | - | 2,352 | 06/01/23-26 |
| Housing Renovations, Ph I - 2005A Refunded Portion | 570 | 349 | - | 349 | 06/01/25 |
| Radford University | | | | | |
| Washington Hall | 5,040 | 4,330 | (200) | 4,130 | 06/01/19-33 |

| Series | Amount Issued | Outstanding June 30, 2017 as restated (1) | Issued (Retired) During Year | Outstanding June 30, 2018 | Maturity |
|---|---|---|---|---|---|
| **General Obligation Debt** *(continued)* | | | | | |
| **Section 9(c) Debt** *(continued)* | | | | | |
| **Higher Educational Institution bonds (Component Units)** *(continued)* | | | | | |
| **Series 2013 Bonds** *(continued)* | | | | | |
| University of Mary Washington | | | | | |
| Seacobeck Dining Hall - 2005A Refunded Portion | 565 | 344 | - | 344 | 06/01/25 |
| Virginia Commonwealth University | | | | | |
| Monroe Park Housing - 2007B Refunded Portion | 3,252 | 3,252 | - | 3,252 | 06/01/19-25 |
| Virginia Polytechnic Institute and State University | | | | | |
| Construct New Residence Hall - 2007A Refunded Portion | 7,842 | 7,842 | - | 7,842 | 06/01/19-27 |
| Improve Residence and Dining Halls - 2007A Refunded Portion | 3,576 | 3,576 | - | 3,576 | 06/01/19-27 |
| Parking Projects - 2006B Refunded Portion | 217 | 183 | - | 183 | 06/01/23-26 |
| Virginia State University | | | | | |
| Construct Dining Hall - 2006B Refunded Portion | 1,431 | 1,219 | - | 1,219 | 06/01/23-26 |
| Construct Residence Hall - 2007A Refunded Portion | 1,132 | 1,132 | - | 1,132 | 06/01/19-27 |
| Construct Residence Halls - 2006B Refunded Portion | 5,541 | 4,719 | - | 4,719 | 06/01/23-26 |
| Construct Two Residence Halls - 2007B Refunded Portion | 11,231 | 11,231 | - | 11,231 | 06/01/19-25 |
| **Subtotal Series 2013 Bonds** | 107,980 | 99,450 | (730) | 98,720 | |
| **Series 2014 Bonds** | | | | | |
| Christopher Newport University | | | | | |
| New Residence Hall - 2004B Refunded Portion | 8,147 | 4,563 | (1,472) | 3,091 | 06/01/19-20 |
| Residence Hall II - 2004B Refunding Portion | 4,210 | 1,911 | (937) | 974 | 06/01/19 |
| College Of William and Mary | | | | | |
| Renovate Dormitories - 2004B Refunding Portion | 1,666 | 934 | (301) | 633 | 06/01/19-20 |
| Dormitory Renovation - 2004B Refunding Portion | 1,551 | 446 | (446) | - | |
| Renovate Dormitories | 9,005 | 8,130 | (330) | 7,800 | 06/01/19-34 |
| George Mason University | | | | | |
| Housing Building V - 2004B Refunding Portion | 6,306 | 3,531 | (1,138) | 2,393 | 06/01/19-20 |
| Student Housing VIII | 2,235 | 2,015 | (80) | 1,935 | 06/01/19-34 |
| James Madison University | | | | | |
| Bluestone Dormitory Phase II- 2004B Refunding Portion | 1,985 | 1,111 | (357) | 754 | 06/01/19-20 |
| Dining Facilities Renovation - 2004B Refunding Portion | 260 | 76 | (76) | - | |
| Student Housing Phase I | 46,660 | 42,150 | (1,715) | 40,435 | 06/01/19-34 |
| Longwood University | | | | | |
| Dining Hall - 2004B Refunding Portion | 934 | 427 | (209) | 218 | 06/01/19 |
| Residence Hall Improvements - 2004B Refunding Portion | 880 | 399 | (196) | 203 | 06/01/19 |
| Radford University | | | | | |
| Renovate Residence Halls | 11,080 | 10,005 | (405) | 9,600 | 06/01/19-34 |
| University of Mary Washington | | | | | |
| Residence Hall Renovation - 2004B Refunding Portion | 656 | 366 | (119) | 247 | 06/01/19-20 |
| University of Virginia | | | | | |
| Residence Hall - Monroe Lane - 2004B Refunding Portion | 1,595 | 891 | (286) | 605 | 06/01/19-20 |
| Residence Hall - Wise- 2004B Refunding Portion | 1,512 | 684 | (334) | 350 | 06/01/19 |
| Virginia Polytechnic Institute and State University | | | | | |
| Dining Hall - 2004B Refunding Portion | 793 | 227 | (227) | - | |
| Dining Hall HVAC - 2004B Refunding Portion | 587 | 266 | (129) | 137 | 06/01/19 |
| Virginia State University | | | | | |
| Jones Dining Hall - 2004B Refunding Portion | 255 | 73 | (73) | - | |
| **Subtotal Series 2014 Bonds** | 100,317 | 78,205 | (8,830) | 69,375 | |
| **Series 2015 Bonds** | | | | | |
| Christopher Newport University | | | | | |
| Construct Residential Housing | 18,860 | 18,225 | (660) | 17,565 | 06/01/19-35 |
| Expand Dining Hall | 8,960 | 8,655 | (315) | 8,340 | 06/01/19-35 |
| College of William and Mary | | | | | |
| Renovate Graduate St. - 2008B Ref Portion | 1,482 | 1,482 | - | 1,482 | 06/01/19-28 |
| Renovate Dormitories | 10,980 | 10,300 | (375) | 9,925 | 06/01/19-35 |

*Continued on next page*

## Tax-Supported Debt – Detail of Long-term Indebtedness *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| Series | Amount Issued | Outstanding June 30, 2017 as restated (1) | Issued (Retired) During Year | Outstanding June 30, 2018 | Maturity |
|---|---|---|---|---|---|
| **General Obligation Debt** *(continued)* | | | | | |
| **Section 9(c) Debt** *(continued)* | | | | | |
| **Higher Educational Institution bonds (Component Units)** *(continued)* | | | | | |
| **Series 2015 Bonds** *(continued)* | | | | | |
| George Mason University | | | | | |
| Construct Housing VII & Entrance Road - 2007B Ref Portion | 6,817 | 6,817 | (562) | 6,255 | 06/01/26-32 |
| Construct Student Housing VII - 2006B Refunding Portion | 11,765 | 11,765 | - | 11,765 | 06/01/27-31 |
| Construct Student Housing VII - 2007B Refunding Portion | 854 | 854 | (73) | 781 | 06/01/26-32 |
| Renovate President Park, Phase II - 2008B Refunding Portion | 1,999 | 1,999 | - | 1,999 | 06/01/19-28 |
| Student Housing VII - 2008B Refunding Portion | 1,366 | 1,366 | - | 1,366 | 06/01/19-33 |
| Student Housing VII - C - 2008B Refunding Portion | 17,566 | 17,566 | - | 17,566 | 06/01/19-33 |
| James Madison University | | | | | |
| Construct Dining Hall - 2007B Refunding Portion | 3,650 | 3,650 | (1,001) | 2,649 | 06/01/26-27 |
| Construct New Residence Hall - 2008B Refunding Portion | 11,695 | 11,695 | - | 11,695 | 06/01/19-28 |
| Renovate Bluestone Residence Hall, Ph 3 - 2007B Ref Portion | 403 | 403 | (112) | 291 | 06/01/26-27 |
| Longwood University | | | | | |
| Renovate Cox Hall - 2007B Refunding Portion | 1,089 | 1,089 | (298) | 791 | 06/01/26-27 |
| Renovate Cox Hall - 2008B Refunding Portion | 2,785 | 2,785 | - | 2,785 | 06/01/19-28 |
| Old Dominion University | | | | | |
| Construct Residence Hall, Phase II - 2007B Refunding Portion | 2,827 | 2,827 | (777) | 2,050 | 06/01/26-27 |
| Quad Housing Phase II - 2008B Refunding Portion | 24,074 | 24,074 | - | 24,074 | 06/01/19-28 |
| Radford University | | | | | |
| Renovate Residence Halls | 8,820 | 8,270 | (300) | 7,970 | 06/01/19-35 |
| Virginia Commonwealth University | | | | | |
| Monroe Park Housing - 2007B Refunding Portion | 6,806 | 6,806 | (395) | 6,411 | 06/01/26-37 |
| Virginia Polytechnic Institute and State | | | | | |
| New Residence Hall - 2008B Refunding Portion | 10,671 | 10,671 | - | 10,671 | 06/01/19-28 |
| Parking Auxiliary Project - 2008B Refunding Portion | 921 | 921 | - | 921 | 06/01/19-28 |
| Virginia State University | | | | | |
| Construct Two Residence Halls - 2007B Refunding Portion | 4,995 | 4,995 | (1,372) | 3,623 | 06/01/26-27 |
| **Subtotal Series 2015 Bonds** | 159,385 | 157,215 | (6,240) | 150,975 | |
| | | | | | |
| **Series 2016 Bonds** | | | | | |
| Christopher Newport University | | | | | |
| Dorm & Dining Hall 1996 Ref - 2006A Refunding Portion | 750 | 600 | (140) | 460 | 06/01/19-21 |
| George Mason University | | | | | |
| Housing VIII - 09B Refunding Portion | 6,230 | 6,230 | - | 6,230 | 06/01/20-34 |
| Student Housing VII-C - 2009B Refunding Portion | 6,190 | 6,190 | - | 6,190 | 06/01/20-34 |
| James Madison University | | | | | |
| Construct Dining Hall | 53,700 | 52,730 | (1,785) | 50,945 | 06/01/19-36 |
| Norfolk State University | | | | | |
| Renovate and Upgrade Dormitories | 7,875 | 7,660 | (390) | 7,270 | 06/01/19-31 |
| Radford University | | | | | |
| Renovate Residence Halls | 7,160 | 7,030 | (240) | 6,790 | 06/01/19-36 |
| Richard Bland College | | | | | |
| Convert Humanities & Social Science Building to Student Housing | 2,465 | 2,465 | (85) | 2,380 | 06/01/19-36 |
| Virginia Polytechnic Institute and State | | | | | |
| Improve Residence & Dining Halls - 2009B Refunding Portion | 2,310 | 2,310 | - | 2,310 | 06/01/20-29 |
| Parking Structure - 2009B Refunding Portion | 18,890 | 18,890 | - | 18,890 | 06/01/20-34 |
| Renovate Ambler Johnston Hall - 2009 B Refunding Portion | 24,200 | 24,200 | - | 24,200 | 06/01/20-29 |
| **Subtotal Series 2016 Bonds** | 129,770 | 128,305 | (2,640) | 125,665 | |
| | | | | | |
| Unamortized Premium | - | 79,842 | (8,459) | 71,383 | |
| | | | | | |
| **Subtotal Higher Educational Institution Bonds** | 1,137,578 | 897,018 | (60,144) | 836,874 | |

| Series | Amount Issued | Outstanding June 30, 2017 as restated (1) | Issued (Retired) During Year | Outstanding June 30, 2018 | Maturity |
|---|---|---|---|---|---|
| **General Obligation Debt** *(continued)* | | | | | |
| **Transportation Facilities Bonds (Primary Government)** | | | | | |
| Series 2016, Coleman Refunding 1996 Ref - 2006A Refunding Portion | 13,185 | 10,495 | (2,435) | 8,060 | 06/01/19-21 |
| Unamortized Premium | - | 1,147 | (293) | 854 | |
| **Subtotal Transportation Facilities Bonds** | 13,185 | 11,642 | (2,728) | 8,914 | |
| **Parking Facilities Bonds (Primary Government)** | | | | | |
| Series 2009 | 13,755 | 1,300 | (635) | 665 | 06/01/19-19 |
| Series 2009 Refunding | 2,122 | 1,685 | (305) | 1,380 | 06/01/19-22 |
| Series 2012 Refunding (2004A Ref) | 1,061 | 794 | - | 794 | 06/01/23-24 |
| Series 2016 Refunding - 2009B Refunding Portion | 5,625 | 5,625 | - | 5,625 | 06/01/20-29 |
| Unamortized Premium | - | 1,697 | (311) | 1,386 | |
| **Subtotal Parking Facilities Bonds** | 22,563 | 11,101 | (1,251) | 9,850 | |
| **Total Section 9(c) Debt** | 1,173,326 | 919,761 | (64,123) | 855,638 | |
| **Total General Obligation Debt** | 2,183,106 | 1,435,229 | (121,827) | 1,313,402 | |
| **Nongeneral Obligation Debt** | | | | | |
| **Section 9(d) Debt** | | | | | |
| **Virginia Public Building Authority Bonds (Primary Government)** | | | | | |
| Series 2005D | 50,000 | 50,000 | - | 50,000 | 08/01/22-25 |
| Series 2007A | 242,480 | 16,105 | (16,105) | - | |
| Series 2008B | 150,000 | 13,605 | (6,650) | 6,955 | 08/01/18 |
| Series 2009A | 40,995 | 20,295 | (3,595) | 16,700 | 08/01/18-21 |
| Series 2009B | 265,000 | 46,780 | (14,820) | 31,960 | 08/01/18-19 |
| Series 2009C | 10,000 | 4,795 | (865) | 3,930 | 08/01/18-21 |
| Series 2009D Refunding | 42,745 | 21,740 | (5,325) | 16,415 | 08/01/18-21 |
| Series 2010A2 BABs | 256,710 | 243,010 | (14,710) | 228,300 | 08/01/18-30 |
| Series 2010B1 | 87,510 | 25,685 | (12,765) | 12,920 | 08/01/18 |
| Series 2010B2 Taxable BABs | 195,310 | 195,260 | (3,975) | 191,285 | 08/01/18-30 |
| Series 2010B3 Refunding | 50,780 | 49,030 | (375) | 48,655 | 08/01/18-22 |
| Series 2011A | 280,000 | 169,990 | (120,895) | 49,095 | 08/01/18-21 |
| Series 2011B | 18,500 | 14,855 | (780) | 14,075 | 08/01/18-31 |
| Series 2012A Refunding | 72,415 | 65,315 | (12,230) | 53,085 | 08/01/18-24 |
| Series 2013A | 143,400 | 129,435 | (37,695) | 91,740 | 08/01/18-33 |
| Series 2013B Refunding | 72,370 | 72,370 | - | 72,370 | 08/01/18-23 |
| Series 2014A | 132,875 | 124,535 | (18,945) | 105,590 | 08/01/18-34 |
| Series 2014B Taxable | 29,735 | 27,335 | (1,215) | 26,120 | 08/01/18-34 |
| Series 2014C Refunding | 298,390 | 246,835 | (29,870) | 216,965 | 08/01/18-27 |
| Series 2015A | 232,980 | 225,845 | (7,505) | 218,340 | 08/01/18-35 |
| Series 2015B Refunding | 134,730 | 123,220 | (17,125) | 106,095 | 08/01/18-28 |
| Series 2016A | 206,420 | 206,420 | (6,500) | 199,920 | 08/01/18-36 |
| Series 2016B Refunding | 178,955 | 178,955 | (1,075) | 177,880 | 08/01/20-29 |
| Series 2016C AMT | 147,420 | 147,420 | (4,420) | 143,000 | 08/01/18-36 |
| Series 2016D Taxable | 13,830 | 13,830 | (555) | 13,275 | 08/01/18-36 |
| Series 2017A Refunding | 145,325 | - | 145,325 | 145,325 | 08/01/18-31 |
| Series 2018A | 160,605 | - | 160,605 | 160,605 | 08/01/18-38 |
| Series 2018B Taxable | 17,400 | - | 17,400 | 17,400 | 08/01/18-38 |
| Unamortized Premium | - | 241,898 | 3,910 | 245,808 | |
| **Total Virginia Public Building Authority Bonds** | 3,676,880 | 2,674,563 | (10,755) | 2,663,808 | |

*Continued on next page*

## Tax-Supported Debt – Detail of Long-term Indebtedness *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

| Series | Amount Issued | Outstanding June 30, 2017 as restated (1) | Issued (Retired) During Year | Outstanding June 30, 2018 | Maturity |
|---|---|---|---|---|---|
| **Nongeneral Obligation Debt** | | | | | |
| **Section 9(d) Debt** | | | | | |
| **Virginia College Building Authority Bonds (Component Unit)** | | | | | |
| **21st Century College Program** | | | | | |
| Series 2008A | 144,075 | 9,280 | (9,280) | - | |
| Series 2009A | 284,020 | 39,590 | (25,795) | 13,795 | 02/01/19 |
| Series 2009B | 84,680 | 11,150 | (11,150) | - | |
| Series 2009E Refunding | 208,860 | 150,285 | (19,560) | 130,725 | 02/01/19-24 |
| Series 2009F2 Taxable BABs | 390,575 | 330,515 | (20,990) | 309,525 | 02/01/19-30 |
| Series 2010B2 Taxable BABs | 290,600 | 257,390 | (17,025) | 240,365 | 02/01/19-30 |
| Series 2011A | 272,515 | 123,215 | (86,245) | 36,970 | 02/01/19-21 |
| Series 2012A | 335,075 | 250,340 | (134,635) | 115,705 | 02/01/19-32 |
| Series 2012B | 349,255 | 308,070 | (108,900) | 199,170 | 02/01/19-33 |
| Series 2012C | 8,350 | 1,670 | (1,670) | - | |
| Series 2013A | 331,705 | 288,530 | (126,185) | 162,345 | 02/01/19-34 |
| Series 2014A | 319,155 | 268,210 | (74,765) | 193,445 | 02/01/19-34 |
| Series 2014B | 27,985 | 8,070 | (1,025) | 7,045 | 02/01/19-20, 25 |
| Series 2015A | 373,230 | 348,500 | (136,365) | 212,135 | 02/01/19-35 |
| Series 2015B Refunding | 204,880 | 198,395 | (2,880) | 195,515 | 02/01/19-27 |
| Series 2015C Taxable | 6,785 | 4,285 | (1,405) | 2,880 | 02/01/19-20 |
| Series 2015D1 | 233,300 | 223,530 | (5,265) | 218,265 | 02/01/19-35 |
| Series 2015D2 | 56,765 | 45,380 | (8,215) | 37,165 | 02/01/19-22 |
| Series 2016A | 360,485 | 340,305 | (16,020) | 324,285 | 02/01/19-36 |
| Series 2016 B Refunding | 49,300 | 49,300 | - | 49,300 | 02/01/28-29 |
| Series 2016C | 39,980 | 36,030 | (3,750) | 32,280 | 02/01/19-26 |
| Series 2017A | 75,100 | 75,100 | (10,220) | 64,880 | 02/01/19-24 |
| Series 2017B Refunding | 173,295 | 173,295 | (14,905) | 158,390 | 02/01/19-28 |
| Series 2017C | 492,730 | - | 471,880 | 471,880 | 02/01/19-37 |
| Series 2017D Taxable | 99,915 | - | 89,760 | 89,760 | 02/01/19-27 |
| Series 2017E Refunding | 560,555 | - | 553,310 | 553,310 | 02/01/19-20, 22-32 |
| Series 2018A | 75,685 | - | 75,685 | 75,685 | 02/01/19-25 |
| Unamortized Premium | - | 318,490 | 91,824 | 410,314 | |
| **Total Virginia College Building Authority Bonds** | 5,848,855 | 3,858,925 | 446,209 | 4,305,134 | |
| | | | | | |
| **Transportation Debt (Primary Government)** | | | | | |
| Route 28 Refunding Bonds | 111,680 | 77,543 | (3,606) | 73,937 | 04/01/19-32 |
| Transportation Revenue Bonds (U.S. Route 58) | 343,555 | 174,270 | (38,965) | 135,305 | 05/15/19-26 |
| Northern Virginia Transportation District Program | 266,955 | 156,655 | (23,930) | 132,725 | 05/15/19-34 |
| Oak Grove Connector (Chesapeake) | 10,100 | 8,615 | (1,560) | 7,055 | 05/15/19-22 |
| Capital Projects | 3,191,200 | 1,964,905 | 293,210 | 2,258,115 | 05/15/19-42 |
| Unamortized Premium | - | 196,244 | 71,731 | 267,975 | |
| **Total Section 9(d) Transportation Debt** | 3,923,490 | 2,578,232 | 296,880 | 2,875,112 | |
| | | | | | |
| **Virginia Port Authority Debt (Component Unit)** | | | | | |
| Series 2011 | 57,370 | 57,370 | - | 57,370 | 07/01/28-36 |
| Series 2012 | 108,015 | 82,500 | (6,575) | 75,925 | 07/01/18-27 |
| Series 2012B | 45,230 | 40,425 | (2,775) | 37,650 | 07/01/18-29 |
| Series 2012C | 4,795 | 4,795 | - | 4,795 | 07/01/29-30 |
| Series 2015 | 58,680 | 58,680 | - | 58,680 | 07/01/28-31, 37-40 |
| Unamortized Premium | - | 9,438 | (410) | 9,028 | |
| **Total Virginia Port Authority Debt** | 274,090 | 253,208 | (9,760) | 243,448 | |

| Series | Amount Issued | Outstanding June 30, 2017 as restated (1) | Issued (Retired) During Year | Outstanding June 30, 2018 | Maturity |
|---|---|---|---|---|---|
| **Nongeneral Obligation Debt** | | | | | |
| **Section 9(d) Debt** | | | | | |
| **Virginia Biotechnology Research Partnership** | | | | | |
| **Authority (Component Unit)** | | | | | |
| Series 2009 | 91,010 | 21,060 | (3,815) | 17,245 | 09/01/18-21 |
| Unamortized Premium | - | 1,667 | (351) | 1,316 | |
| **Total Virginia Biotechnology Research Partnership** | | | | | |
| **Authority (Component Unit)** | 91,010 | 22,727 | (4,166) | 18,561 | |
| **Economic Development Authority Obligations** | 55,875 | 33,280 | (6,165) | 27,115 | 05/15/19-22 |
| Unamortized Premium | - | 4,615 | (947) | 3,668 | |
| **Total Economic Development Authority Obligations** | 55,875 | 37,895 | (7,112) | 30,783 | |
| **Total Section 9(d) Debt** | 13,870,200 | 9,425,550 | 711,296 | 10,136,846 | |
| **Nongeneral Obligation Debt and Other Obligations** | | | | | |
| **Other Long-term Debt (2)** | | | | | |
| Capital Leases | - | 117,913 | (75,293) | 42,620 | |
| Installment Purchase Obligations | - | 139,680 | 27,025 | 166,705 | |
| **Total Other Long-term Debt** | - | 257,593 | (48,268) | 209,325 | |
| **Other Long-term Obligations** | | | | | |
| Compensated Absences | - | 601,092 | 30,190 | 631,282 | |
| Net Pension Liability | - | 7,723,846 | (990,866) | 6,732,980 | |
| Net OPEB Liability | - | 1,638,269 | (94,020) | 1,544,249 | |
| Total OPEB Liability | - | 1,535,917 | (262,456) | 1,273,461 | |
| Other | - | 43,117 | (5,206) | 37,911 | |
| **Total Other Long-term Obligations** | - | 11,542,241 | (1,322,358) | 10,219,883 | |
| **Total Nongeneral Obligation Debt and Other Obligations** | 13,870,200 | 21,225,384 | (659,330) | 20,566,054 | |
| **Total Tax-Supported Debt and Other Obligations** | $ 16,053,306 | $ 22,660,613 | $ (781,157) | $ 21,879,456 | |

(1) As discussed in Note 27, beginning balances have been restated.

(2) Pursuant to GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Governmental Activities include internal service funds.

# STATISTICAL SECTION

The financial presentations included in this section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commonwealth's overall financial health.

Statistical schedules related to property taxes are not presented since the Commonwealth does not assess property taxes.

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**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

# Financial Trends

**Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis**
**General Governmental Revenues by Source and Expenditures by Function**

For Fiscal Year Ended June 30
(Dollars in Millions)

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| **Tax Revenues:** | | | | |
| Individual and Fiduciary Income | $ 14,141 | $ 13,070 | $ 12,652 | $ 12,248 |
| Sales and Use | 5,277 | 5,089 | 4,984 | 4,832 |
| Motor Fuels | 1,032 | 997 | 977 | 887 |
| Corporation Income | 875 | 806 | 773 | 797 |
| Public Service Corporations | 112 | 108 | 108 | 119 |
| Motor Vehicle Sales and Use | 935 | 948 | 910 | 846 |
| Communications Sales and Use | 383 | 395 | 405 | 416 |
| Gross Premiums of Insurance Companies | 508 | 504 | 490 | 454 |
| Alcoholic Beverage Sales | 161 | 154 | 148 | 140 |
| Deeds, Contracts, Wills, and Suits | 505 | 503 | 471 | 441 |
| Beer and Beverage Excise | 42 | 42 | 43 | 43 |
| Estate | 1 | 8 | - | - |
| Tobacco Products | 161 | 170 | 176 | 179 |
| Bank Stock | 24 | 22 | 18 | 19 |
| Wine and Spirits/ABC Liter | 29 | 27 | 26 | 26 |
| Other Taxes | 133 | 120 | 115 | 110 |
| Total Tax Revenues | 24,319 | 22,963 | 22,296 | 21,557 |
| | | | | |
| **Other Revenues:** | | | | |
| Federal Grants and Contracts | 10,537 | 10,392 | 9,885 | 9,727 |
| Institutional Revenue | 233 | 241 | 267 | 303 |
| Sales of Property and Commodities | 54 | 40 | 56 | 38 |
| Rights and Privileges | 1,081 | 1,021 | 977 | 978 |
| Interest, Dividends, and Rents | 159 | 146 | 134 | 91 |
| Fines, Forfeitures, Costs, Penalties and Escheats | 343 | 354 | 347 | 352 |
| Assessments | 150 | 137 | 137 | 137 |
| Other Revenues | 1,849 | 1,101 | 995 | 987 |
| Total Other Revenues | 14,406 | 13,432 | 12,798 | 12,613 |
| Total Revenues | $ 38,725 | $ 36,395 | $ 35,094 | $ 34,170 |
| | | | | |
| Percentage Increase Over Previous Year | 6.4% | 3.7% | 2.7% | 3.7% |
| | | | | |
| **Expenditures by Function:** | | | | |
| Education | $ 10,129 | $ 9,816 | $ 9,373 | $ 9,372 |
| Administration of Justice | 3,044 | 2,875 | 2,801 | 2,690 |
| Individual and Family Services | 15,641 | 14,805 | 14,186 | 13,421 |
| Resources and Economic Development | 926 | 981 | 915 | 929 |
| Transportation | 6,015 | 5,732 | 5,817 | 5,348 |
| General Government (1) | 3,420 | 3,385 | 3,527 | 3,261 |
| Capital Outlay | 504 | 381 | 331 | 251 |
| Total Expenditures | $ 39,679 | $ 37,975 | $ 36,950 | $ 35,272 |
| | | | | |
| Percentage Increase Over Previous Year | 4.5% | 2.8% | 4.8% | 2.9% |

(1) General Government expenditure amounts include debt service principal retirement and interest charges.

Source: Department of Accounts

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| $ 11,659 | $ 11,378 | $ 10,714 | $ 10,050 | $ 8,730 | $ 9,471 |
| 4,606 | 3,935 | 3,866 | 3,674 | 3,553 | 3,568 |
| 793 | 879 | 900 | 903 | 891 | 889 |
| 774 | 778 | 950 | 827 | 833 | 642 |
| 119 | 116 | 115 | 113 | 112 | 103 |
| 781 | 582 | 538 | 495 | 440 | 406 |
| 422 | 425 | 425 | 556 | 453 | - |
| 449 | 396 | 391 | 412 | 391 | 387 |
| 132 | 127 | 121 | 114 | 111 | 110 |
| 395 | 436 | 371 | 335 | 326 | 351 |
| 43 | 43 | 44 | 44 | 44 | 45 |
| - | - | - | 2 | 6 | 4 |
| 182 | 182 | 195 | 175 | 178 | 182 |
| 23 | 20 | 19 | 25 | 24 | 21 |
| 26 | 25 | 24 | 23 | 21 | 20 |
| 95 | 78 | 75 | 77 | 74 | 77 |
| 20,499 | 19,400 | 18,748 | 17,825 | 16,187 | 16,276 |
| | | | | | |
| 9,681 | 9,913 | 9,933 | 10,749 | 10,628 | 8,113 |
| 325 | 360 | 385 | 384 | 403 | 409 |
| 56 | 35 | 41 | 36 | 32 | 26 |
| 950 | 957 | 921 | 917 | 870 | 889 |
| 144 | 83 | 164 | 159 | 294 | 218 |
| 435 | 366 | 362 | 368 | 343 | 349 |
| 132 | 125 | 120 | 122 | 116 | 113 |
| 739 | 824 | 814 | 712 | 704 | 611 |
| 12,462 | 12,663 | 12,740 | 13,447 | 13,390 | 10,728 |
| $ 32,961 | $ 32,063 | $ 31,488 | $ 31,272 | $ 29,577 | $ 27,004 |
| | | | | | |
| 2.8% | 1.8% | 0.7% | 5.7% | 9.5% | -0.9% |
| | | | | | |
| $ 8,970 | $ 8,886 | $ 8,733 | $ 8,682 | $ 8,843 | $ 9,260 |
| 2,724 | 2,566 | 2,422 | 2,398 | 2,399 | 2,531 |
| 13,196 | 13,039 | 12,682 | 12,688 | 12,236 | 10,764 |
| 912 | 876 | 870 | 886 | 897 | 990 |
| 5,057 | 4,613 | 4,474 | 3,860 | 3,401 | 3,704 |
| 3,238 | 3,187 | 3,007 | 3,129 | 2,932 | 2,512 |
| 194 | 219 | 330 | 439 | 619 | 612 |
| $ 34,291 | $ 33,386 | $ 32,518 | $ 32,082 | $ 31,327 | $ 30,373 |
| | | | | | |
| 2.7% | 2.7% | 1.4% | 2.4% | 3.1% | 4.6% |

**Net Position by Component**
**Accrual Basis of Accounting**

Last Ten Fiscal Years
(Dollars in Millions)

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Net Investment in Capital Assets (1) | $ 25,527 | $ 25,539 | $ 24,309 | $ 23,407 |
| Restricted | 1,918 | 954 | 1,365 | 1,436 |
| Unrestricted | (5,115) | (5,344) | (5,560) | (5,406) |
| **Total Governmental Activities Net Position** | 22,330 | 21,149 | 20,114 | 19,437 |
| **Business-type Activities:** | | | | |
| Net Investment in Capital Assets (1) | 34 | 38 | 33 | 34 |
| Restricted | 1,349 | 1,208 | 1,045 | 845 |
| Unrestricted | 684 | 692 | 508 | 500 |
| **Total Business-type Activities Net Position** | 2,067 | 1,938 | 1,586 | 1,379 |
| **Primary Government:** | | | | |
| Net Investment in Capital Assets (1) | 25,561 | 25,577 | 24,342 | 23,441 |
| Restricted | 3,267 | 2,162 | 2,410 | 2,281 |
| Unrestricted | (4,431) | (4,652) | (5,052) | (4,906) |
| **Total Primary Government Net Position** | $ 24,397 | $ 23,087 | $ 21,700 | $ 20,816 |

(1) Beginning with fiscal year 2013, GASB Statement No. 63 changed the title of Invested in Capital Assets, Net of Related Debt to Net Investment in Capital Assets. Balances reported in prior fiscal years were not affected.

Source: Department of Accounts

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| | | | | | |
| $ 22,317 | $ 20,259 | $ 19,891 | $ 18,320 | $ 17,424 | $ 16,209 |
| 1,465 | 1,456 | 1,648 | 1,171 | 1,160 | 1,421 |
| (2,820) | (1,531) | (2,216) | (1,596) | (1,887) | (1,555) |
| 20,962 | 20,184 | 19,323 | 17,895 | 16,697 | 16,075 |
| | | | | | |
| 12 | 30 | 34 | 35 | 31 | 23 |
| 587 | 371 | 179 | 16 | 16 | 372 |
| 563 | 261 | 143 | 70 | (169) | (180) |
| 1,162 | 662 | 356 | 121 | (122) | 215 |
| | | | | | |
| 22,329 | 20,289 | 19,925 | 18,355 | 17,455 | 16,232 |
| 2,052 | 1,827 | 1,827 | 1,187 | 1,176 | 1,793 |
| (2,257) | (1,270) | (2,073) | (1,526) | (2,056) | (1,735) |
| $ 22,124 | $ 20,846 | $ 19,679 | $ 18,016 | $ 16,575 | $ 16,290 |

## Changes in Net Position
## Accrual Basis of Accounting

Last Ten Fiscal Years
(Dollars in Millions)

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| **Expenses** | | | | |
| **Governmental Activities:** | | | | |
| General Government | $ 3,194 | $ 3,119 | $ 3,230 | $ 3,267 |
| Education | 10,731 | 10,457 | 10,178 | 9,845 |
| Transportation | 5,240 | 4,611 | 4,528 | 4,369 |
| Resources and Economic Development | 971 | 1,074 | 1,008 | 970 |
| Individual and Family Services | 15,598 | 14,708 | 14,024 | 13,277 |
| Administration of Justice | 2,989 | 2,853 | 2,922 | 2,751 |
| Interest and Charges on Long-term Debt | 167 | 222 | 240 | 224 |
| **Total Governmental Activities Expenses** | 38,890 | 37,044 | 36,130 | 34,703 |
| | | | | |
| **Business-type Activities:** | | | | |
| Virginia Lottery | 1,521 | 1,420 | 1,415 | 1,300 |
| Virginia College Savings Plan | 294 | 206 | 103 | 155 |
| Unemployment Compensation | 323 | 348 | 390 | 431 |
| Alcoholic Beverage Control | 666 | 632 | 615 | 580 |
| Risk Management | 10 | 10 | 14 | 10 |
| Local Choice Health Care | 460 | 447 | 412 | 350 |
| Line of Duty | 18 | - | - | - |
| Route 460 Funding Corporation of Virginia | - | - | 1 | 13 |
| Virginia Industries for the Blind | 46 | 53 | 42 | 43 |
| Consolidated Laboratory | 11 | 11 | 10 | 9 |
| eVA Procurement System | 20 | 21 | 23 | 23 |
| Department of Environmental Quality Title V | 10 | 11 | 11 | 10 |
| Wireless E-911 | 43 | 44 | 42 | 37 |
| Museum and Library Gift Shops | 8 | 7 | 7 | 7 |
| Behavioral Health Canteen and Work Activity | - | - | - | - |
| **Total Business-type Activities Expenses** | 3,430 | 3,210 | 3,085 | 2,968 |
| **Total Primary Government Expenses** | $ 42,320 | $ 40,254 | $ 39,215 | $ 37,671 |
| | | | | |
| **Program Revenues** | | | | |
| **Governmental Activities:** | | | | |
| Charges for Services: | | | | |
| General Government | $ 323 | $ 310 | $ 306 | $ 297 |
| Education | 649 | 608 | 563 | 545 |
| Transportation | 756 | 717 | 675 | 691 |
| Resources and Economic Development | 386 | 392 | 375 | 379 |
| Individual and Family Services | 350 | 345 | 365 | 366 |
| Administration of Justice | 283 | 280 | 284 | 316 |
| Operating Grants and Contributions | 9,871 | 9,469 | 9,147 | 8,915 |
| Capital Grants and Contributions | 1,953 | 1,642 | 1,467 | 1,619 |
| **Total Governmental Activities Program Revenues** | 14,571 | 13,763 | 13,182 | 13,128 |

Source: Department of Accounts

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| $ 3,362 | $ 3,019 | $ 2,878 | $ 2,917 | $ 2,829 | $ 2,541 |
| 9,431 | 9,281 | 9,181 | 9,086 | 9,312 | 9,566 |
| 3,602 | 3,307 | 3,030 | 2,839 | 2,311 | 2,786 |
| 940 | 928 | 985 | 1,006 | 1,107 | 1,003 |
| 13,116 | 12,941 | 12,712 | 12,663 | 12,285 | 10,757 |
| 2,927 | 2,760 | 2,639 | 2,641 | 2,741 | 2,611 |
| 238 | 255 | 229 | 228 | 206 | 201 |
| 33,616 | 32,491 | 31,654 | 31,380 | 30,791 | 29,465 |
| | | | | | |
| | | | | | |
| 1,266 | 1,194 | 1,121 | 1,030 | 998 | 920 |
| 104 | 156 | 96 | 243 | 294 | 115 |
| 536 | 584 | 640 | 662 | 923 | 881 |
| 555 | 533 | 507 | 479 | 469 | 467 |
| 13 | 12 | 13 | 8 | 7 | 6 |
| 308 | 296 | 267 | 230 | 231 | 231 |
| - | - | - | - | - | - |
| 82 | 67 | - | - | - | - |
| 38 | 31 | 32 | 28 | 28 | 24 |
| 9 | 8 | 7 | 7 | 6 | 6 |
| 20 | 20 | 19 | 17 | 19 | 18 |
| 12 | 11 | 11 | 10 | 10 | 11 |
| 37 | 42 | 41 | 38 | 48 | 53 |
| 6 | 7 | 6 | 7 | 2 | 1 |
| 1 | 1 | 1 | - | 1 | 1 |
| 2,987 | 2,962 | 2,761 | 2,759 | 3,036 | 2,734 |
| $ 36,603 | $ 35,453 | $ 34,415 | $ 34,139 | $ 33,827 | $ 32,199 |
| | | | | | |
| | | | | | |
| | | | | | |
| $ 255 | $ 250 | $ 255 | $ 254 | $ 248 | $ 243 |
| 518 | 448 | 397 | 388 | 380 | 373 |
| 652 | 680 | 645 | 650 | 611 | 643 |
| 359 | 345 | 393 | 309 | 306 | 299 |
| 376 | 413 | 429 | 430 | 411 | 415 |
| 401 | 322 | 323 | 322 | 308 | 321 |
| 8,732 | 8,820 | 9,178 | 9,950 | 9,951 | 7,584 |
| 1,509 | 1,754 | 1,267 | 1,324 | 1,603 | 997 |
| 12,802 | 13,032 | 12,887 | 13,627 | 13,818 | 10,875 |

*Continued on next page*

**Changes in Net Position**
**Accrual Basis of Accounting** *(Continued from previous page)*

Last Ten Fiscal Years
(Dollars in Millions)

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| **Business-type Activities:** | | | | |
| Charges for Services: | | | | |
| Virginia Lottery | 2,140 | 1,991 | 2,007 | 1,844 |
| Virginia College Savings Plan | 296 | 404 | 146 | 188 |
| Unemployment Compensation | 461 | 513 | 594 | 693 |
| Alcoholic Beverage Control | 845 | 807 | 772 | 730 |
| Risk Management | 13 | 13 | 9 | 8 |
| Local Choice Health Care | 463 | 430 | 393 | 343 |
| Line of Duty | 20 | - | - | - |
| Virginia Industries for the Blind | 44 | 53 | 42 | 44 |
| Consolidated Laboratory | 12 | 10 | 9 | 10 |
| eVA Procurement System | 21 | 21 | 21 | 20 |
| Department of Environmental Quality Title V | 9 | 9 | 11 | 11 |
| Wireless E-911 | 61 | 60 | 58 | 55 |
| Museum and Library Gift Shops | 8 | 7 | 7 | 8 |
| Behavioral Health Canteen and Work Activity | - | - | - | - |
| Operating Grants and Contributions | 1 | 4 | - | - |
| Capital Contributions | - | - | - | - |
| **Total Business-type Activities Program Revenue** | 4,394 | 4,322 | 4,069 | 3,954 |
| **Total Primary Government Program Revenues** | $ 18,965 | $ 18,085 | $ 17,251 | $ 17,082 |
| | | | | |
| **Net (Expense)/Revenue** | | | | |
| Governmental Activities | $ (24,319) | $ (23,281) | $ (22,948) | $ (21,575) |
| Business-type Activities | 964 | 1,112 | 984 | 986 |
| **Total Primary Government Net Expense** | $ (23,355) | $ (22,169) | $ (21,964) | $ (20,589) |
| | | | | |
| **General Revenues and Other Changes in Net Position** | | | | |
| **Governmental Activities:** | | | | |
| Taxes: | | | | |
| Individual and Fiduciary Income | $ 14,118 | $ 13,113 | $ 12,685 | $ 12,266 |
| Sales and Use | 5,267 | 5,104 | 4,994 | 4,830 |
| Corporation Income | 852 | 834 | 773 | 801 |
| Motor Fuel | 1,031 | 998 | 976 | 888 |
| Motor Vehicle Sales and Use | 935 | 948 | 910 | 846 |
| Communications Sales and Use | 383 | 396 | 405 | 416 |
| Premiums of Insurance Companies | 517 | 479 | 485 | 453 |
| Public Service Corporations | 112 | 108 | 108 | 119 |
| Other Taxes | 1,055 | 1,050 | 1,001 | 959 |
| Unrestricted Grants and Contributions | 61 | 55 | 48 | 49 |
| Investment Earnings | 72 | 65 | 63 | 16 |
| Miscellaneous | 525 | 467 | 282 | 206 |
| Special Item | - | - | - | (134) |
| Transfers | 827 | 770 | 787 | 728 |
| **Total Governmental Activities** | 25,755 | 24,387 | 23,517 | 22,443 |
| | | | | |
| **Business-type Activities:** | | | | |
| Other Taxes | 9 | 9 | 9 | 9 |
| Investment Earnings | 1 | 1 | 1 | 2 |
| Miscellaneous | - | - | - | - |
| Special Items | - | - | - | 34 |
| Transfers | (827) | (770) | (787) | (728) |
| **Total Business-type Activities** | (817) | (760) | (777) | (683) |
| **Total Primary Government** | $ 24,938 | $ 23,627 | $ 22,740 | $ 21,760 |
| | | | | |
| **Change in Net Position** | | | | |
| Governmental Activities | $ 1,436 | $ 1,106 | $ 569 | $ 868 |
| Business-type Activities | 147 | 352 | 207 | 303 |
| **Total Primary Government** | $ 1,583 | $ 1,458 | $ 776 | $ 1,171 |

Source: Department of Accounts

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| | | | | | |
| 1,811 | 1,690 | 1,616 | 1,483 | 1,436 | 1,366 |
| 408 | 301 | 160 | 459 | 371 | (117) |
| 761 | 790 | 853 | 686 | 524 | 341 |
| 689 | 662 | 633 | 598 | 584 | 573 |
| 9 | 5 | 5 | 4 | 5 | 6 |
| 321 | 285 | 259 | 247 | 241 | 226 |
| - | - | - | - | - | - |
| 36 | 30 | 32 | 28 | 30 | 24 |
| 9 | 7 | 8 | 8 | 7 | 9 |
| 16 | 16 | 16 | 19 | 17 | 27 |
| 11 | 11 | 8 | 7 | 10 | 9 |
| 54 | 62 | 55 | 53 | 53 | 51 |
| 6 | 8 | 7 | 8 | 2 | 2 |
| - | - | 1 | - | - | - |
| - | - | - | 1 | 4 | 105 |
| 70 | 61 | - | - | - | - |
| 4,201 | 3,928 | 3,653 | 3,601 | 3,284 | 2,622 |
| $ 17,003 | $ 16,960 | $ 16,540 | $ 17,228 | $ 17,102 | $ 13,497 |
| | | | | | |
| | | | | | |
| $ (20,814) | $ (19,459) | $ (18,767) | $ (17,753) | $ (16,973) | $ (18,590) |
| 1,214 | 966 | 892 | 842 | 248 | (112) |
| $ (19,600) | $ (18,493) | $ (17,875) | $ (16,911) | $ (16,725) | $ (18,702) |
| | | | | | |
| | | | | | |
| | | | | | |
| $ 11,681 | $ 11,400 | $ 10,814 | $ 10,050 | $ 8,779 | $ 9,559 |
| 4,597 | 3,941 | 3,885 | 3,669 | 3,569 | 3,554 |
| 770 | 805 | 979 | 852 | 846 | 546 |
| 792 | 879 | 900 | 903 | 891 | 889 |
| 781 | 582 | 538 | 495 | 440 | 406 |
| 420 | 424 | 423 | 557 | 456 | - |
| 460 | 407 | 391 | 406 | 414 | 365 |
| 119 | 116 | 115 | 113 | 112 | 103 |
| 896 | 909 | 849 | 795 | 777 | 814 |
| 49 | 74 | 49 | 48 | 49 | 60 |
| 44 | 6 | 84 | 63 | 205 | 143 |
| 234 | 306 | 465 | 286 | 427 | 237 |
| - | - | - | - | - | - |
| 724 | 670 | 668 | 615 | 597 | 591 |
| 21,567 | 20,519 | 20,160 | 18,852 | 17,562 | 17,267 |
| | | | | | |
| | | | | | |
| 9 | 9 | 9 | 9 | 10 | 13 |
| 2 | 1 | 1 | 1 | 2 | 4 |
| 1 | - | - | - | - | - |
| - | - | - | - | - | - |
| (724) | (670) | (668) | (614) | (597) | (591) |
| (712) | (660) | (658) | (604) | (585) | (574) |
| $ 20,855 | $ 19,859 | $ 19,502 | $ 18,248 | $ 16,977 | $ 16,693 |
| | | | | | |
| | | | | | |
| $ 753 | $ 1,060 | $ 1,394 | $ 1,099 | $ 589 | $ (1,323) |
| 502 | 306 | 234 | 238 | (337) | (686) |
| $ 1,255 | $ 1,366 | $ 1,628 | $ 1,337 | $ 252 | $ (2,009) |

**Fund Balance, Governmental Funds**
**Modified Accrual Basis of Accounting**

Last Ten Fiscal Years
(Dollars in Millions)

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| **General Fund** | | | | |
| Reserved (1) | $ - | $ - | $ - | $ - |
| Unreserved (1) | - | - | - | - |
| Nonspendable | 105 | 127 | 114 | 120 |
| Restricted | 567 | 568 | 908 | 1,086 |
| Committed | 759 | 482 | 397 | 296 |
| Unassigned | (588) | (679) | (709) | (653) |
| **Total** | $ 843 | $ 498 | $ 710 | $ 849 |
| **All Other Governmental Funds** | | | | |
| **Special Revenue Funds** | | | | |
| Reserved (1) | $ - | $ - | $ - | $ - |
| Unreserved (1) | - | - | - | - |
| Nonspendable | 159 | 147 | 159 | 128 |
| Restricted | 679 | 570 | 583 | 759 |
| Committed | 2,391 | 2,148 | 2,094 | 2,244 |
| Assigned | 32 | 29 | 29 | 29 |
| Unassigned | (98) | (67) | - | (60) |
| **Debt Service Funds** | | | | |
| Reserved (1) | - | - | - | - |
| Restricted | 42 | 32 | 22 | 45 |
| **Capital Projects Funds** | | | | |
| Unreserved (1) | - | - | - | - |
| Nonspendable | - | - | - | - |
| Restricted | 1,292 | 194 | 40 | 288 |
| **Permanent Funds** | | | | |
| Unreserved (1) | - | - | - | - |
| Nonspendable | 38 | 37 | 34 | 35 |
| Restricted | 2 | 2 | 1 | 1 |
| **Total** | $ 4,537 | $ 3,092 | $ 2,962 | $ 3,469 |

(1) GASB Statement No. 54 changes in fund balance information presented in this section began with fiscal year 2011. Fund balances prior to fiscal year 2011 were not reclassified because this was deemed impractical. The nature of the difference between fiscal year 2011 forward and all prior years relates to fund balances for those prior years not being reclassified to GASB Statement No. 54 fund classifications. For additional information on fund balance classifications, see Note 3, Fund Balance Classifications.

Source: Department of Accounts

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ 395 | $ 670 |
| - | - | - | - | (1,069) | (928) |
| 111 | 120 | 118 | 113 | - | - |
| 971 | 962 | 729 | 464 | - | - |
| 330 | 503 | 486 | 410 | - | - |
| (782) | (947) | (821) | (1,046) | - | - |
| $ 630 | $ 638 | $ 512 | $ (59) | $ (674) | $ (258) |
| | | | | | |
| $ - | $ - | $ - | $ - | $ 410 | $ 204 |
| - | - | - | - | 2,502 | 2,325 |
| 104 | 118 | 105 | 111 | - | - |
| 880 | 588 | 567 | 422 | - | - |
| 2,145 | 2,556 | 2,923 | 2,683 | - | - |
| 17 | 14 | 12 | 10 | - | - |
| - | - | - | - | - | - |
| | | | | | |
| - | - | - | - | 105 | 102 |
| 44 | 35 | 79 | 68 | - | - |
| | | | | | |
| - | - | - | - | 206 | 331 |
| - | - | - | - | - | - |
| 53 | 214 | 202 | 145 | - | - |
| | | | | | |
| - | - | - | - | 47 | 45 |
| 34 | 31 | 28 | 29 | - | - |
| 1 | 1 | 1 | 1 | - | - |
| $ 3,278 | $ 3,557 | $ 3,917 | $ 3,469 | $ 3,270 | $ 3,007 |

**Changes in Fund Balance, Governmental Funds**
**Modified Accrual Basis of Accounting**

Last Ten Fiscal Years
(Dollars in Millions)

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 24,319 | $ 22,963 | $ 22,296 | $ 21,557 |
| Rights and Privileges | 1,081 | 1,021 | 977 | 978 |
| Institutional Revenue | 233 | 241 | 267 | 303 |
| Interest, Dividends, Rents, and | | | | |
| Other Investment Income | 159 | 146 | 134 | 91 |
| Federal Grants and Contracts | 10,537 | 10,392 | 9,885 | 9,727 |
| Other | 2,396 | 1,632 | 1,535 | 1,514 |
| Total Revenues | 38,725 | 36,395 | 35,094 | 34,170 |
| | | | | |
| **Expenditures** | | | | |
| General Government | 2,692 | 2,691 | 2,821 | 2,544 |
| Education | 10,129 | 9,816 | 9,373 | 9,372 |
| Transportation | 6,015 | 5,732 | 5,817 | 5,348 |
| Resources and Economic Development | 926 | 981 | 915 | 929 |
| Individual and Family Services | 15,641 | 14,805 | 14,186 | 13,421 |
| Administration of Justice | 3,044 | 2,875 | 2,801 | 2,690 |
| Capital Outlay | 504 | 381 | 331 | 251 |
| Debt Service: | | | | |
| Principal Retirement | 433 | 413 | 424 | 441 |
| Interest and Charges | 295 | 281 | 282 | 276 |
| Total Expenditures | 39,679 | 37,975 | 36,950 | 35,272 |
| Revenues Over (Under) Expenditures | (954) | (1,580) | (1,856) | (1,102) |
| | | | | |
| **Other Financing Sources (Uses)** | | | | |
| Transfers In | 1,913 | 1,731 | 1,673 | 1,706 |
| Transfers Out | (1,086) | (959) | (884) | (972) |
| Notes Issued | 15 | 8 | 4 | 7 |
| Insurance Recoveries | 4 | 1 | 1 | 1 |
| Capital Leases Issued | 1 | 2 | 1 | - |
| Bonds Issued | 1,280 | 685 | 274 | 671 |
| Premium on Debt Issuance | 367 | 174 | 45 | 150 |
| Refunding Bonds Issued | 1,062 | 276 | 76 | 536 |
| Sale of Capital Assets | 22 | 11 | 15 | 24 |
| Payments to Refunded Bond Escrow Agents | (1,271) | (331) | (93) | (618) |
| Total Other Financing Sources (Uses) | 2,307 | 1,598 | 1,112 | 1,505 |
| | | | | |
| Net Change in Fund Balances | $ 1,353 | $ 18 | $ (744) | $ 403 |
| | | | | |
| Debt Service as a Percentage of | | | | |
| Noncapital Expenditures (1) | 1.95% | 2.01% | 2.05% | 2.22% |

(1) Noncapital expenditures exclude expenditures for capital outlay, which are recorded by function. The majority of these expenditures were for Transportation.

Source: Department of Accounts

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| | | | | | |
| $ 20,499 | $ 19,400 | $ 18,748 | $ 17,825 | $ 16,187 | $ 16,276 |
| 950 | 957 | 921 | 917 | 869 | 889 |
| 325 | 360 | 385 | 384 | 403 | 409 |
| | | | | | |
| 144 | 83 | 164 | 159 | 294 | 218 |
| 9,681 | 9,913 | 9,933 | 10,749 | 10,628 | 8,112 |
| 1,362 | 1,350 | 1,337 | 1,238 | 1,196 | 1,100 |
| 32,961 | 32,063 | 31,488 | 31,272 | 29,577 | 27,004 |
| | | | | | |
| | | | | | |
| 2,538 | 2,424 | 2,322 | 2,439 | 2,306 | 1,889 |
| 8,970 | 8,886 | 8,733 | 8,683 | 8,842 | 9,260 |
| 5,057 | 4,613 | 4,474 | 3,860 | 3,401 | 3,704 |
| 912 | 876 | 870 | 886 | 897 | 990 |
| 13,196 | 13,039 | 12,682 | 12,688 | 12,236 | 10,764 |
| 2,724 | 2,566 | 2,422 | 2,398 | 2,399 | 2,531 |
| 194 | 219 | 330 | 439 | 619 | 612 |
| | | | | | |
| 421 | 474 | 423 | 456 | 420 | 416 |
| 279 | 289 | 262 | 233 | 206 | 207 |
| 34,291 | 33,386 | 32,518 | 32,082 | 31,326 | 30,373 |
| (1,330) | (1,323) | (1,030) | (810) | (1,749) | (3,369) |
| | | | | | |
| | | | | | |
| 1,661 | 1,625 | 1,770 | 1,498 | 1,624 | 1,571 |
| (927) | (940) | (1,097) | (876) | (1,022) | (976) |
| 16 | 22 | 10 | 37 | 20 | 21 |
| - | 1 | 3 | 8 | 5 | 8 |
| - | - | 1 | 2 | 1 | 1 |
| 273 | 264 | 1,196 | 883 | 941 | 646 |
| 75 | 85 | 217 | 71 | 44 | 46 |
| 277 | 201 | 319 | 51 | 124 | 68 |
| 16 | 96 | 4 | 3 | 4 | 4 |
| (337) | (258) | (373) | (55) | (146) | (74) |
| 1,054 | 1,096 | 2,050 | 1,622 | 1,595 | 1,315 |
| | | | | | |
| $ (276) | $ (227) | $ 1,020 | $ 812 | $ (154) | $ (2,054) |
| | | | | | |
| | | | | | |
| 2.21% | 2.58% | 2.29% | 2.30% | 2.04% | 2.09% |

## Comparison of General Fund Balance

Last Ten Fiscal Years
(Dollars in Millions)

| Fiscal Year Ended June 30, | Fund Balance: Budgetary Basis | Fund Balance: Modified Accrual Basis |
|---|---|---|
| 2018 | $ 1,787.0 | $ 843.5 |
| 2017 | 1,339.9 | 498.4 |
| 2016 | 1,478.4 | 710.3 |
| 2015 | 1,759.2 | 848.4 |
| 2014 | 1,349.3 | 629.6 |
| 2013 | 1,820.6 | 637.9 |
| 2012 | 1,683.4 | 512.4 |
| 2011 | 1,297.6 | (58.8) |
| 2010 | 870.9 | (674.3) |
| 2009 | 823.5 | (258.5) |

Source: Department of Accounts

# Revenue Capacity

## Personal Income Tax Rates

Last Ten Fiscal Years
(Dollars in Millions)

| For the Fiscal Year Ended June 30, | Personal Income Tax Collections (1) | Personal Income (2)(3) | Average Effective Rate (3)(4) |
|---|---|---|---|
| 2018 | $ 14,106 | $ 476,304 | 2.96% |
| 2017 | 13,053 | 457,400 | 2.85% |
| 2016 | 12,556 | 444,846 | 2.82% |
| 2015 | 12,329 | 431,144 | 2.86% |
| 2014 | 11,253 | 409,121 | 2.75% |
| 2013 | 11,340 | 404,767 | 2.80% |
| 2012 | 10,613 | 395,593 | 2.68% |
| 2011 | 9,944 | 375,651 | 2.65% |
| 2010 | 9,088 | 354,956 | 2.56% |
| 2009 | 9,481 | 352,173 | 2.69% |

(1) Tax revenues from individual and fiduciary income tax.
(2) Personal income amounts provided by U.S. Bureau of Economic Analysis website.
(3) Amounts for fiscal years 2009-2017 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.
(4) Average effective rate equals tax collections divided by income.

Sources: Department of Taxation
U.S. Bureau of Economic Analysis

## Effective Tax Rates (1)

Tax Years 2008-2017

| Income Tax Bracket | Tax Rate |
|---|---|
| $0 - $3,000 | 2.00% |
| $3,000 - $5,000 | 2.00% - 2.40% |
| $5,000 - $17,000 | 2.40% - 4.23% |
| $17,000 - $30,000 | 4.23% - 4.89% |
| $30,000 - $50,000 | 4.89% - 5.23% |
| $50,000 - $100,000 | 5.23% - 5.49% |
| Over $100,000 | 5.49% up to 5.75% |

(1) Amounts shown are for all filing status returns.

Source: Department of Taxation

## Personal Income Tax Filers and Liability by Income Level (1)

Current Year and Ten Years Ago

| | Tax Year Ended December 31, 2016 (2) | | | | Tax Year Ended December 31, 2007 | | | |
|---|---|---|---|---|---|---|---|---|
| Income Level | Number of Returns | % of Total | Income Tax Liability | % of Total | Number of Returns | % of Total | Income Tax Liability | % of Total |
| $100,000 and higher | 762,736 | 19.7% | $ 8,076,515,117 | 68.5% | 566,325 | 15.8% | $ 6,181,313,664 | 64.4% |
| $75,000 - $99,999 | 329,562 | 8.5% | 1,209,759,206 | 10.3% | 306,491 | 8.5% | 1,047,809,921 | 10.9% |
| $50,000 - $74,999 | 500,533 | 12.9% | 1,193,606,225 | 10.1% | 485,731 | 13.5% | 1,088,530,165 | 11.3% |
| $25,000 - $49,999 | 876,622 | 22.6% | 1,053,866,555 | 8.9% | 854,021 | 23.7% | 980,465,799 | 10.2% |
| $10,000 - $24,999 | 749,793 | 19.4% | 262,739,435 | 2.2% | 737,561 | 20.5% | 286,444,993 | 3.0% |
| $9,999 and low er | 653,152 | 16.9% | 4,490,607 | 0.0% | 647,783 | 18.0% | 17,197,862 | 0.2% |
| Total | 3,872,398 | 100.0% | $ 11,800,977,145 | 100.0% | 3,597,912 | 100.0% | $ 9,601,762,404 | 100.0% |

(1) Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the state's revenue.

(2) Tax year 2016 is the most recent year for which data are available.

Source: Department of Taxation

## Personal Income by Industry

Last Ten Fiscal Years
(Dollars in Millions)

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Farm Earnings | $ 162 | $ 201 | $ 362 | $ 567 |
| Agricultural/Forestry, Fishing, and Other | 475 | 475 | 471 | 411 |
| Mining | 476 | 345 | 284 | 512 |
| Construction | 18,655 | 17,533 | 16,983 | 16,644 |
| Manufacturing | 18,175 | 17,463 | 17,797 | 18,201 |
| Transportation, Warehousing, Information and Public Utilities | 17,686 | 17,502 | 17,926 | 18,022 |
| Wholesale Trade | 11,166 | 10,769 | 10,533 | 10,411 |
| Retail Trade | 16,083 | 15,791 | 15,712 | 15,346 |
| Finance, Insurance, Real Estate, Rental and Leasing | 24,161 | 22,411 | 21,400 | 19,912 |
| Services | 146,182 | 139,390 | 134,345 | 129,169 |
| Federal, Civilian | 26,800 | 26,300 | 25,364 | 24,470 |
| Military | 12,716 | 12,622 | 12,811 | 12,764 |
| State and Local Government | 36,822 | 36,007 | 35,170 | 33,979 |
| Other (3) | 146,745 | 140,591 | 135,688 | 130,736 |
| Total Personal Income | $ 476,304 | $ 457,400 | $ 444,846 | $ 431,144 |

(1) Personal income figures for fiscal year 2018 are estimated.
(2) Amounts for fiscal years 2009-2017 were revised to reflect the incorporation of newly available and revised source data.
(3) Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

Source: U.S. Bureau of Economic Analysis (BEA)

Note: Details may not agree to BEA due to rounding.

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| $ 719 | $ 712 | $ 663 | $ 520 | $ 356 | $ 328 |
| 352 | 315 | 288 | 253 | 258 | 250 |
| 757 | 987 | 1,063 | 950 | 755 | 877 |
| 15,972 | 15,680 | 14,580 | 13,562 | 13,192 | 14,163 |
| 17,371 | 16,919 | 16,319 | 15,857 | 15,580 | 16,267 |
| 17,062 | 16,156 | 16,330 | 16,601 | 16,634 | 17,052 |
| 9,966 | 9,808 | 9,730 | 9,490 | 9,023 | 9,447 |
| 14,854 | 14,416 | 13,899 | 13,354 | 12,976 | 12,945 |
| 19,102 | 20,271 | 19,281 | 17,819 | 16,116 | 15,230 |
| 123,919 | 123,296 | 119,099 | 114,427 | 109,028 | 105,604 |
| 23,043 | 23,026 | 22,993 | 22,472 | 21,146 | 19,577 |
| 12,706 | 12,967 | 13,299 | 13,498 | 13,596 | 13,194 |
| 32,627 | 31,433 | 29,847 | 29,526 | 29,576 | 29,165 |
| 120,671 | 118,781 | 118,202 | 107,322 | 96,720 | 98,074 |
| $ 409,121 | $ 404,767 | $ 395,593 | $ 375,651 | $ 354,956 | $ 352,173 |

**Taxable Sales by Business Class (1) (2) (3)**

Last Ten Calendar Years
(Dollars in Millions)

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| Alcoholic Beverage | 784 | 658 | 718 | 676 |
| Apparel | 4,986 | 5,049 | 5,001 | 4,918 |
| Automotive | 3,234 | 3,238 | 3,159 | 3,024 |
| Food | 31,908 | 31,564 | 30,627 | 28,972 |
| Fuel | 2,221 | 2,144 | 1,967 | 1,864 |
| Furniture, Home Furnishings, and Equipment | 2,338 | 3,222 | 2,840 | 2,663 |
| General Merchandise | 21,643 | 21,686 | 21,917 | 21,693 |
| Hotels, Motels, Tourist Camps, etc. | 3,738 | 3,590 | 3,452 | 3,238 |
| Lumber, Building Materials, and Supply | 7,739 | 9,123 | 8,865 | 8,589 |
| Machinery, Equipment, and Supplies | 287 | 292 | 330 | 303 |
| Miscellaneous | 22,179 | 18,888 | 19,067 | 17,994 |
| Other Miscellaneous and Unidentifiable | 2,520 | 2,225 | 2,273 | 2,270 |
| Total | $ 103,577 | $ 101,679 | $ 100,216 | $ 96,204 |
| | | | | |
| Direct Sales Tax Rate (2) | 5.3% | 5.3% | 5.3% | 5.3% |

(1) Retail sales information is available only on a calendar-year basis.
(2) Effective July 1, 2013, the sales tax rate increased from 5.0 percent to 5.3 percent.
(3) Some prior year amounts were revised to reflect the incorporation of newly available and revised source data

Source: Department of Taxation
Weldon Cooper Center for Public Service, University of Virginia

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| 640 | 559 | 567 | 545 | 532 | 517 |
| 6,668 | 6,545 | 4,749 | 4,601 | 4,494 | 5,015 |
| 2,945 | 2,860 | 2,717 | 2,555 | 2,397 | 2,440 |
| 27,924 | 27,150 | 25,691 | 24,617 | 24,134 | 23,721 |
| 1,880 | 1,899 | 1,828 | 1,691 | 1,582 | 1,539 |
| 2,645 | 2,612 | 2,538 | 2,442 | 2,519 | 2,310 |
| 21,852 | 21,568 | 20,635 | 19,836 | 19,577 | 19,387 |
| 3,098 | 3,107 | 2,988 | 2,837 | 2,804 | 3,066 |
| 8,513 | 8,112 | 7,750 | 7,652 | 7,369 | 6,924 |
| 300 | 357 | 309 | 243 | 173 | 241 |
| 16,031 | 16,228 | 16,341 | 16,402 | 16,780 | 20,446 |
| 2,088 | 2,321 | 2,955 | 2,997 | 3,505 | 4,495 |
| $ 94,584 | $ 93,318 | $ 89,068 | $ 86,418 | $ 85,866 | $ 90,101 |
| 5.3% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |

## Sales Tax Revenue by Business Class (1)

Tax Year 2017 and Nine Years Ago

| | Tax Year Ended December 31, 2017 (2) | | | | Tax Year Ended December 31, 2008 | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of Filers | % of Total | Tax Liability | % of Total | Number of Filers | % of Total | Tax Liability | % of Total |
| Alcoholic Beverage | 403 | 0.4% | $ 784,335,981 | 0.8% | 330 | 0.3% | $ 517,002,654 | 0.6% |
| Apparel | 3,895 | 3.8% | 4,985,790,027 | 4.8% | 4,439 | 4.1% | 5,015,320,222 | 5.6% |
| Automotive | 3,054 | 3.0% | 3,233,615,826 | 3.1% | 3,359 | 3.1% | 2,440,202,747 | 2.7% |
| Food | 22,925 | 22.3% | 31,908,374,295 | 30.8% | 19,856 | 18.4% | 23,720,807,592 | 26.3% |
| Fuel | 2,410 | 2.3% | 2,221,542,714 | 2.1% | 3,036 | 2.8% | 1,539,259,500 | 1.7% |
| Furniture, Home Furnishings, and Equipment | 2,392 | 2.3% | 2,337,649,615 | 2.3% | 3,384 | 3.1% | 2,310,233,429 | 2.5% |
| General Merchandise | 15,794 | 15.3% | 21,642,644,660 | 20.9% | 16,171 | 14.9% | 19,386,794,341 | 21.5% |
| Hotels, Motels, Tourist Camps, etc. | 2,349 | 2.3% | 3,737,683,206 | 3.6% | 2,191 | 2.0% | 3,066,295,896 | 3.4% |
| Lumber, Building Materials, and Supply | 4,036 | 3.9% | 7,738,692,650 | 7.5% | 4,852 | 4.5% | 6,924,112,097 | 7.7% |
| Machinery, Equipment, and Supply | 159 | 0.1% | 286,706,725 | 0.3% | 163 | 0.2% | 240,565,640 | 0.3% |
| Miscellaneous | 38,686 | 37.6% | 22,179,065,527 | 21.4% | 41,780 | 38.6% | 20,445,979,629 | 22.7% |
| Other Miscellaneous and Unidentifiable | 6,907 | 6.7% | 2,520,576,779 | 2.4% | 8,663 | 8.0% | 4,494,815,376 | 5.0% |
| Total | 103,010 | 100.0% | $ 103,576,678,005 | 100.0% | 108,224 | 100.0% | $ 90,101,389,123 | 100.0% |

(1) Due to confidentiality issues, the names of the ten largest revenue payers are not presented. The categories presented are intended to provide alternative information regarding the sources of the state's revenue.
(2) Tax year 2017 is the most recent year for which data are available.

Sources: Weldon Cooper Center for Public Service, University of Virginia

# Debt Capacity

## Ratios of Outstanding Debt by Type

Last Ten Fiscal Years
(Amounts in Thousands except Per Capita)

| For the Fiscal Year Ended June 30, | Governmental Activities | | | Business-type Activities | | Total Primary Government | Debt as a Percentage of Personal Income (2) | Amount Per Capita (3) |
|---|---|---|---|---|---|---|---|---|
| | General Obligation Bonds | Non- General Obligation Bonds | Other Long-term Obligations (1) | Non-General Obligation Bonds | Other Long-term Obligations (1) | | | |
| 2018 | $ 476,528 | $ 7,274,962 | $ 171,180 | $ - | $ - | $ 7,922,670 | 1.66% | $ 934 |
| 2017 | 538,211 | 6,245,009 | 188,640 | - | 5,025 | 6,976,885 | 1.53% | 824 |
| 2016 | 601,632 | 5,826,798 | 200,227 | - | 5,359 | 6,634,016 | 1.49% | 789 |
| 2015 | 675,371 | 5,911,768 | 222,877 | 320,110 | 5,708 | 7,135,834 | 1.66% | 851 |
| 2014 | 742,869 | 5,555,935 | 233,002 | 317,305 | 6,072 | 6,855,183 | 1.68% | 823 |
| 2013 | 791,992 | 5,593,228 | 285,594 | 314,662 | 6,453 | 6,991,929 | 1.73% | 846 |
| 2012 | 873,741 | 5,703,448 | 326,543 | - | 449 | 6,904,181 | 1.75% | 843 |
| 2011 | 960,374 | 4,701,764 | 348,972 | - | 918 | 6,012,028 | 1.60% | 743 |
| 2010 | 1,049,386 | 4,120,056 | 366,170 | - | 1,594 | 5,537,206 | 1.56% | 690 |
| 2009 | 1,077,520 | 3,549,958 | 373,594 | - | 2,883 | 5,003,955 | 1.42% | 631 |

(1) Pension, compensated absences, other postemployment benefits, other liabilities, lottery prizes payable, tuition benefits payable, and pollution remediation obligations have been excluded.
(2) Personal income amounts used for this calculation were obtained from the U. S. Bureau of Economic Analysis.
(3) Population statistics used in this calculation were provided by the Department of Taxation and the Weldon Cooper Center for Public Service at the University of Virginia. Fiscal year 2018 population was estimated.

Sources: Department of Accounts
Department of Taxation
U. S. Bureau of Economic Analysis

## Ratios of General Obligation Bonded Debt Outstanding

Last Ten Fiscal Years
(Amounts in Thousands except Per Capita)

| For the Fiscal Year Ended June 30, | General Bonded Debt Outstanding [1] [2] | | | | Percentage of Tax Revenues [6] | Amount Per Capita [7] |
|---|---|---|---|---|---|---|
| | Governmental | | Higher Education [5] | | | |
| | 9(b) [3] | 9(c) [4] | 9(c) | Total | | |
| 2018 | $ 457,764 | $ 18,764 | $ 836,874 | $ 1,313,402 | 9.31% | $ 155 |
| 2017 | 515,468 | 22,743 | 897,018 | 1,435,229 | 11.00% | 169 |
| 2016 | 571,915 | 29,717 | 877,118 | 1,478,750 | 11.78% | 176 |
| 2015 | 642,181 | 33,190 | 936,857 | 1,612,228 | 13.08% | 192 |
| 2014 | 706,192 | 36,677 | 925,086 | 1,667,955 | 14.82% | 200 |
| 2013 | 752,493 | 39,499 | 877,858 | 1,669,850 | 14.73% | 202 |
| 2012 | 831,148 | 42,593 | 906,474 | 1,780,215 | 16.77% | 217 |
| 2011 | 914,574 | 45,800 | 765,280 | 1,725,654 | 17.35% | 213 |
| 2010 | 999,841 | 49,545 | 631,275 | 1,680,661 | 18.49% | 209 |
| 2009 | 1,040,636 | 36,884 | 573,550 | 1,651,070 | 17.41% | 208 |

[1] Beginning with fiscal year 2014, GASB Statement No. 65 removed deferrals of debt defeasance from the debt balances. Balances reported in prior fiscal years netted the deferrals against the debt balances. Amounts are net of unamortized premiums, discounts, deferrals on debt defeasance, and/or issuance expenses.
[2] There are currently no Section 9(a) bonds outstanding.
[3] Section 9(b) bonds have been authorized by the citizens of Virginia through bond referenda to finance capital projects. These bonds are retired through the use of state appropriations.
[4] Section 9(c) bonds are issued to finance capital projects which, when completed, will generate revenue to repay the debt.
[5] While these bonds are issued for and allocated to institutions, they are backed by the full faith and credit of the Commonwealth.
[6] Individual and fiduciary Income tax collections were used for this calculation.
[7] Population statistics used in this calculation are provided by the Department of Taxation and the Weldon Cooper Center for Public Service at the University of Virginia. Fiscal year 2018 population was estimated.

Source: Department of Accounts

## Computation of Legal Debt Limit and Margin

Last Ten Fiscal Years
(Dollars in Thousands)

| Tax Revenues Required for Computation | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Taxes on Income and Retail Sales: | | | | |
| Individual and Fiduciary Income Tax [1] | $ 14,105,766 | $ 13,052,887 | $ 12,555,624 | $ 12,328,675 |
| Corporate Income Tax [2] | 861,897 | 826,961 | 764,948 | 831,907 |
| State Sales and Use Tax [3] | 3,827,078 | 3,720,552 | 3,651,400 | 3,587,849 |
| Total | $ 18,794,741 | $ 17,600,400 | $ 16,971,972 | $ 16,748,431 |
| | | | | |
| **Average Tax Revenues (Three Fiscal Years)** | $ 17,789,038 | $ 17,106,934 | $ 16,376,822 | $ 15,904,892 |
| | | | | |
| **Section 9(a) [2] General Obligation Debt Limit [4]** | | | | |
| Debt Issuance Limit | | | | |
| (30% of 1.15 times annual tax revenues) | $ 6,484,186 | $ 6,072,138 | $ 5,855,330 | $ 5,778,209 |
| Less Bonds Outstanding: | - | - | - | - |
| Debt Issuance Margin for Section 9(a) [2] | | | | |
| General Obligation Bonds | $ 6,484,186 | $ 6,072,138 | $ 5,855,330 | $ 5,778,209 |
| | | | | |
| Debt Applicable to Limit as a % Limit | 0.00% | 0.00% | 0.00% | 0.00% |
| | | | | |
| **Section 9(b) General Obligation Debt Limit** | | | | |
| Debt Issuance Limit | | | | |
| (1.15 times average tax revenues for three fiscal years) | $ 20,457,393 | $ 19,672,974 | $ 18,833,345 | $ 18,290,626 |
| Less Bonds Outstanding:** | | | | |
| Public Facilities Bonds [6] | 457,764 | 515,468 | 571,915 | 642,181 |
| Transportation Facilities Refunding Bonds [5] [6] | - | - | - | - |
| Debt Issuance Margin for Section 9(b) | | | | |
| General Obligation Bonds | $ 19,999,629 | $ 19,157,506 | $ 18,261,430 | $ 17,648,445 |
| | | | | |
| Debt Applicable to Limit as a % Limit | 2.24% | 2.62% | 3.04% | 3.51% |
| | | | | |
| Additional Section 9(b) Debt Borrowing Restriction: | | | | |
| Four-year Authorization Restriction (25% of 9(b) Debt Limit) | $ 5,114,348 | $ 4,918,244 | $ 4,708,336 | $ 4,572,656 |
| Less 9(b) Debt authorized in past three fiscal years | - | - | - | - |
| Maximum Additional Borrowing Restriction (amount that may be authorized by the General Assembly) | $ 5,114,348 | $ 4,918,244 | $ 4,708,336 | $ 4,572,656 |
| | | | | |
| **Section 9(c) General Obligation Debt Limit** | | | | |
| Debt Issuance Limit | | | | |
| (1.15 times average tax revenues for three fiscal years) | $ 20,457,393 | $ 19,672,974 | $ 18,833,345 | $ 18,290,626 |
| Less Bonds Outstanding:** | | | | |
| Parking Facilities Bonds [6] | 9,850 | 11,101 | 15,155 | 16,036 |
| Transportation Facilities Bonds [6] | 8,914 | 11,642 | 14,562 | 17,154 |
| Higher Educational Institution Bonds [6] | 836,874 | 897,018 | 877,118 | 936,857 |
| Debt Issuance Margin for Section 9(c) | | | | |
| General Obligation Bonds | $ 19,601,755 | $ 18,753,213 | $ 17,926,510 | $ 17,320,579 |
| | | | | |
| Debt Applicable to Limit as a % Limit | 4.18% | 4.68% | 4.82% | 5.30% |

**Bonds included on this schedule are only those which are backed by the full faith and credit of the Commonwealth.

[1] Includes taxes imposed pursuant to Articles 2 and 9 of Chapter 3, Title 58.1 of the *Code of Virginia*.

[2] Includes taxes imposed pursuant to Article 10 of Chapter 3, Title 58.1 of the *Code of Virginia.*

[3] Includes taxes imposed pursuant to Chapter 6, Title 58.1 of the *Code of Virginia,* less taxes identified in Sections 58.1-605 and 58.1-638.

[4] Debt limit applies only to debt authorized pursuant to Article X, Section 9(a)(2) of the Constitution of Virginia.

[5] These bonds refunded certain Section 9(c) debt, and because the Governor did not certify the feasibility of the refinanced project, it must be applied against the Section 9(b) Debt Limit.

[6] Beginning with fiscal year 2014, GASB Statement No. 65 removed deferrals of debt defeasance from the debt balances. Balances reported in prior fiscal years netted the deferrals against the debt balances. Net of unamortized discounts, premiums, and/or deferral on debt defeasance.

Sources: Department of Accounts
Department of the Treasury

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| $ 11,253,348 | $ 11,339,965 | $ 10,612,836 | $ 9,944,370 | $ 9,088,252 | $ 9,481,109 |
| 757,491 | 796,728 | 859,923 | 822,259 | 806,473 | 648,033 |
| 3,399,223 | 3,419,489 | 3,314,677 | 3,190,452 | 3,264,210 | 3,116,831 |
| $ 15,410,062 | $ 15,556,182 | $ 14,787,436 | $ 13,957,081 | $ 13,158,935 | $ 13,245,973 |
| $ 15,251,227 | $ 14,766,900 | $ 13,967,817 | $ 13,453,996 | $ 13,543,258 | $ 13,804,097 |
| $ 5,316,471 | $ 5,366,883 | $ 5,101,665 | $ 4,815,193 | $ 4,539,833 | $ 4,569,861 |
| - | - | - | - | - | - |
| $ 5,316,471 | $ 5,366,883 | $ 5,101,665 | $ 4,815,193 | $ 4,539,833 | $ 4,569,861 |
| 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| $ 17,538,911 | $ 16,981,935 | $ 16,062,990 | $ 15,472,096 | $ 15,574,747 | $ 15,874,712 |
| 706,192 | 752,493 | 831,148 | 914,574 | 993,372 | 1,027,941 |
| - | - | - | - | 6,469 | 12,696 |
| $ 16,832,719 | $ 16,229,442 | $ 15,231,842 | $ 14,557,522 | $ 14,574,906 | $ 14,834,075 |
| 4.03% | 4.43% | 5.17% | 5.91% | 6.42% | 6.56% |
| $ 4,384,728 | $ 4,245,484 | $ 4,015,747 | $ 3,868,024 | $ 3,893,687 | $ 3,968,678 |
| - | - | - | - | - | - |
| $ 4,384,728 | $ 4,245,484 | $ 4,015,747 | $ 3,868,024 | $ 3,893,687 | $ 3,968,678 |
| $ 17,538,911 | $ 16,981,935 | $ 16,062,990 | $ 15,472,096 | $ 15,574,747 | $ 15,874,712 |
| 17,045 | 17,538 | 18,383 | 19,445 | 21,151 | 6,527 |
| 19,632 | 21,961 | 24,210 | 26,355 | 28,394 | 30,358 |
| 925,086 | 877,858 | 906,474 | 765,280 | 631,275 | 573,550 |
| $ 16,577,148 | $ 16,064,578 | $ 15,113,923 | $ 14,661,016 | $ 14,893,927 | $ 15,264,277 |
| 5.48% | 5.40% | 5.91% | 5.24% | 4.37% | 3.85% |

## Schedule of Pledged Revenue Bond Coverage
## Primary Government 9(d) General Long-term Debt

Last Ten Fiscal Years
(Dollars in Thousands except Coverage)

| Primary Government Revenue Bonds: | For the Fiscal Year Ended June 30, | Beginning Balance, as restated (1) | Pledged Revenues | Operating Expenses (2) | Net Available for Debt Service | Debt Service Requirements (3) (4) Principal | Debt Service Requirements (3) (4) Interest | Coverage |
|---|---|---|---|---|---|---|---|---|
| **Route 460 Funding Corporation of** | 2018 | $ - | $ - | $ - | $ - | $ - | $ - | - |
| **Virginia (4) (5)** | 2017 | - | - | - | - | - | - | - |
| (Series 2012A and 2012B CAB) | 2016 | 1,261 | - | 436 | 825 | - | - | - |
| | 2015 | (20,991) | - | 524 | (21,515) | - | 11,726 | (1.83) |
| | 2014 | (8,958) | - | 448 | (9,406) | - | 12,084 | (0.78) |
| | 2013 | - | - | 130 | (130) | - | - | - |

(1) The Route 460 Funding Corporation of Virginia was restated due to the implementation of GASB Statement No. 65 in fiscal year 2014.
(2) Operating expenses are exclusive of principal and interest.
(3) Includes principal and interest of revenue bonds only. Does not include debt defeasance transactions.
(4) This entity was established in fiscal year 2013. No debt service payments were required during fiscal year 2013.
(5) The Route 460 Funding Corporation of Virginia continuing operations ceased during fiscal year 2016.

Source: Department of Accounts

# Demographic and Economic Information

## Schedule of Demographic and Economic Statistics

Last Ten Fiscal Years

| Fiscal Year | Population In Thousands (1) | Personal Income In Thousands (2)(3) | Per Capita Income (3) | Public Primary and Secondary School Enrollment | Unemployment Rate |
|---|---|---|---|---|---|
| 2018 | 8,481 | $ 476,303,879 | $ 56,161 | 1,290,513 | 3.4 % |
| 2017 | 8,470 | 457,398,914 | 54,002 | 1,293,049 | 4.0 % |
| 2016 | 8,412 | 444,844,325 | 52,882 | 1,267,591 | 4.1 % |
| 2015 | 8,383 | 431,143,481 | 51,431 | 1,279,773 | 4.9 % |
| 2014 | 8,326 | 409,121,628 | 49,138 | 1,273,211 | 5.2 % |
| 2013 | 8,260 | 404,767,510 | 49,003 | 1,264,880 | 5.6 % |
| 2012 | 8,186 | 395,592,961 | 48,326 | 1,258,521 | 6.0 % |
| 2011 | 8,097 | 375,648,939 | 46,394 | 1,253,038 | 6.5 % |
| 2010 | 8,026 | 354,957,658 | 44,226 | 1,245,937 | 7.0 % |
| 2009 | 7,929 | 352,172,006 | 44,416 | 1,236,546 | 5.6 % |

(1) Population figures are estimated.
(2) Personal income amount for fiscal year 2018 is estimated.
(3) Amounts for fiscal years 2009-2017 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.

Sources: Department of Education
Department of Taxation
Virginia Employment Commission
U.S. Bureau of Economic Analysis
Weldon Cooper Center for Public Service at the University of Virginia

## Principal Employers (1)

Current Year and Nine Years Ago

| Employer | 2017 Rank (2) | 2008 Rank |
|---|---|---|
| U.S. Department of Defense | 1 | 1 |
| Wal-Mart | 2 | 2 |
| Fairfax County Public Schools | 3 | 3 |
| Sentara Healthcare | 4 | 7 |
| Huntington Ingalls Industries, Inc. | 5 | 5 |
| U. S. Postal Service | 6 | 4 |
| Food Lion | 7 | 6 |
| County of Fairfax | 8 | 8 |
| U. S. Department of Homeland Defense (3) | 9 | - |
| Inova Health System | 10 | 10 |

(1) The Virginia Employment Commission is precluded from disclosing the actual number of employees per the Confidential Information Protection and Statistical Efficiency Act – Title V of Public Law 107-347. All Employers above have an employment size of 1,000 or more.
(2) Calendar year 2017 is the most recent information available.
(3) Previous ranking not available.

Source: Virginia Employment Commission (1)

# Operating Information

## State Employees by Function (1)

Last Ten Fiscal Years

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| **General Government** | | | | |
| Virginia Information Technologies Agency | 208 | 207 | 213 | 260 |
| Department of Taxation | 856 | 846 | 862 | 855 |
| Department of General Services | 591 | 596 | 594 | 608 |
| All other | 1,746 | 1,760 | 1,730 | 1,675 |
| **Education** | | | | |
| Colleges and Universities | 65,079 | 66,305 | 64,450 | 56,777 |
| All other | 2,323 | 2,853 | 2,714 | 2,634 |
| **Transportation** | | | | |
| Department of Transportation | 7,745 | 7,806 | 7,601 | 7,372 |
| Department of Motor Vehicles | 2,016 | 2,074 | 2,078 | 2,023 |
| All other | 331 | 330 | 317 | 263 |
| **Resources and Economic Development** | | | | |
| Department of Conservation & Recreation | 1,125 | 1,103 | 1,130 | 1,106 |
| Department of Environmental Quality | 797 | 803 | 814 | 826 |
| All other | 2,997 | 2,991 | 2,935 | 2,957 |
| **Individual and Family Services** | | | | |
| Department of Health | 3,431 | 3,559 | 3,408 | 3,565 |
| Behavioral Health Agencies | 5,971 | 6,285 | 6,628 | 7,378 |
| All other | 5,444 | 5,509 | 5,539 | 5,505 |
| **Administration of Justice** | | | | |
| Department of State Police | 2,675 | 2,654 | 2,725 | 2,773 |
| Department of Juvenile Justice | 1,876 | 1,934 | 2,057 | 2,086 |
| Correctional Facilities | 9,433 | 9,436 | 9,731 | 9,272 |
| All other | 6,577 | 6,538 | 6,552 | 6,505 |
| **Business-type Activities** | | | | |
| Alcoholic Beverage Control | 2,355 | 1,682 | 2,737 | 2,294 |
| Virginia Lottery | 279 | 279 | 285 | 284 |
| All other | 102 | 100 | 96 | 100 |
| State Total (2) | 123,957 | 125,650 | 125,196 | 117,118 |

(1) Includes salaried and wage employees but excludes adjunct faculty.
(2) Totals have been rounded and may vary slightly from the Department of Human Resource Management reports.

Source: Department of Human Resource Management

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| | | | | | |
| 263 | 270 | 262 | 261 | 295 | 353 |
| 877 | 873 | 917 | 976 | 1,044 | 947 |
| 614 | 621 | 624 | 634 | 654 | 618 |
| 1,663 | 1,677 | 1,571 | 1,936 | 1,608 | 1,918 |
| | | | | | |
| 56,086 | 55,223 | 53,979 | 49,107 | 47,981 | 48,485 |
| 2,663 | 2,662 | 2,667 | 3,287 | 3,276 | 3,551 |
| | | | | | |
| 7,365 | 7,212 | 7,167 | 7,024 | 6,852 | 8,261 |
| 2,040 | 1,999 | 1,926 | 1,949 | 1,900 | 1,931 |
| 198 | 193 | 190 | 242 | 233 | 215 |
| | | | | | |
| 747 | 1,165 | 933 | 909 | 930 | 953 |
| 822 | 779 | 731 | 743 | 768 | 800 |
| 2,950 | 2,898 | 2,957 | 3,001 | 2,874 | 3,334 |
| | | | | | |
| 3,593 | 3,646 | 3,784 | 3,827 | 3,856 | 3,750 |
| 7,629 | 8,314 | 8,803 | 8,757 | 8,635 | 8,355 |
| 5,545 | 5,804 | 5,740 | 5,576 | 5,622 | 5,957 |
| | | | | | |
| 2,792 | 2,779 | 2,640 | 2,627 | 2,533 | 2,671 |
| 2,339 | 2,405 | 2,499 | 2,380 | 2,442 | 2,314 |
| 9,922 | 9,738 | 9,656 | 9,656 | 9,623 | 10,437 |
| 6,579 | 6,606 | 6,363 | 6,262 | 6,314 | 6,285 |
| | | | | | |
| 2,272 | 2,182 | 3,306 | 2,483 | 2,461 | 2,581 |
| 279 | 275 | 270 | 267 | 257 | 252 |
| 94 | 84 | 81 | 82 | 77 | 74 |
| 117,332 | 117,405 | 117,066 | 111,986 | 110,235 | 114,042 |

## Operating Indicators by Function

Last Ten Fiscal Years

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| **General Government** | | | |
| **Virginia Department of Taxation** | | | |
| Number of Returns Processed (calendar year) (1) | Not yet available | 7,842,664 | 7,849,647 |
| | | | |
| **Education** | | | |
| **State Council of Higher Education** | | | |
| Number of Students Enrolled at State-supported Colleges and Universities | 521,444 | 524,340 | 528,673 |
| **Department of Education** | | | |
| Number of Public Primary and Secondary School Enrollment | 1,290,513 | 1,293,049 | 1,267,591 |
| | | | |
| **Resources and Economic Development** | | | |
| **Department of Environmental Quality** | | | |
| Number of Permits Issued | 2,719 | 5,393 | 2,564 |
| Number of Inspections Conducted | 6,095 | 8,706 | 7,962 |
| **Department of Housing and Community Development** | | | |
| Number of Housing Units Improved to Define Standards through Housing Programs | 2,413 | 3,614 | 3,031 |
| **Department of Agriculture and Consumer Services** | | | |
| Number of Food Inspections Conducted | 9,576 | 9,175 | 8,246 |
| Number of Weights/Measure Equipment Inspected | 98,643 | 83,558 | 79,876 |
| **Department of Forestry** | | | |
| Number of Firefighters Trained in Forest Fire Control | 707 | 982 | 892 |
| | | | |
| **Individual and Family Services** | | | |
| **Comprehensive Services for At-Risk Youth and Families** | | | |
| Number of Youth Served | 15,233 | 15,042 | 16,135 |
| **Department for Aging and Rehabilitative Services** | | | |
| Number of Medicare Recipients | 1,492,436 | 1,420,405 | 1,358,179 |
| **Department of Medical Assistance Services** | | | |
| Number of Medicaid Recipients | 1,310,815 | 1,300,028 | 1,319,227 |
| **Department of Behavioral Health and Developmental Services (2)** | | | |
| Number of Patients Served | 1,982 | 2,058 | 2,104 |
| Number of Beds Used | 2,306 | 2,448 | 2,619 |
| **Department of Social Services** | | | |
| Average Number of Households Receiving Food Stamps | 354,783 | 372,773 | 391,632 |
| Number of Households Receiving Child Support Enforcement Assistance | 302,984 | 304,565 | 310,933 |
| **Department of Health** | | | |
| Number of WIC Participants | 201,461 | 223,931 | 239,711 |
| Number of Childhood Immunizations Administered | 1,319,475 | 1,410,886 | 1,371,582 |
| | | | |
| **Administration of Justice** | | | |
| **Supreme Court** | | | |
| Number of Criminal Trials (calendar year) | 640,340 | 642,593 | 642,216 |
| Number of Civil Trials (calendar year) | 1,290,994 | 1,166,949 | 1,166,073 |
| Number of Traffic Hearings (calendar year) | 1,659,637 | 1,622,252 | 1,714,779 |
| **Compensation Board** | | | |
| Number of Constitutional Officers Receiving Financial Support | 651 | 652 | 649 |
| **Department of State Police** | | | |
| Number of Traffic Citations Issued (calendar year) | 479,208 | 495,404 | 592,670 |
| Number of Arrests (calendar year) | 19,565 | 20,872 | 22,320 |
| **Department of Corrections** | | | |
| Number of Inmates | 29,912 | 29,991 | 30,038 |

| 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| | | | | | | |
| | | | | | | |
| 7,746,235 | 7,575,225 | 7,520,463 | 7,446,060 | 6,969,581 | 6,998,747 | 7,079,611 |
| | | | | | | |
| | | | | | | |
| 534,280 | 537,370 | 539,025 | 535,294 | 519,772 | 501,866 | 467,093 |
| 1,279,773 | 1,273,211 | 1,264,880 | 1,258,521 | 1,253,038 | 1,245,937 | 1,236,546 |
| | | | | | | |
| | | | | | | |
| 7,173 | 5,890 | 1,750 | 4,063 | 2,486 | 2,780 | 1,925 |
| 7,848 | 8,307 | 9,044 | 9,834 | 10,441 | 11,804 | 11,599 |
| | | | | | | |
| 3,491 | 3,677 | 7,396 | 7,279 | 7,675 | 7,231 | 5,198 |
| | | | | | | |
| 5,583 | 8,886 | 10,441 | 12,966 | 12,003 | 13,516 | 14,639 |
| 82,355 | 76,342 | 62,488 | 68,292 | 66,760 | 53,329 | 57,275 |
| 1,178 | 1,233 | 1,197 | 1,178 | 1,192 | 1,123 | 1,034 |
| | | | | | | |
| | | | | | | |
| 15,700 | 15,025 | 13,516 | 15,425 | 16,617 | 17,242 | 17,957 |
| 1,328,435 | 1,203,462 | 1,244,136 | 1,190,827 | 1,143,243 | 1,122,522 | 1,104,765 |
| 1,255,960 | 1,177,922 | 1,046,790 | 996,835 | 992,816 | 937,522 | 857,662 |
| 2,229 | 2,269 | 2,455 | 2,608 | 2,724 | 2,754 | 2,877 |
| 2,813 | 2,822 | 3,071 | 3,471 | 3,317 | 3,396 | 3,533 |
| | | | | | | |
| 411,768 | 451,640 | 453,244 | 434,223 | 396,613 | 350,599 | 277,498 |
| 314,377 | 320,942 | 347,729 | 349,661 | 352,825 | 359,317 | 359,487 |
| 249,499 | 244,181 | 267,465 | 270,962 | 270,219 | 275,580 | 270,378 |
| 1,534,373 | 1,675,572 | 1,736,396 | 1,439,233 | 1,773,402 | 1,602,907 | 1,470,403 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| 686,795 | 699,270 | 720,630 | 708,943 | 697,360 | 705,777 | 731,609 |
| 1,171,042 | 1,232,899 | 1,264,219 | 1,299,053 | 1,289,633 | 1,372,483 | 1,397,850 |
| 1,903,845 | 1,887,252 | 1,891,207 | 1,956,836 | 2,069,668 | 2,143,109 | 2,050,896 |
| | | | | | | |
| 650 | 649 | 651 | 650 | 650 | 650 | 654 |
| | | | | | | |
| 644,218 | 686,812 | 588,307 | 550,122 | 567,480 | 686,173 | 647,396 |
| 20,608 | 21,777 | 19,611 | 19,460 | 20,132 | 22,713 | 23,996 |
| 30,258 | 30,275 | 29,803 | 29,685 | 32,116 | 31,735 | 32,708 |

*Continued on next page*

## Operating Indicators by Function *(Continued from previous page)*

Last Ten Fiscal Years

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| **Business-type Activities** | | | |
| **Virginia Lottery** | | | |
| Number of Plays Sold - Pick 3 | 296,627,276 | 276,560,578 | 272,748,955 |
| Number of Plays Sold - Pick 4 | 302,727,557 | 291,852,118 | 279,841,494 |
| Number of Plays Sold - Cash 5 | 33,202,456 | 31,427,856 | 30,419,782 |
| Number of Plays Sold - Megamillions | 130,782,622 | 84,351,249 | 87,404,430 |
| Number of Plays Sold - Win for Life (3) | - | - | - |
| Number of Plays Sold - Decades of Dollars (3) | - | - | - |
| Number of Plays Sold - Millionaire Raffle | 7,491,580 | 6,600,000 | 6,600,000 |
| Number of Plays Sold - Powerball (4) | 110,388,116 | 112,705,215 | 163,892,079 |
| Number of Plays Sold - Bank A Million (5) | 13,282,492 | 13,460,880 | 14,520,460 |
| Number of Plays Sold - Money Ball (6) (7) | - | - | 2,616,104 |
| Number of Plays Sold - Cash 4 Life (6) | 15,241,200 | 15,314,148 | 19,037,030 |
| Number of Plays Sold - Print 'n Play (8) | 45,434,462 | 39,890,998 | 29,243,465 |
| Number of Tickets Sold - Instant Tickets | 1,184,641,974 | 1,117,709,151 | 1,100,574,151 |
| **Virginia College Savings Plan** | | | |
| Number of Virginia529 Prepaid529 Tuition Contractholders | 63,073 | 64,072 | 65,101 |
| **Virginia Employment Commission** | | | |
| Number of Individuals Receiving Unemployment Benefits | 66,632 | 75,012 | 87,685 |
| New Unemployment Benefit Claims | 141,554 | 160,952 | 185,558 |

(1) Information for fiscal year 2018 is not yet available.
(2) This agency is structured to provide services primarily in a community setting. Although they have a significant amount of capital and operating costs in facility operations, inpatient treatment methodology is being deemphasized over time. Their inpatient census will continue to decline in the future. Over $250 million of community funding (state and Federal dollars) each fiscal year supports 40 community services boards across the Commonwealth. These entities serve approximately 300,000 Virginians each year.
(3) Win for Life and Decades for Dollars ended during fiscal year 2015; therefore, information for fiscal year 2016 and thereafter is not available.
(4) Powerball began during fiscal year 2010; therefore, information for fiscal year 2009 and prior years is not available.
(5) Bank A Million began during fiscal year 2016; therefore, information for fiscal year 2015 and prior years is not available.
(6) Money Ball and Cash 4 Life began during fiscal year 2015; therefore, information for fiscal year 2014 and prior years is not available.
(7) Money Ball ended during fiscal year 2016; therefore, information for fiscal year 2017 and thereafter is not available.
(8) Fast Play Bingo was renamed Print ‘n Play during fiscal year 2017.

| 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| | | | | | | |
| | | | | | | |
| 272,253,482 | 265,144,318 | 253,682,839 | 243,270,273 | 241,963,816 | 246,899,030 | 250,634,329 |
| 268,645,030 | 244,143,030 | 232,184,205 | 222,774,015 | 207,174,550 | 197,460,420 | 185,418,033 |
| 29,895,533 | 30,114,799 | 28,302,849 | 26,677,286 | 26,657,009 | 28,242,740 | 29,267,637 |
| 94,283,607 | 115,298,827 | 89,518,093 | 140,240,940 | 138,496,457 | 174,882,294 | 162,095,735 |
| 2,979,902 | 14,870,716 | 15,950,166 | 17,682,922 | 21,052,138 | 28,440,948 | 32,128,730 |
| 9,365,110 | 12,236,092 | 13,243,504 | 15,467,376 | 8,377,354 | - | - |
| 6,600,000 | 6,600,000 | 6,945,500 | 6,625,456 | 6,600,000 | 6,600,000 | 8,905,555 |
| 96,580,238 | 113,724,880 | 145,690,841 | 89,046,990 | 66,614,340 | 34,562,352 | - |
| - | - | - | - | - | - | - |
| 16,766,958 | - | - | - | - | - | - |
| 3,812,708 | - | - | - | - | - | - |
| 24,205,141 | 20,095,274 | 16,581,338 | 12,094,785 | 8,915,566 | 6,884,748 | 6,772,764 |
| 1,018,488,394 | 988,592,675 | 887,139,810 | 842,121,604 | 756,837,222 | 711,155,383 | 690,382,366 |
| | | | | | | |
| 66,364 | 70,490 | 68,637 | 69,847 | 70,955 | 71,373 | 71,898 |
| | | | | | | |
| 92,762 | 115,155 | 127,091 | 136,753 | 162,025 | 190,370 | 219,646 |
| 202,040 | 253,310 | 284,218 | 318,935 | 360,657 | 418,431 | 474,777 |

Sources: Compensation Board
Comprehensive Services for At-Risk Youth and Families
Department for Aging and Rehabilitative Services
Department of Agriculture and Consumer Services
Department of Behavioral Health and Developmental Services
Department of Corrections
Department of Education
Department of Environmental Quality
Department of Forestry
Department of Health
Department of Housing and Community Development
Department of Medical Assistance Services
Department of Social Services
Department of State Police
Department of Taxation
Department of Transportation
State Council of Higher Education
Supreme Court
Virginia College Savings Plan
Virginia Employment Commission
Virginia Lottery

## Capital Asset Statistics by Function (1)

Last Ten Fiscal Years

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| **General Government** | | | |
| **Department of General Services** | | | |
| Number of Buildings | 66 | 66 | 64 |
| Total Square Footage of Buildings | 5,351,754 | 5,351,754 | 4,901,754 |
| Vehicles | 14,021 | 14,920 | 14,519 |
| **Education** | | | |
| **State Council of Higher Education** | | | |
| Campuses of In-State Institutions | 258 | 255 | 246 |
| Campuses of Out-of-State Institutions | 120 | 134 | 129 |
| **Transportation** | | | |
| **Department of Transportation** | | | |
| Bridges Maintained (1) | Not yet available | 13,106 | 13,101 |
| State Maintained Highway Lane Miles (calendar year) (1) | Not yet available | 72,397 | 75,096 |
| Vehicles | 7,401 | 7,567 | 7,754 |
| Number of Buildings (2) | 3,533 | 3,485 | 3,489 |
| Total Square Footage of Buildings | 8,346,916 | 8,264,527 | 8,262,042 |
| **Resources and Economic Development** | | | |
| **Department Conservation & Recreation** | | | |
| State Parks | 39 | 39 | 39 |
| Acres of State Parks (in thousands) | 73 | 73 | 73 |
| Natural Area Preserves | 39 | 39 | 39 |
| Acres of Natural Area Preserves (in thousands) | 33 | 35 | 34 |
| Historic Sites | 3 | 3 | 3 |
| Acres of Historic Sites (in thousands) | 0.3 | 0.3 | 0.3 |
| Number of Buildings (3) | 1,405 | 1,359 | 1,359 |
| Total Square Footage of Buildings | 2,789,799 | 2,562,851 | 2,562,851 |
| **Department of Forestry** | | | |
| State Forests | 24 | 24 | 23 |
| Buildings | 295 | 295 | 295 |
| Total Square Footage of Buildings | 600,602 | 600,602 | 600,602 |
| **Individual and Family Services** | | | |
| **Department of Behavioral Health and Developmental Services** | | | |
| Number of Buildings | 394 | 407 | 407 |
| Total Square Footage of Buildings | 5,413,168 | 5,568,709 | 5,568,709 |
| **Administration of Justice** | | | |
| **Department of State Police** | | | |
| Number of Stations | 67 | 66 | 66 |
| Number of Buildings | 147 | 147 | 147 |
| Total Square Footage of Buildings | 685,109 | 685,109 | 685,109 |
| **Department of Corrections** | | | |
| Number of Buildings | 1,854 | 1,849 | 1,858 |
| Total Square Footage of Buildings | 12,165,957 | 12,082,187 | 12,105,357 |
| **Business-type Activities** | | | |
| **Alcoholic Beverage Control** | | | |
| Number of Buildings | 23 | 23 | 24 |
| Total Square Footage of Buildings | 1,174,901 | 1,174,901 | 1,180,501 |

(1) Information not yet available for fiscal year 2018.
(2) Includes storage sheds
(3) Includes cabins

| 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| | | | | | | |
| | | | | | | |
| 65 | 63 | 62 | 62 | 54 | 55 | 48 |
| 5,032,991 | 5,026,991 | 4,961,416 | 4,961,416 | 5,259,506 | 5,053,912 | 4,718,480 |
| 14,669 | 14,769 | 14,424 | 14,161 | 13,983 | 13,534 | 13,322 |
| | | | | | | |
| | | | | | | |
| 231 | 276 | 252 | 262 | 250 | 244 | 254 |
| 132 | 146 | 142 | 158 | 166 | 121 | 87 |
| | | | | | | |
| | | | | | | |
| 13,098 | 13,089 | 13,049 | 13,042 | 12,926 | 12,949 | 12,912 |
| 72,210 | 72,089 | 71,937 | 71,779 | 71,668 | 71,561 | 71,349 |
| 7,503 | 7,768 | 7,762 | 7,797 | 7,593 | 7,734 | 8,185 |
| 3,492 | 3,488 | 3,501 | 3,487 | 3,520 | 3,513 | 3,526 |
| 8,269,556 | 8,158,974 | 8,119,018 | 7,830,447 | 7,916,019 | 7,713,617 | 7,683,384 |
| | | | | | | |
| | | | | | | |
| 39 | 37 | 37 | 37 | 37 | 37 | 37 |
| 71 | 68 | 67 | 69 | 69 | 71 | 69 |
| 39 | 39 | 39 | 39 | 39 | 39 | 39 |
| 34 | 34 | 35 | 31 | 30 | 30 | 29 |
| 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| 1,360 | 1,345 | 1,345 | 1,164 | 1,164 | 1,164 | 1,168 |
| 2,583,309 | 2,560,662 | 2,560,662 | 1,152,257 | 1,152,257 | 1,152,257 | 1,154,487 |
| | | | | | | |
| 23 | 23 | 23 | 22 | 22 | 19 | 19 |
| 295 | 295 | 295 | 295 | 295 | 295 | 295 |
| 600,602 | 600,602 | 600,602 | 600,602 | 600,602 | 600,602 | 600,602 |
| | | | | | | |
| | | | | | | |
| 409 | 409 | 408 | 407 | 429 | 438 | 435 |
| 5,571,068 | 5,534,625 | 5,523,762 | 5,169,937 | 5,901,505 | 5,744,389 | 5,743,088 |
| | | | | | | |
| | | | | | | |
| 65 | 65 | 65 | 65 | 65 | 64 | 66 |
| 147 | 147 | 148 | 144 | 145 | 145 | 145 |
| 685,109 | 685,109 | 681,987 | 562,736 | 562,736 | 562,736 | 550,736 |
| | | | | | | |
| 1,823 | 1,843 | 1,881 | 1,858 | 1,820 | 1,835 | 1,826 |
| 11,826,751 | 11,799,780 | 11,889,055 | 11,872,765 | 11,771,319 | 11,920,234 | 12,160,909 |
| | | | | | | |
| | | | | | | |
| 24 | 24 | 24 | 25 | 25 | 25 | 24 |
| 1,180,501 | 1,180,501 | 1,180,501 | 1,185,501 | 1,185,501 | 1,185,501 | 1,142,273 |

Sources: Department of Conservation and Recreation
Department of Forestry
Department of Motor Vehicles
Department of State Police
Department of Transportation
Department of the Treasury
State Council of Higher Education for Virginia

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